CONTRACT #6
RFS # 317.01-50010
FA # 07-20295-00

Finance & Administration
Benefits Administration

VENDOR:
Policy Studies, Inc.

RECEIVED
SEP 22 2009
FISCAL REVIEW

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF BENEFITS ADMINISTRATION
William R. Snodgrass Tennessee Tower
312 Rosa L Parks Avenue, Suite 2600
Nashville, Tennessee 37243

Dave Goetz
COMMISSIONER

Phone: 615.741.4517
Fax: 615.253.8556

Laurie Lee
EXEXUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Brian Haile, Deputy Executive Director, Benefits Administration

Date: September 22, 2009

RE: Amendment # 5 to the Policy Studies Inc., Contract. Edison Contract number 2893 (previously FA-07-20295-00)

Please find attached a Non-Competitive Amendment request to the existing contract with Policy Studies Inc., which has been signed by Commissioner Goetz.

The modification to the contract through this amendment provides ongoing eligibility determination, application processing, applicant outreach, enrollee retention services and allows for enrollment renewal by phone. The base contract, prior amendments and all required supporting documentation for Policy Studies Inc., are included for review as is the proposed amendment to the document.

Thank you for your consideration of this request to amend this contract with a start date for the amendment of January 2010.

NON-COMPETITIVE AMENDMENT REQUEST:

APPROVED
Commissioner of Finance & Administration

1) **RFS #**	31701 - 50010
2) **Procuring Agency :**	Finance and Administration - Benefits Administration
EXISTING CONTRACT INFORMATON	
3) **Service Caption :**	To provide ongoing eligibility determination, application processing, applicant outreach, and enrollee retention services.
4) **Contractor :**	Policy Studies Inc.
5) **Contract #**	Edison ID # 2893, formerly FA-07-20295-00
6) **Contract Start Date :**	February 20, 2007
7) **CURRENT Contract End Date :** (if ALL options to extend the contract are exercised)	December 31, 2009
8) **CURRENT Maximum Cost :** (if ALL options to extend the contract are exercised)	$ 10,600,000.00
PROPOSED AMENDMENT INFORMATON	
9) **Amendment #**	# 5
10) **Amendment Effective Date :** (attached explanation required if < 60 days after F&A receipt)	January 1, 2010
11) **PROPOSED Contract End Date :** (if ALL options to extend the contract are exercised)	December 31, 2010
12) **PROPOSED Maximum Cost :** (if ALL options to extend the contract are exercised)	$ 15,050,000.00
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 would allow for ongoing eligibility services for applicants and enrollees. Further, it will enhance current processes which will translate into greater ease for families to enroll and stay enrolled in the program.

15) Explanation of Need for the Proposed Amendment :

Due to the rapid implementation of the CoverKids program, an eligibility contractor with expertise in providing eligibility determination and enrollment retention was engaged. The extension proposed by this amendment would allow for continuity and enhancement of these services especially in this time when steadily increasing enrollment demonstrates the needs of families within the State for services offered by the CoverKids program. Additionally, this proposed extension would allow for a period to explore careful transition of services from the eligibility contractor to the State without disruption of services to families.

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

Policy Studies Inc., 1875 Lawrence Street, Suite 1500, Denver, CO 80202

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 :

Benefits Administration did not attempt to secure these services from another vendor, but is exercising the option to extend the current contract for the first of two one year extensions. REQUIRED INFORMATION

21) Justification for the Proposed Non-Competitive Amendment :

The Contractor has partnered with the State of Tennessee to operationally implement and maintain the CoverKids program. This Contractor has been the eligibility contractor and database administrator for CoverKids since inception. The CoverKids eligibility system was customized by the Contractor according to the CoverKids business rules. Therefore, this Contractor has very detailed knowledge of the CoverKids program. The extension proposed by this amendment would allow for continuity and enhancement of these services especially in this time when steadily increasing enrollment demonstrates the needs of families within the State for services offered by the CoverKids program. Additionally, this proposed extension would allow for a period to explore careful transition of services from the eligibility contractor to the State without disruption of services to families.

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)

SIGNATURE & DATE 9/18/09

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Marlene Alvarez	*Contact Phone:	615.253.8358
*Contract Number:	Edison ID# 2893 (formerly FA-07-20295-00)	*RFS Number:	31701-50010
*Original Contract Begin Date:	02.20.2007	*Current End Date:	12.31.2009
Current Request Amendment Number: (*if applicable*)	5		
Proposed Amendment Effective Date: (*if applicable*)	1.1.2010		
*Department Submitting:	Finance & Administration		
*Division:	Benefits Administration		
*Date Submitted:	September 22, 2009		
*Submitted Within Sixty (60) days:	Yes		
If not, explain:			
*Contract Vendor Name:	Policy Studies Inc.		
*Current Maximum Liability:	$10,600,000		

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

FY: **2007**	FY: **2008**	FY: **2009**	FY: **2010**	FY:	FY:
$1,500,000	$3,700,000	$3,700,000	$1,700,000		

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

FY: **2007**	FY: **2008**	FY: **2009**	FY: **YTD 2010**	FY:	FY:
$159,788.26	$4,367,426.50	$3,640,306.12	$697,711.74		$

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	**Contract Per Member Per Month (PMPM) expenditures are based on estimates of annual plan membership for the term of the contract. Actual membership may vary from the original estimates during the term of each contract, and therefore funding needs may vary. Surplus funds were not spent.**
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	**Surplus funds for the CoverKids program were carried forward to ensure adequate funding to sustain program growth. Carry forward authority is PC 1203, Section 35, item 11.**
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	**Funding for 2008 was carried forward from 2007.**

*Contract Funding Source/Amount:	State:		Federal:	

Supplemental Documentation Required for Fiscal Review Committee

Interdepartmental:	$10,600,000	*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*)
September 2008 – Amendment 4	The amendment adds a one time call center and increases for additional enrollment and benefits (vision and dental)
November 2007 – Amendment 3	The amendment revised the payment methodology and added an Interactive Web-Based Application Enrollment in to CoverKids.
October 2007 – Amendment 2	The amendment revised the payment methodology.
August 2007 – Amendment 1	The amendment added Print/Production and Mass Mailing and added language regarding reimbursement for the services.

Method of Original Award: (*if applicable*)	Competitive Negotiation
Include a detailed breakdown of the actual expenditures anticipated in each year of the contract. Include specific line items, source of funding, and disposition of any excess fund. *(if applicable)*	See attached – "Policy Studies, Inc. Expenditures"
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)*	No specific dollar amount of savings is anticipated as a result from this contract amendment.
Include a detailed analysis, in dollars, of the cost of obtaining this service through the proposed contract as compared to other options. *(if applicable)*	This contract is in the third year of the term of the contract. Expenditures to date are included above and projections anticipate expenditures of $4,450,000 in calendar year 2010.

Policy Studies, Inc.

STARS Contract	FA0720295
Edison Contract	2893

Fiscal Year	Expenditures
2007	159,788.26
2008	4,367,426.50
2009	3,640,306.12
YTD 2010	697,711.74
Total	8,865,232.62

Projected Expenditures for CY 2010

$4,450,000

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31701-50010	2893	FA-07-20295-00	5

Contractor	Contractor Federal Employer Identification or Social Security #
Policy Studies Inc.	☐ C- or ☒ V- 84-093-8521

Amendment Purpose/ Effects

To provide ongoing eligibility determination, application processing, applicant outreach, and enrollee retention services.

Contract Begin Date	Contract End Date	Subrecipient or Vendor	CFDA #(s)
February 20, 2007	December 31, 2010	☐ Subrecipient ☒ Vendor	

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007			$1,500,000		$1,500,000
2008			$3,700,000		$3,700,000
2009			$3,700,000		$3,700,000
2010			$3,925,000		$3,925,000
2011			$2,225,000		$2,225,000
TOTAL:			**$ 15,050,000**		**$ 15,050,000**

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
2007	$1,500,000	$0.00
2008	$3,700,000	$0.00
2009	$3,700,000	$0.00
2010	$1,700,000	$2,225,000
2011	$0.00	$2,225,000
TOTAL:	**$10,600,000**	**$4,450,000**

Agency Contact & Telephone #

Marlene Alvarez- Manager of Procurement & Contracting
Tennessee Department of Finance & Administration, Benefits Administration
312 Rosa L. Parks Avenue, Suite 2600
Nashville, Tennessee 37243

615.253.8358

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
FA00001746	70803000

— OCR USE —	**Procurement Process Summary** (non-competitive, FA- or ED-type only) The process described in the request to procure a vendor by a competitive negotiation process was followed. The evaluation of the technical and cost proposals was completed in the manner described in documents provided to the proposers.

AMENDMENT FIVE
TO CONTRACT NUMBER FA-07-20295-00 (Edison ID # 2893)

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the "State" and Policy Studies 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 following provision is added as Contract Section A.1.12:

   A.1.12 Within ten (10) days of the start of this amendment, the Contractor shall submit to the State for its approval a transition plan to be implemented for all services provided by Contractor under this Contract in the event of the award of a contract for such services to a vendor in a subsequent procurement.

2. The following provision is added as Contract Section A.2.10.:

   A.2.10 The Contractor's predictive dialer (the "**Predictive Dialer**") shall make three attempts to contact each family that includes a CoverKids beneficiary by telephone during the 50-calendar-day period prior to the end of such beneficiary's 12-month eligibility period.

   a. If the Predictive Dialer contacts an automated message system, then the Predictive Dialer shall leave a pre-recorded message on such system.

   b. If the Predictive Dialer contacts a family member, then a Customer Service Representative ("**CSR**") of the Contractor shall verify all information necessary to complete the renewal and the Contractor shall be paid for such renewal as provided in Section C.3.b. for renewals by phone. Outbound renewals will be tracked via the predictive dialer call coding report. Audit documentation will be provided to the state on a monthly basis.

   c. If the family member is unable during the call to verify all such information, then a call back from the family member to the Call Center, to complete the renewal will not entitle the Contractor to an additional fee for a renewal under Section C.3.b.

   d. If a family that receives a message on an automated message system left during one of the three attempts of the Predictive Dialer as described above, and then calls back and completes the renewal with a CSR, the Contractor shall be paid for such renewal as provided in Section C.3.b. for renewals by phone. Call backs will be tracked using a special renewal status code. Audit documentation will be provided to the state on a monthly basis.

   e. If a family either mails in a renewal form or completes it online, the Contractor shall be paid for such renewal as provided in Section C.3.b. for renewals by mail or online.

   f. If the family never completes a renewal, PSI will not receive a renewal fee with respect to such family.

3. The text of Contract Section A.5.2. is deleted in its entirety and replaced with the following:

   A.5.2 At a time agreed to by the Contractor and the state, the Contractor shall be able to accept applications via the Internet Applications may be downloaded from the Internet and mailed to the Contractor. A downloadable application in a standard electronic format (e.g., Adobe PDF) shall fully satisfy this requirement. The Contractor conducts the initial review to determine if the application should be processed for eligibility determination or referred to the Department of Human Services electronically. Persons who are Medicaid eligible are not eligible for CoverKids. The Contractor will follow up with families that are missing required information to

complete the eligibility determination. Each account will receive three outbound attempts at various times in addition to a missing information letter.

4. The following provision is added as Contract Section A.5.5.2.h.:

A.5.5.2.h. Generally, once eligibility is determined, CoverKids coverage continues for 12 months from the effective date of coverage unless the beneficiary dies, ages out of the program, no longer meets the state residency requirement, or family requests disenrollment. Changes in family circumstances will not terminate coverage within a 12 month eligibility period unless such change would result in the child being Medicaid eligible and upon enrollment of that child into Medicaid. The contractor shall provide the family with a renewal form at least 100 calendar days prior to the end of the beneficiary's 12-month eligibility period. The renewal form will have limited fields preprinted. The family will be required to attest to the accuracy of the preprinted information and provide updated information and supply current income information either by returning a completed pre-printed renewal form by mail, completing the renewal on-line at the CoverKids website or over the telephone during a renewal call with a CSR (as outlined in Section A.2.10.). If the Contractor has not received the renewal form via mail, the website or the renewal process over the telephone within 50 working days, the Contractor shall follow-up with the family. The Contractor must receive approval for the follow-up process from the State prior to implementation of that process. If the family fails to respond to the renewal application, the family will lose eligibility for the CoverKids program. The Contractor will close these cases

5. The following provision is added as Contract Section A.6.3.:

A.6.3 Upon finalization of technical and procedural requirements with the Department, the Contractor shall revise the CoverKids paper and on-line applications to a dual application for Medicaid and CoverKids per Department specifications by adding the following: (i) notice language in Section 6, (ii) one single question with a yes/no response in Section 4 and (iii) a blank line for the applicant to enter a dollar amount for assets. These changes are to facilitate the electronic transfer via e-mail of CoverKids applications screened as potentially Medicaid-eligible to the appropriate local county Department of Human Services office. For such revisions to the application and system and the creation of the e-mail facility for transfer, the Contractor shall be compensated as provided in the "Change Orders (per Hour)" section of the table in Section C.3.b.

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

B.1. Contract Term. This Contract shall be effective for the period commencing on February 20, 2007 and ending on December 31, 2010. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

7. 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 Fifteen Million Fifty Thousand Dollars ($15,050,000.00). The payment rates in Section C.3 and the Travel Compensation provided in Section C.4.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. is deleted in its entirety and replaced with the following:

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:

Component	**Calendar Year 2007**	**Calendar Year 2008**	**Calendar Year 2009**	**Calendar Year 2010**
Applications Received:				
One time fee per application – Consistent Cost due to:				
0 – 10,000 Applications	$12.92	$13.62	$14.78	$14.78
10,001 – 20,000 Applications	$12.58	$13.26	$14.41	$14.41
20,001 – 30,000 Applications	$12.06	$12.73	$13.86	$13.86
30,001 – 40,000 Applications	$10.67	$11.30	$12.39	$12.39
40,001 – 50,000 Applications	$9.46	$10.06	$11.11	$11.11
50,001 – 60,000 Applications	$8.59	$9.17	$10.19	$10.19
60,001 – 70,000 Applications	$7.72	$8.28	$9.27	$9.27
Applications Completed:				
One time fee per application completed in timeframe specified in eligibility rules.	**Calendar Year 2007**	**Calendar Year 2008**	**Calendar Year 2009**	**Calendar Year 2010**
0-10,000 Applications	$8.94	$9.58	$10.71	$10.71
10,001 – 20,000 Applications	$8.60	$9.23	$10.35	$10.35
20,001 – 30,000 Application	$8.08	$8.70	$9.81	$9.81
30,001 – 40,000 Applications	$6.72	$7.30	$8.36	$8.36
40,001 – 50,000 Applications	$5.52	$6.07	$7.10	$7.10
50,001 – 60,000 Applications	$4.67	$5.20	$6.20	$6.20
60,001 – 70,000 Applications	$3.82	$4.32	$5.29	$5.29

Renewals:				
Per member (one time per year) by mail or online	$9.17	$9.17	$9.17	$9.17
Per member (one time per year) by phone				$13.60
Enrollment Fee:				
Per Member (per month)				
0 – 10,000 Enrollees	$19.56	$14.34	$11.90	$11.90
10,001 – 20,000 Enrollees	$12.37	$7.03	$5.63	$5.63
20,001 – 30,000 Enrollees	$9.49	$4.10	$3.12	$3.12
30,001 – 40,000 Enrollees	$8.78	$3.37	$2.50	$2.50
Change Orders: (per Hour)				
Computer Programming	$99	$102	$105	$105
Administrative	$124	$127	$131	$131
Analytical	$89	$92	$95	$95
Other				

c. The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

d. Print/Production and Mass Mailing. The State may authorize the Contractor to procure print/production and mailing service the cost of which is not remunerated in accordance with preceding contract sections. In which case, the Contractor shall procure such service on a competitive basis, document the competitive basis and provide the documentation to the State. For each print/production and mass mailing service approved by the State in advance, the State shall reimburse the Contractor for the Contractor's actual net cost of the service and shall compensate the Contractor in an amount no less than $200 and no greater than $2,000 for the Contractor's actual cost to procure bids and oversee the print, production and mass mailing of the applications or other requested documents. Said payment shall constitute the total amount payable to the Contractor for any and all cost associated with a print/production and mass mailing service. The Contractor shall not be reimbursed or compensated for any print/production and mass mailing service not approved by the State in advance.

e. For the months of September, October, November and December of 2007 the minimum compensation for the amounts generated by the accumulative fee structure detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees shall be $125,000. Should the fees detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees exceed the minimum payment amount, the Contractor shall be compensated the greater amount.

f. For the months of January, February, March, April, May and June 2008, the minimum compensation for the amounts generated by the accumulative fee structure detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees shall be $100,000. Should the fees detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees exceed the minimum payment amount, the Contractor shall be compensated the greater amount.

g. Beginning July 2008 the minimum compensation amounts detailed in C.3.e. and C.3.f. shall no longer be in effect.

h. Beginning November 1, 2007, the Contractor shall be compensated up to Two Hundred Twenty-Four Thousand Dollars ($224,000.00) for the development of the web-based application for CoverKids. The Contractor shall submit an invoice for work completed on the development and/or testing of the website based on the hourly rates listed in C.3.b. Beginning January 1, 2008, The Contractor shall receive an annual web site maintenance fee of Six Thousand Dollars ($6,000.00).

i. Beginning October 1, 2008, the Contractor shall be compensated up to Two Thousand Four Hundred, Fifty-seven dollars ($2,457.00) for the one-time Call Center set up fee which includes the additional voice/data license and maintenance fees to accommodate anticipated increased call volumes and call times due to anticipated increase in enrollment, and due to recent addition of benefits. The Contractor shall submit an invoice for work completed on the development and/or testing of the Call Center based on the hourly rates listed in C.3.b. if these rates are applicable to the work. A proposal for the work shall be submitted in writing to the Department of Finance and Administration for approval prior to any work being undertaken.

j. For the purpose of calculating the amount payable by the State for an "Application Completed" under this Section C.3., an "application" shall not include any application resubmitted by the same family within 60 days after such family first submitted an application. As an example, and without limiting the foregoing, if a family were to submit a new or updated application with complete information within 60 days after initially submitting an application with incomplete information, then such second application would not be an application for the purposes of calculating the amount payable by the State for an "Application Completed" under this Section C.3.

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

IN WITNESS WHEREOF:

POLICY STUDIES INC.:

_____

CONTRACTOR SIGNATURE **DATE**

_____

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION:

_____

M. D. GOETZ, JR., COMMISSIONER **DATE**

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

Rep. Charles Curtiss, Chairman
Representatives
Curt Cobb
Curtis Johnson
Gerald McCormick
Mary Pruitt
Craig Fitzhugh, *ex officio*
Speaker Jimmy Naifeh, *ex officio*
Donna Rowland
David Shepard
Curry Todd
Eddie Yokley

Sen. Douglas Henry, Vice-Chairman
Senators
Bill Ketron
Doug Jackson
Paul Stanley
Randy McNally, *ex officio*
Lt. Governor Ron Ramsey, *ex officio*
Reginald Tate
Jamie Woodson

MEMORANDUM

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

FROM: Charles Curtiss, Chairman, Fiscal Review Committee
Bill Ketron, Chairman, Contract Services Subcommittee

DATE: August 14, 2008

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meeting 8/12)

RFS# 350.50-052
Department: Finance and Administration/Benefits Administration
Contractor: Policy Studies, Inc.
Summary: The vendor is currently responsible for eligibility determination, application processing and beneficiary services for the CoverKids program. The proposed amendment revises the scope of services and payment methodology to include $2,457 for a one-time Call Center set-up fee and increases the enrollment fee in years two and three of the contract. The term of the contract remains the same, through December 31, 2009, with the option to extend in one-year increments for a total of five years.
Maximum liability: $10,600,000
Maximum liability with amendment: $10,600,000

After review, the Fiscal Review Committee voted to recommend approval of the contract amendment.

cc: Ms. Laurie Lee, Executive Director, Division of Benefits Administration
Mr. Robert Barlow, Director, Office of Contracts Review

RECEIVED
JUL 22 2008
FISCAL REVIEW

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION
312 Rosa L. Parks Avenue
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
Phone (615) 741-3590 or (800) 253-9981
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Laurie Lee
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Brian Haile, Deputy Director of Benefits Administration

Date: July 22, 2008

RE: **Request for Amendment # 4 to the Policy Studies Inc. contract for call center and fee increase for dental benefits**

Please find attached a Non-Competitive Amendment request to amend the existing contract with Policy Studies Inc. signed by Commissioner Goetz. The contract with Policy Studies Inc. is for the provision of program outreach, eligibility determination, processing of applications and beneficiary services for the CoverKids program. The amendment would revise the scope of services and the payment methodology to include the one-time Call Center set up fee which includes the additional voice/data license and maintenance fees to accommodate anticipated increased call volumes and call times due to anticipated increase in enrollment and recent addition of benefits. A modest 34 cent fee increase in the enrollment fee for years two and three of the contract is included due to the increase in processing and interaction with enrollees due to the current inclusion of dental benefits to the CoverKids plan.

CoverKids, the SCHIP program within Tennessee, continues to increase enrollment and now offers both vision and dental benefits to enrollees.

The base contract and amendments number one, two and three are included as is a draft of the amendment created to address the call center needs and the increase in enrollment in CoverKids.

Thank you for your consideration of this request.

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED	RECEIVED JUL 15 2008 FISCAL REVIEW
Commissioner of Finance & Administration Date:	

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.	
1) RFS #	350.50-052-07
2) State Agency Name :	F&A – Benefits Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	To provide eligibility determination, application processing and beneficiary services for the CoverKids plan, now including dental benefits.
4) Contractor :	Policy Studies Inc.
5) Contract #	FA-07-20295-00
6) Contract Start Date :	February 20, 2007
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$10,600,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	4
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	October 1, 2008
11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$10,600,000
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 would provide additional support for the CoverKids customer service center.

15) Explanation of Need for the Proposed Amendment :

CoverKids has implemented enhancements since the inception of the program. Those enhancements include additional benefits such as vision and dental benefits to provide an even more comprehensive set of benefits to enrollees. Other enhancements, such as the interactive web application, serve to provide more options for enrollment and to increase ease of enrollment. CoverKids has experienced steadily increasing enrollment year round with dramatic peaks in conjunction with outreach efforts such as Back to School efforts. Because of the demonstrated and anticipated program growth, this proposed amendment will serve to provide additional support in meeting all performance measures to maintain quality customer service.

16) Name & Address of Contractor's Current Principal Owner(s) :
(not required if proposed contractor is a state education institution)

Policy Studies Inc., 1875 Lawrence Street, Suite 1500, Denver, CO 80202

17) Documentation of Office for Information Resources Endorsement :
(required only if the subject service involves information technology)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :
(required only if the subject service involves training for state employees)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

19) Documentation of State Architect Endorsement :
(required only if the subject service involves construction or real property related services)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

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

The Contractor is one of only three entities who engage in this type of work. During the release of the competitive negotiation process, one of the three declined to submit a proposal. The Contractor has partnered with the State of Tennessee to process the applications for CoverKids and various outreach activities to enroll children in CoverKids.

21) Justification for the Proposed Non-Competitive Amendment :

The Contractor has partnered with the State of Tennessee to operationally implement and maintain the CoverKids program. This Contractor has been the eligibility contractor and database administrator for CoverKids since inception. The CoverKids eligibility system was customized by the Contractor according to the CoverKids business rules. Therefore, this Contractor has very detailed knowledge of the CoverKids program. The proposed amendment seeks to further extend current services to accommodate program growth which includes benefit additions, as well as increased enrollment.

REQUESTING 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)

Agency Head Signature	7/10/08 **Date**

CONTRACT SUMMARY SHEET

021908

RFS #	Contract #
350.50-052-07	FA-07-20295-04
State Agency	**State Agency Division**
Dept. of Finance and Administration	Benefits Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Policy Studies Inc.	☐ C- or ☒ V- 84-093-8521

RECEIVED OCT 23 2008 FISCAL REVIEW

Service Description

To provide eligibility determination, application processing and beneficiary services for the CoverKids program. Amendment adds one time call center and increase for additional enrollment and benefits (vision and dental).

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
February 20, 2007	December 31, 2009	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
350.50	500	083	11		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007			$1,500,000		$1,500,000
2008			$3,700,000		$3,700,000
2009			$3,700,000		$3,700,000
2010			$1,700,000		$1,700,000
TOTAL:			$10,600,000		$10,600,000

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2007	$1,500,000	
FY: 2008	$3,700,000	
FY: 2009	$3,700,000	
FY: 2010	$1,700,000	
TOTAL:	$10,600,000.00	
End Date:	December 31, 2009	December 31, 2009

State Agency Fiscal Contact & Telephone #

Maureen Abbey
20th Floor, Tennessee Tower
615-741-6070

State Agency Budget Officer Approval

Mar Aby

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)

RECEIVED SEP 29 PM 3:54 TRUSTEE'S OFFICE BUDGET

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)

Processed 10/6/08

OIR-PCM
mtt
9-24-08

AMENDMENT FOUR
TO CONTRACT NUMBER FA-07-20295-00

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the "State" and Policy Studies 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 C.3. is deleted in its entirety and replaced with the following:

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:

Component	Year 1	Year 2	Year 3
Applications Received:			
One time fee per application – Consistent Cost due to:			
0 - 10,000 Applications	$12.92	$13.62	$14.78
10,001 - 20,000 Applications	$12.58	$13.26	$14.41
20,001 - 30,000 Applications	$12.06	$12.73	$13.86
30,001 - 40,000 Applications	$10.67	$11.30	$12.39
40,001 - 50,000 Applications	$9.46	$10.06	$11.11
50,001 - 60,000 Applications	$8.59	$9.17	$10.19
60,001 - 70,000 Applications	$7.72	$8.28	$9.27
Applications Completed:			
One time fee per application completed in timeframe specified in eligibility rules.	**Year 1**	**Year 2**	**Year 3**
0 - 10,000 Applications	$8.94	$9.58	$10.71
10,001 - 20,000 Applications	$8.60	$9.23	$10.35
20,001 - 30,000 Applications	$8.08	$8.70	$9.81
30,001 - 40,000 Applications	$6.72	$7.30	$8.36
40,001 - 50,000 Applications	$5.52	$6.07	$7.10

50,001 - 60,000 Applications	$4.67	$5.20	$6.20
60,001 - 70,000 Applications	$3.82	$4.32	$5.29
Renewals:			
Per Member (one time)	$9.17	$9.17	$9.17
Enrollment Fee:			
Per Member (per month)			
0 - 10,000 Enrollees	$19.56	$14.34	$11.90
10,001 - 20,000 Enrollees	$12.37	$7.03	$5.63
20,001 - 30,000 Enrollees	$9.49	$4.10	$3.12
30,001 - 40,000 Enrollees	$8.78	$3.37	$2.50
Change Orders: (per Hour)			
Computer Programming	$99	$102	$105
Administrative	$124	$127	$131
Analytical	$89	$92	$95
Other			

c. The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

d. Print/Production and Mass Mailing. The State may authorize the Contractor to procure print/production and mailing service the cost of which is not remunerated in accordance with preceding contract sections. In which case, the Contractor shall procure such service on a competitive basis, document the competitive basis and provide the documentation to the State. For each print/production and mass mailing service approved by the State in advance, the State shall reimburse the Contractor for the Contractor's actual net cost of the service and shall compensate the Contractor in an amount no less than $200 and no greater than $2,000 for the Contractor's actual cost to procure bids and oversee the print, production and mass mailing of the applications or other requested documents. Said payment shall constitute the total amount payable to the Contractor for any and all cost associated with a print/production and mass mailing service. The Contractor shall not be reimbursed or compensated for any print/production and mass mailing service not approved by the State in advance.

e. For the months of September, October, November and December of 2007 the minimum compensation for the amounts generated by the accumulative fee structure detailed in

C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees shall be $125,000. Should the fees detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees exceed the minimum payment amount, the Contractor shall be compensated the greater amount.

f. For the months of January, February, March, April, May and June 2008, the minimum compensation for the amounts generated by the accumulative fee structure detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees shall be $100,000. Should the fees detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees exceed the minimum payment amount, the Contractor shall be compensated the greater amount.

g. Beginning July 2008 the minimum compensation amounts detailed in C.3.e. and C.3.f. shall no longer be in effect.

h. Beginning November 1, 2007, the Contractor shall be compensated up to Two Hundred Twenty-Four Thousand Dollars ($224,000.00) for the development of the web-based application for CoverKids. The Contractor shall submit an invoice for work completed on the development and/or testing of the website based on the hourly rates listed in C.3.b. Beginning January 1, 2008, The Contractor shall receive an annual web site maintenance fee of Six Thousand Dollars ($6,000.00).

i. Beginning October 1, 2008, the Contractor shall be compensated up to Two Thousand Four Hundred, Fifty-seven dollars ($2,457.00) for the one-time Call Center set up fee which includes the additional voice/data license and maintenance fees to accommodate anticipated increased call volumes and call times due to anticipated increase in enrollment, and due to recent addition of benefits. The Contractor shall submit an invoice for work completed on the development and/or testing of the Call Center based on the hourly rates listed in C.3.b. if these rates are applicable to the work. A proposal for the work shall be submitted in writing to the Department of Finance and Administration for approval prior to any work being undertaken.

The revisions set forth herein shall be effective October 1, 2008. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

POLICY STUDIES INC.:

Eric Rubin — Sept. 09, 2008

CONTRACTOR SIGNATURE — **DATE**

Eric Rubin, Chief Operating Officer

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M.D. Goetz Jr. — 9-25-08

M. D. GOETZ, JR., COMMISSIONER MDA — **DATE**

FA-07-20295-04

APPROVED:

SEP 29 2008

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

9/30/08

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY — DATE

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

Rep. Charles Curtiss, Chairman
Representatives
Curt Cobb
Curtis Johnson
Gerald McCormick
Mary Pruitt
Craig Fitzhugh, *ex officio*
Speaker Jimmy Naifeh, *ex officio*
Donna Rowland
David Shepard
Curry Todd
Eddie Yokley

Sen. Douglas Henry, Vice-Chairman
Senators
Doug Jackson
Bill Ketron
Paul Stanley
Randy McNally, *ex officio*
Lt. Governor Ron Ramsey, *ex officio*
Reginald Tate
Jamie Woodson

MEMORANDUM

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

FROM: Charles Curtiss, Chairman, Fiscal Review Committee
Bill Ketron, Chairman, Contract Services Subcommittee

cc
BK

DATE: October 24, 2007

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meeting 10/23/07)

RFS# 350.50-052
Department: Finance and Administration
Division: Benefits Administration
Contractor: Policy Studies, Inc.
Summary: The vendor is currently responsible for eligibility determination, application processing and beneficiary services for the CoverKids program. The proposed amendment revises the scope of services to include the development and maintenance of a web-based, online application for the CoverKids program. The term of the contract remains the same, through December 31, 2009, with the option to extend in one-year increments for a total of five years. The maximum liability remains the same.
Maximum liability: $10,600,000
Maximum liability with amendment: $10,600,000

After review, the Fiscal Review Committee voted to recommend approval of the contract amendment.

cc: Mr. Richard Chapman, Executive Director
Mr. Robert Barlow, Director, Office of Contracts Review

RECEIVED
OCT. 16 2007
FISCAL REVIEW

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION
312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Richard Chapman

Date: October 15, 2007

RE: Request for Amendment # 3 to the Policy Studies Inc. contract web-based application

Please find attached a Non-Competitive Amendment request to amend the existing contract with Policy Studies Inc. signed by Commissioner Goetz. The contract with Policy Studies Inc. is for the provision of program outreach, eligibility determination, processing of applications and beneficiary services for the CoverKids program. The amendment would revise the scope of services and the payment methodology to include the creation of a web-based, online application for CoverKids and the maintenance of the website containing the online application.

To date, the application and enrollment numbers have increased due to the distribution of applications to children enrolled in public schools. The Contractor has partnered with the State of Tennessee to process the applications for CoverKids and various outreach activities to enroll eligible children in CoverKids. The functionality of the online application is yet another example of state government's commitment to streamlining enrollment of eligible individuals into this program. The interactive web application will directly link to the eligibility system customized for Tennessee.

CoverKids, the SCHIP program within Tennessee, is replicating the experience of other states when they launched these programs that demonstrate that enrollment builds over time and stresses the importance of a continuing need to make eligibility and benefit information available to Tennesseans.

The base contract and amendments number one and two are included as is a draft of the amendment created to address the web-based application for CoverKids.

Thank you for your consideration of this request.

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION
312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

To: Commissioner M. D. Goetz, Jr.

From: Richard Chapman

Date: October 15, 2007

Re: Contract Start Date

This is to request a start date in advance of sixty days for the amendment to the contract with Policy Studies Inc. (PSI) to revise the scope of services and the payment methodology to include the creation of a web-based, online application for CoverKids and the maintenance of the website containing the online application.

The contract with Policy Studies Inc. secures their services to provide a broad range of eligibility determination, application processing and beneficiary services for the State of Tennessee CoverKids program managed by Benefits Administration. The services of the Contractor enable the State to establish a consistent application of beneficiary contacts, application processing and eligibility policies throughout the state of Tennessee.

To date, the application and enrollment numbers have increased due to the distribution of applications to children enrolled in public schools. PSI has contracted with the State of Tennessee to provide outreach services, process the applications for CoverKids and various outreach activities to enroll children in CoverKids. The functionality of the online application is yet another example of their commitment to working with the State to realize enrollment of eligible individuals into this program. The interactive web application will directly link to the eligibility system customized for Tennessee.

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED
Commissioner of Finance & Administration Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.	
1) RFS #	350.50-052-07
2) State Agency Name :	F&A – Benefits Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	To provide eligibility determination, application processing and beneficiary services for the CoverKids plan.
4) Contractor :	Policy Studies Inc.
5) Contract #	FA-07-20295-00
6) Contract Start Date :	February 20, 2007
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$10,600,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	3
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	November 1, 2007
11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$10,600,000
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 amendment will revise the scope of services and the payment methodology to include the creation of a web-based, online application for CoverKids and the maintenance of the website containing the on-line application.

15) Explanation of Need for the Proposed Amendment :

This amendment would establish a web-based application process that provides significantly greater access to potential applicants, while streamlining the application process. It will contribute to achieving the goal of providing health coverage to the maximum number of Tennessee's children eligible for CoverKids, and establishes an application process that is user-friendly and readily accessible to parents. For working parents, the online application process is the most convenient means to apply for and secure affordable health care for their eligible children.

16) Name & Address of Contractor's Current Principal Owner(s) :
(not required if proposed contractor is a state education institution)

Policy Studies Inc., 1875 Lawrence Street, Suite 1500, Denver, CO 80202

17) Documentation of Office for Information Resources Endorsement :
(required only if the subject service involves information technology)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :
(required only if the subject service involves training for state employees)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

19) Documentation of State Architect Endorsement :
(required only if the subject service involves construction or real property related services)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

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

The Contractor is one of only three entities who engage in this type of work. During the release of the competitive negotiation process, one of the three declined to submit a proposal. The Contractor has partnered with the State of Tennessee to process the applications for CoverKids and various outreach activities to enroll children in CoverKids. The functionality of the online application is yet another example of their commitment to working with the State to realize enrollment of eligible individuals into this program. The interactive web application will directly link to the eligibility system customized for Tennessee.

21) Justification for the Proposed Non-Competitive Amendment :

The Contractor has the knowledge and expertise necessary to provide the development of the web-based application, not only through their understanding of the CoverKids program, but through their experience in building web-sites and web-based applications for the Georgia PeachCare for Kids Program and Colorado's Child Health Plan Plus. In addition, the Contractor has worked with the Florida Healthy Kids Corporation in interfacing with a web-based application on the Florida Healthy Kids web-site.

REQUESTING 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)

Agency Head Signature	**Date** 10/9/02

CONTRACT SUMMARY SHEET

8-8-05

RFS #	Contract #
350.50-052-07	FA-07-20295- 03
State Agency	**State Agency Division**
Dept. of Finance and Administration	Division of Insurance Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Policy Studies Inc.	☐ C- or ☒ V- 84-093-8521

Service Description

To provide eligibility determination, application processing and beneficiary services for the CoverKids program.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
February 20, 2007	December 31, 2009	Vendor	

Mark, if Statement is TRUE

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.04	50	083	11		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007			$1,500,000		$1,500,000
2008			$3,700,000		$3,700,000
2009			$3,700,000		$3,700,000
2010			$1,700,000		$1,700,000
TOTAL:			$10,600,000		$10,600,000

RELEASED TO ACCOUNTS DIVISION NOV 16 2007 BY OFFICE OF CONTRACTS REVIEW

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2007	$1,500,000	
FY: 2008	$3,700,000	
FY: 2009	$3,700,000	
FY: 2010	$1,700,000	
TOTAL:	$10,600,000.00	
End Date:	December 31, 2009	December 31, 2009

State Agency Fiscal Contact & Telephone #

Maureen Abbey
20th Floor, Tennessee Tower
615-741-6070

JM

State Agency Budget Officer Approval

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

☐ African American ☐ Disabled ☐ Hispanic ☒ Small Business ☒ NOT minority/disadvantaged
☐ Asian ☐ Female ☐ Native American ☐ OTHER minority/disadvantaged

Contractor Selection Method

☐ RFP ☒ Competitive Negotiation ☐ Alternative Competitive Method
☐ Non-Competitive Negotiation ☐ Government ☐ Other

Procurement Process Summary

The process described in the request to procure a vendor by a competitive negotiation process was followed. The evaluation of the technical and cost proposals was completed in the manner described in documents provided to the proposers.

RECEIVED
AUG 26 2008
FISCAL REVIEW

AMENDMENT THREE
TO CONTRACT NUMBER FA-07-20295-00

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the "State" and Policy Studies 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 Sections C.3. and C.3.1 is deleted in its entirety and replaced with the following:

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:

Component	Year 1	Year 2	Year 3
Applications Received:			
One time fee per application – Consistent Cost due to:			
0 - 10,000 Applications	$12.92	$13.62	$14.78
10,001 - 20,000 Applications	$12.58	$13.26	$14.41
20,001 - 30,000 Applications	$12.06	$12.73	$13.86
30,001 - 40,000 Applications	$10.67	$11.30	$12.39
40,001 - 50,000 Applications	$9.46	$10.06	$11.11
50,001 - 60,000 Applications	$8.59	$9.17	$10.19
60,001 - 70,000 Applications	$7.72	$8.28	$9.27
Applications Completed:			
One time fee per application completed in timeframe specified in eligibility rules.	**Year 1**	**Year 2**	**Year 3**
0 - 10,000 Applications	$8.94	$9.58	$10.71
10,001 - 20,000 Applications	$8.60	$9.23	$10.35
20,001 - 30,000 Applications	$8.08	$8.70	$9.81
30,001 - 40,000 Applications	$6.72	$7.30	$8.36
40,001 - 50,000 Applications	$5.52	$6.07	$7.10

50,001 - 60,000 Applications	$4.67	$5.20	$6.20
60,001 - 70,000 Applications	$3.82	$4.32	$5.29
Renewals:			
Per Member (one time)	$9.17	$9.17	$9.17
Enrollment Fee:			
Per Member (per month)			
0 - 10,000 Enrollees	$19.56	$13.97	$11.59
10,001 - 20,000 Enrollees	$12.37	$6.66	$5.32
20,001 - 30,000 Enrollees	$9.49	$3.73	$2.81
30,001 - 40,000 Enrollees	$8.78	$3.00	$2.19
Change Orders: (per Hour)			
Computer Programming	$99	$102	$105
Administrative	$124	$127	$131
Analytical	$89	$92	$95
Other			

c. The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

d. Print/Production and Mass Mailing. The State may authorize the Contractor to procure print/production and mailing service the cost of which is not remunerated in accordance with preceding contract sections. In which case, the Contractor shall procure such service on a competitive basis, document the competitive basis and provide the documentation to the State. For each print/production and mass mailing service approved by the State in advance, the State shall reimburse the Contractor for the Contractor's actual net cost of the service and shall compensate the Contractor in an amount no less than $200 and no greater than $2,000 for the Contractor's actual cost to procure bids and oversee the print, production and mass mailing of the applications or other requested documents. Said payment shall constitute the total amount payable to the Contractor for any and all cost associated with a print/production and mass mailing service. The Contractor shall not be reimbursed or compensated for any print/production and mass mailing service not approved by the State in advance.

e. For the months of September, October, November and December of 2007 the minimum compensation for the amounts generated by the accumulative fee structure detailed in

C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees shall be $125,000. Should the fees detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees exceed the minimum payment amount, the Contractor shall be compensated the greater amount.

f. For the months of January, February, March, April, May and June 2008, the minimum compensation for the amounts generated by the accumulative fee structure detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees shall be $100,000. Should the fees detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees exceed the minimum payment amount, the Contractor shall be compensated the greater amount.

g. Beginning July 2008, the Contractor shall be compensated for the amounts generated by the accumulative fee structure detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees.

h. Beginning November 1, 2007, the Contractor shall be compensated up to Two Hundred Twenty-Four Thousand Dollars ($224,000.00) for the development of the web-based application for CoverKids. The Contractor shall submit an invoice for work completed on the development and/or testing of the website based on the hourly rates listed in C.3.b. Beginning January 1, 2008, The Contractor shall receive an annual web site maintenance fee of Six Thousand Dollars ($6,000.00).

2. The following provision is added as Contract Section A.16.:

A.16. Interactive Web-Based Application for Enrollment into CoverKids

A.16.1 The Contractor shall create and host an interactive web application to augment enrollment into CoverKids. The web site developed by the Contractor shall be available 24 hours a day, seven days a week and shall comply with the Americans with Disabilities Act (ADA) requirements. The web-based application created for CoverKids will replicate the questions contained in the paper application. Information and application formats will be available in both English and Spanish.

A.16.2 The Contractor will provide to the State periodic updates on the development of the web-based application. The State shall provide to the Contractor written feedback and final approval in writing for the design, content, user functionality and acceptance testing of the system.

A.16.3 The Contractor shall maintain a web-site with linkage to CoverKids information pages that shall include an overview of the CoverKids program, eligibility rules, program benefits, participant costs and citizenship requirements.

A.16.4 The Contractor, at the discretion of the State, shall develop and ensure user level functionality for the purposes of applying for CoverKids. If requested by the State, the Contractor shall provide instructions and guidelines for applicants on how to create User IDs and passwords for the web application, contain user friendly prompts to guide the user through the application and identify required fields necessary to complete the application. Applicants will not be able to complete the application process without supplying required fields. Data entered shall be subject to CoverKids business rules. The Contractor shall, if approved by the State, create user level functionality to allow at a minimum the following: saving of application data for submission; exiting of the application process; resetting or changing passwords; changing of contact information; e-mailing questions to CoverKids operations staff; a preliminary decision on the eligibility of their child, checking application status; and completion and submission of the application directly into the eligibility system customized for Tennessee.

A.16.5 The Contractor shall employ multiple provisions to ensure the security of all information submitted and transferred via the web site. The security measures shall include security

features for data encryption, timing out of the system and lock out after a specified number of unsuccessful attempts to enter the system. User supplied data shall be deleted from the web database after successful submission into the eligibility database. Various security levels shall be developed by the Contractor to ensure only authorized individuals shall have access rights to add, change, and delete data.

A.16.6 The Contractor shall provide to the State reports on the use of the web database. These reports shall include, but not be limited to, the number of visits to the site, unsuccessful login attempts, completed applications submitted and aging reports for applications not submitted. Additional reports, requested by the State, shall be generated for the purposes of audit, security incidents and other ad hoc reports.

3. Contract Attachment A is deleted in its entirety and replaced with the new Contract Attachment A attached hereto.

The revisions set forth herein shall be effective November 1, 2007. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

POLICY STUDIES INC.:

10/30/07

CONTRACTOR SIGNATURE **DATE**

PRESIDENT - MARK LEVY

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M.D. Goetz Jr.

11-6-07

M. D. GOETZ, JR., COMMISSIONER MOA **DATE**

APPROVED:

NOV 9 2007

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

John G. Morgan

11/14/07

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

Contract Attachment A
Performance Guarantees

The Contractor shall pay to the State the indicated total dollar assessment upon notification by the State that an amount is due in accordance with this attachment, through the life of the contract.

1. Call Center – Call Abandonment Rate	
Guarantee	Calls are not abandoned at a rate in excess of the specified portion for the period.
Measurement	For the initial period and then measured and reported quarterly. For the second calendar quarter of 2007 a call abandonment rate no greater than 10%. For the third calendar quarter of 2007 call abandonment rate no greater than 7%. For the fourth calendar quarter of 2007 an abandonment rate no greater than 5%. For balance of the contract, a call abandonment rate no greater than 5%.
Non-Performance Amount	$5,000 for each period during which the call abandon rate exceeds the specified rate.
Definition	The abandonment rate as indicated by the number of qualified calls received that are terminated by the caller after being on hold for more than thirty (30) seconds and prior to being answered by a contractor's employee compared to the number of qualified calls received.
2. Standard of Promptness for Registration of Applications	
Guarantee	Registration (entry into processing system) of application information measured from date received by the contractor at its processing center to the date registration information is entered.
Measurement	For the second calendar quarter of 2007, an average duration of within three business days of receipt of the application. For each subsequent calendar quarter of 2007, an average duration of within two business days of receipt of the application.
Non-Performance Amount	$3,000 for each period when the standard is not met.
Definition	The amount of time, measured in business days between the receipt of an application and its entry (registration) into the contractor's processing system.
3. Standard of Promptness for Eligibility Decisions	
Guarantee	Decision concerning qualification of applicants will be made within specified time frames.
Measurement	By the period specified. For the second calendar quarter of 2007 – the decision made within 15 business days after application is determined to be complete. For the next two (2) subsequent calendar quarters - decision made within 12 business days after application is determined to be complete. For each calendar quarter thereafter - decision within 10 business days after application is determined to be complete.
Non-Performance Amount	$3,000 for each period during which the contractor does not meet the performance criteria.
Definition	Measurement will be based upon 98 percent compliance with the specified timeframes.
4. Standard of Promptness – Identification of Incomplete Applications	
Guarantee	Identification and return of incomplete application will occur within specified timeframes.
Measurement	By the period specified.

	For the second calendar quarter of 2007 – the decision made within 15 business days after application is determined to be complete. For the next two (2) subsequent calendar quarters - decision made within 12 business days after application is determined to be complete. For each calendar quarter thereafter - decision within 10 business days after application is determined to be complete.
Non-Performance Amount	$3,000 for each period during which the contractor does not meet the performance criteria.
Definition	Measurement will be based upon 98 percent compliance with the specified timeframes.
5. Availability of Web-based Application for CoverKids	
Guarantee	The web-based application shall be available 24 hours a day, seven days a week.
Measurement	By February 1, 2008, the web-based application approved by the State, will be accessible twenty-four hours a day, seven days a week.
Non-Performance Amount	$500 a day for each day the web-based application is not available after February 1, 2008. $100 an hour for each hour the web-based application is not available after March 1, 2008.
Definition	Reported hours of down time for the system, to be reported quarterly exclusive of regularly scheduled network system maintenance.

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

Rep. Charles Curtiss, Chairman
Representatives
Curt Cobb
Curtis Johnson
Gerald McCormick
Mary Pruitt
Craig Fitzhugh, *ex officio*
Speaker Jimmy Naifeh, *ex officio*
Donna Rowland
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Sen. Douglas Henry, Vice-Chairman
Senators
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Paul Stanley
Randy McNally, *ex officio*
Lt. Governor Ron Ramsey, *ex officio*
Reginald Tate
Jamie Woodson

MEMORANDUM

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

FROM: Charles Curtiss, Chairman, Fiscal Review Committee CC
Bill Ketron, Chairman, Contract Services Subcommittee BK

DATE: August 29, 2007

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meeting 8/28/07)

RFS# 350.50-052
Department: Finance and Administration
Division: Insurance Administration
Contractor: Policy Studies, Inc.
Summary: The vendor is currently responsible for eligibility determination, application processing and beneficiary services for the CoverKids Program. The proposed amendment revises the scope of services to provide a minimum monthly compensation to the vendor for the remainder of FY08. The term of the contract remains the same, effective through December 31, 2009, and the maximum liability remains the same.
Maximum liability: $10,600,000
Maximum liability with amendment: $10,600,000

After review, the Fiscal Review Committee voted to recommend approval of the contract amendment.

cc: Mr. Richard Chapman, Executive Director
Mr. Robert Barlow, Director, Office of Contracts Review

CONTRACT SUMMARY SHEET

8-8-05

RFS #	Contract #
350.50-052-07	FA-07-20295-02
State Agency	**State Agency Division**
Dept. of Finance and Administration	Division of Insurance Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Policy Studies Inc.	☐ C- or ☒ V- 84-093-8521

Service Description

To provide eligibility determination, application processing and beneficiary services for the CoverKids program.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
February 20, 2007	December 31, 2009	Vendor	

Mark, if Statement is TRUE

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.04	50	083	11		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007			$1,500,000		$1,500,000
2008			$3,700,000		$3,700,000
2009			$3,700,000		$3,700,000
2010			$1,700,000		$1,700,000
TOTAL:			$10,600,000		$10,600,000

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2007	$1,500,000	
FY: 2008	$3,700,000	
FY: 2009	$3,700,000	
FY: 2010	$1,700,000	
TOTAL:	$10,600,000.00	
End Date:	December 31, 2009	December 31, 2009

State Agency Fiscal Contact & Telephone #

Maureen Abbey
20th Floor, Tennessee Tower
615-741-6070

State Agency Budget Officer Approval

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

☐ African American ☐ Disabled ☐ Hispanic ☒ Small Business ☒ NOT minority/disadvantaged
☐ Asian ☐ Female ☐ Native American ☐ OTHER minority/disadvantaged—

Contractor Selection Method

☐ RFP ☒ Competitive Negotiation ☐ Alternative Competitive Method
☐ Non-Competitive Negotiation ☐ Government ☐ Other

Procurement Process Summary

The process described in the request to procure a vendor by a competitive negotiation process was followed. The evaluation of the technical and cost proposals was completed in the manner described in documents provided to the proposers.

AMENDMENT TWO
TO CONTRACT NUMBER FA-07-20295-00

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the "State" and Policy Studies 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 Sections C.3. and C.3.1 is deleted in its entirety and replaced with the following:

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:

Component	Year 1	Year 2	Year 3
Applications Received:			
One time fee per application – Consistent Cost due to:			
0 - 10,000 Applications	$12.92	$13.62	$14.78
10,001 - 20,000 Applications	$12.58	$13.26	$14.41
20,001 - 30,000 Applications	$12.06	$12.73	$13.86
30,001 - 40,000 Applications	$10.67	$11.30	$12.39
40,001 - 50,000 Applications	$9.46	$10.06	$11.11
50,001 - 60,000 Applications	$8.59	$9.17	$10.19
60,001 - 70,000 Applications	$7.72	$8.28	$9.27
Applications Completed:			
One time fee per application completed in timeframe specified in eligibility rules.	**Year 1**	**Year 2**	**Year 3**
0 - 10,000 Applications	$8.94	$9.58	$10.71
10,001 - 20,000 Applications	$8.60	$9.23	$10.35
20,001 - 30,000 Applications	$8.08	$8.70	$9.81
30,001 - 40,000 Applications	$6.72	$7.30	$8.36
40,001 - 50,000 Applications	$5.52	$6.07	$7.10

50,001 - 60,000 Applications	$4.67	$5.20	$6.20
60,001 - 70,000 Applications	$3.82	$4.32	$5.29
Renewals:			
Per Member (one time)	$9.17	$9.17	$9.17
Enrollment Fee:			
Per Member (per month)			
0 - 10,000 Enrollees	$19.56	$13.97	$11.59
10,001 - 20,000 Enrollees	$12.37	$6.66	$5.32
20,001 - 30,000 Enrollees	$9.49	$3.73	$2.81
30,001 - 40,000 Enrollees	$8.78	$3.00	$2.19
Change Orders: (per Hour)			
Computer Programming	$99	$102	$105
Administrative	$124	$127	$131
Analytical	$89	$92	$95
Other			

c. The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

d. Print/Production and Mass Mailing. The State may authorize the Contractor to procure print/production and mailing service the cost of which is not remunerated in accordance with preceding contract sections. In which case, the Contractor shall procure such service on a competitive basis, document the competitive basis and provide the documentation to the State. For each print/production and mass mailing service approved by the State in advance, the State shall reimburse the Contractor for the Contractor's actual net cost of the service and shall compensate the Contractor in an amount no less than $200 and no greater than $2,000 for the Contractor's actual cost to procure bids and oversee the print, production and mass mailing of the applications or other requested documents. Said payment shall constitute the total amount payable to the Contractor for any and all cost associated with a print/production and mass mailing service. The Contractor shall not be reimbursed or compensated for any print/production and mass mailing service not approved by the State in advance.

e. For the months of September, October, November and December of 2007 the minimum compensation for the amounts generated by the accumulative fee structure detailed in

C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees shall be $125,000. Should the fees detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees exceed the minimum payment amount, the Contractor shall be compensated the greater amount.

f. For the months of January, February, March, April, May and June 2008, the minimum compensation for the amounts generated by the accumulative fee structure detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees shall be $100,000. Should the fees detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees exceed the minimum payment amount, the Contractor shall be compensated the greater amount.

g. Beginning July 2008, the Contractor shall be compensated for the amounts generated by the accumulative fee structure detailed in C.3.b. for Applications Received, Applications Completed, Renewals and Enrollment Fees.

The revisions set forth herein shall be effective September 1, 2007. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

POLICY STUDIES INC.:

9/12/07

MARK A. LEVY, PRESIDENT OF POLICY STUDIES INC. **DATE**

MARK LEVY PRESIDENT

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION:

9-28-07

M. D. GOETZ, JR., COMMISSIONER **DATE**

APPROVED:

PER AUTHORIZED SIGNATURE ABOVE

OCT 01 2007

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

10/2/07

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

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED
Commissioner of Finance & Administration Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.	
1) RFS #	350.50-052-07
2) State Agency Name :	F&A – Insurance Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	To provide eligibility determination, application processing and beneficiary services for the CoverKids plan.
4) Contractor :	Policy Studies Inc.
5) Contract #	FA-07-20295-00
6) Contract Start Date :	February 20, 2007
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$10,600,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	2
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	September 1, 2007
11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$10,600,000
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 amendment will revise the scope of services and the payment methodology to include a minimum payment to the Contractor for services through the end of the State fiscal year 2008.

15) Explanation of Need for the Proposed Amendment :

This amendment would establish a monthly minimum compensation amount due the Contractor. The Contractor's compensation results from the number of applications received, applications completed, renewals and enrollment fees. To date, the CoverKids plan enrollment has been lower than the State or the Contractor anticipated and the compensation made to the Contractor is insufficient for the Contractor to maintain the current staffing and state determined business practices developed to accommodate the anticipated enrollment.

The distribution of over one million applications to each child in the public school system during August is anticipated to increase enrollment in the CoverKids program. If the applications received, applications completed, renewals and monthly enrollment generate fees that exceed the minimum payments proposed in this amendment, the Contractor will be paid the fee generated amount in lieu of the minimum payment specified in this amendment.

16) Name & Address of Contractor's Current Principal Owner(s) :
(not required if proposed contractor is a state education institution)

Policy Studies Inc., 1875 Lawrence Street, Suite 1500, Denver, CO 80202

17) Documentation of Office for Information Resources Endorsement :
(required only if the subject service involves information technology)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :
(required only if the subject service involves training for state employees)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

19) Documentation of State Architect Endorsement :
(required only if the subject service involves construction or real property related services)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

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

The Contractor is one of only three entities who engage in this type of work. During the release of the competitive negotiation process, one of the three declined to submit a proposal. During the competitive negotiation process, the other proposer requested a fixed monthly fee and a start up monthly fee in addition to the rates for applications received, applications completed, renewals and monthly enrollment. The current Contractor did not request a fixed monthly amount fee or a start up fee. The amounts proposed in the amendment to the current contract are less than 50% of the minimum monthly payment specified by the other proposer during the competitive negotiation process.

21) Justification for the Proposed Non-Competitive Amendment :

The State has been advised through consultants and the granting Federal agency that the benefits provided under the CoverKids plan as Tennessee's SCHIP program must be marketed in a variety of methods in order to reach those families who may be eligible for these services. The experience in other states has been that enrollment develops over time and the need to provide information concerning the availability of the benefit to children's health remains relatively constant throughout the plan availability. The Contractor will continue to assume financial risk regarding the cost of providing administrative services to Tennessee's CoverKids program. The establishment of a minimum payment will mitigate, but not eliminate the difference between the Contractor's expenses and the program's payments through fiscal year 2008.

REQUESTING 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)

Agency Head Signature	Date 8/20/07

RECEIVED
AUG 21 2007
FISCAL REVIEW

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION
312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Richard Chapman

Date: August 21, 2007

RE: Request for Amendment # 2 to the Policy Studies Inc. contract minimum payment

Please find attached a Non-Competitive Amendment request to amend the existing contract with Policy Studies Inc. signed by Commissioner Goetz. The contract with Policy Studies Inc. is for the provision of eligibility determination, application processing and beneficiary services for the CoverKids program. The amendment would provide a minimum monthly compensation to the Contractor for the remainder of state fiscal year 2008. The monthly fees are individual rates applied to the number of applications received, the applications completed, renewals and enrollment fees.

To date, the application and enrollment numbers have not generated fees sufficient reimbursement to permit the Contractor to meet the expense of the amortized cost of the initial implementation of business policies and procedures to maintain the applicant processing and enrollment support for CoverKids. Applications have been included in the back to school packets distributed to every child enrolled in public schools through the State. The application distribution should result in increasing awareness of the program and increase the submission of applications and increased program enrollment.

The minimum monthly compensation remains based upon the accumulative fee structure detailed within the original contract. It will partially mitigate the costs incurred by the Contractor during the time it takes for enrollment to reach a level of sustainability to continue the current staffing and business practices undertaken by the Contractor to meet the requirements of the CoverKids contract.

Consultants to the Department of Finance and Administration and staff from the Federal granting agency have consistently re-enforced the need to continue to provide information regarding the benefits and eligibility of the CoverKids program as a component of overall outreach activities. CoverKids, the SCHIP program within Tennessee, is replicating the experience of other states when they launched these programs that demonstrate that enrollment builds over time and stresses the importance of a continuing need to make eligibility and benefit information available to Tennesseans.

The base contract and amendment number one are included as is a draft of the amendment created to address the minimum monthly payment to the Contractor for the remaining State fiscal year 2008.

Thank you for your consideration of this request.

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION
312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

To: Commissioner M. D. Goetz, Jr.

From: Richard Chapman

Date: August 21, 2007

Re: Contract Start Date

This is to request a start date in advance of sixty days for the amendment to the contract with Policy Studies Inc. to revise the scope of services to include a minimum monthly compensation to the Contractor for the remainder of state fiscal year 2008 for the amounts generated by the accumulative fee structure detailed within the original contract document. The monthly fees are generated by the number of applications received, the applications completed, renewals and enrollment fees.

The contract with Policy Studies Inc. secures their services to provide a broad range of eligibility determination, application processing and beneficiary services for the State of Tennessee CoverKids program managed by Benefits Administration. The services of the Contractor enable the State to establish a consistent application of beneficiary contacts, application processing and eligibility policies throughout the state of Tennessee.

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION
312 Eighth Avenue North
Suite 1300 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
Phone (615) 741-3590 or (800) 253-9981
FAX (615) 741-8196

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

TO: Members of the Contract Subcommittee, Fiscal Review Committee

FROM: Richard L. Chapman

DATE: August 27, 2007

SUBJECT: Enclosed Amendment to Policy Studies Inc. Contract

The purpose of this correspondence is to review with you the basis of the proposed amendment to the contract between the Department of Finance and Administration and Policy Studies Inc. (PSI). The contract with PSI is for the provision of eligibility determination and enrollment services for CoverKids. CoverKids a component of Cover Tennessee, it is intended to establish a state children's health insurance plan. This activity is partially funded by the Federal Government under Title 21 of the Social Security Act.

When the Division of Insurance Administration was considering the issues associated with implementation of Cover Kids, one of the principal activities was creating a capability to review applications for coverage and to maintain an eligibility and enrollment system to provide information concerning enrollees to insurance contractors and other state agencies. During our review, we consulted with the Department of Human Services (DHS) concerning the ability of that agency to provide these services through its Accent System. DHS reported to us that they were unable to absorb the activity within the existing staff; they also indicated that they would be unable to support eligibility and enrollment system as the Accent System was under reconfiguration with the development activity to be completed following the initiation of Cover Kids.

Consequently, the Division engaged one of its consulting contractors, Health Management Associates (HMA), to determine whether or not contractors could be secured to provide these services. Eligibility and enrollment services for Cover Kids are unique in the manner in which income is determined, the determination of the income threshold, the

requirement that application review incorporate a Medicaid eligibility test and the requirement to maintain the various types of eligibility in benefit categories for unique, federally defined, eligibility subpopulations.

In reviewing this matter with HMA, we learned that three entities currently provided these types of services to existing state programs. These entities were ACS, Maximus and Policy Studies Inc. Based upon a set of procurement criteria proposed to and approved by the Commissioner of Finance and Administration for the procurement of this category of services, we initially carried out discussions with Maximus to determine what criteria would be required in a contract to have that entity perform the service. We identified Maximus as our initial negotiation target predicated upon a recent procurement by the State of Michigan of nearly identical services for their Medicaid and SCHIP activities. While we learned a great deal about the requirements for an SCHIP eligibility and enrollment program from our discussions with Maximus and with Michigan, we were unable to agree upon what we believed would be a reasonable business condition with that contractor based on our sole source discussions. One of the principal points of disagreement with Maximus was that entity's insistence on a minimum monthly payment in excess of $250,000 per month. While we understood there are minimum business requirements to maintain an eligibility and enrollment system, we did not support the idea that the investment by the State should be as high as that amount.

Predicated upon a determination that our discussions with Maximus were not going to reach a successful conclusion, the Division proposed to the Commissioner of Finance and Administration that we conduct competitive negotiation process. The key objective was to arrive at a reasonable fee structure for the prescribed services. We based the fee structure in the current contract on four indicators of program activity; applications received, application reviews completed, renewals (the program requires periodic review of renewals for plan participants) and monthly enrollment. The intention of the procurement was to have potential contractors compete against one another in an effort to enhance the State's bargaining position with any single proposer.

The results were not what we had hoped. One of the potential contractors (ACS) declined to participate in the procurement process. Additionally, Maximus continued to interject a minimum monthly payment essentially equal to the amount that it required during our sole source negotiation. PSI proposed monthly fees in both the initial response to the competitive negotiation and a subsequent opportunity that we offered in an attempt to draw Maximus into the competitive environment. Maximus subsequently submitted a proposal in the format requested by the State. Maximus had also not agreed to commit to be ready for an April 1 launch. Based on the evaluation criteria their estimated monthly payments were substantially higher than those that PSI made.

As the program developed this spring; however, we experienced low enrollment in the program, primarily because of the difficulty of reaching the target population (families under the 250% of the poverty level) and the general difficulty of marketing these types of insurance plans. Consequently, in early June PSI initiated discussions with the State concerning their ability to maintain an appropriate staffing level to be able to respond appropriately to externally influenced enrollment activity and their inability to cover their current expenses. The Contractor has asserted to the State that their continuing expenses for the maintenance of the online computer system for eligibility enrollment record keeping, staffing for eligibility determination and the operation of the service center with a toll-free call in feature are approximately $256,000 per month.

In an effort to ensure that the Contractor maintains the capability to respond to increases in applications and enrollments, the State has agreed to propose a minimum payment of $125,000 for the last four months of calendar year 2007 and $100,000 per month for the initial six months of the calendar year 2008. While this does not represent the entire front-end expenditure, it does provide for partial reimbursement of the costs associated with maintaining a minimum capability to respond to inquiries, provide application assistance and conduct proper record keeping. It does not, however, cover the Contractor's full reported expenses; consequently the Contractor is subject to a certain level of risk based upon their proposal.

While we do not believe the Contractor would withdraw if there is a failure to approve this proposal there is a possibility the Contractor would reduce its staffing levels and jeopardize its ability to respond effectively to inquiries from potential plan members and to process, in a timely fashion, CoverKids enrollment applications.

An ideal situation would be that the increased enrollment activity associated with the State's efforts to distribute applications to school children and the subsequent increase in the number of applications received and program enrollment would completely negate the necessity of a minimum payment being proposed in this amendment. That result will likely occur during this fall as we continue the enrollment campaign for Cover Kids.

Should you have any questions concerning this matter I am prepared to answer them.

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

Rep. Charles Curtiss, Chairman
Representatives
Curt Cobb
Curtis Johnson
Gerald McCormick
Mary Pruitt
Craig Fitzhugh, *ex officio*
Speaker Jimmy Naifch, *ex officio*
Donna Rowland
David Shepard
Curry Todd
Eddie Yokley

Sen. Douglas Henry, Vice-Chairman
Senators
Doug Jackson
Bill Ketron
Paul Stanley
Randy McNally, *ex officio*
Lt. Governor Ron Ramsey, *ex officio*
Reginald Tate
Jamie Woodson

MEMORANDUM

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

FROM: Charles Curtiss, Chairman, Fiscal Review Committee
Bill Ketron, Chairman, Contract Services Subcommittee

cc
BK

DATE: June 28, 2007

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meeting 6/26/07)

RFS# 350.50-052
Department: Finance & Administration, Insurance Administration
Contractor: Policy Studies, Inc.
Summary: This vendor is responsible for eligibility determination, application processing and beneficiary services for the CoverKids Program. This amendment revises the scope of services to include the procurement of print/production and mass mailing services of applications. The term of the contract remains the same, effective through December 31, 2009.
Maximum liability: $10,600,000
Maximum liability w/amendment: $10,600,000

After review, the Fiscal Review Committee voted to recommend approval of the contract amendment with the stipulation that reporting be provided on eligibility determinations for the CoverKids program.

cc: Mr. Richard Chapman, Executive Director
Mr. Robert Barlow, Director, Office of Contracts Review

CONTRACT SUMMARY SHEET

8-8-05

RFS #	Contract #
350.50-052-07	FA-07-20295-01
State Agency	**State Agency Division**
Dept. of Finance and Administration	Division of Insurance Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Policy Studies Inc.	☐ C- or ☒ V- 84-093-8521

Service Description

To provide eligibility determination, application processing and beneficiary services for the CoverKids program.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
February 20, 2007	December 31, 2009	Vendor	

Mark, if Statement is TRUE

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.04	50	083	11		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007			$1,500,000		$1,500,000
2008			$3,700,000		$3,700,000
2009			$3,700,000		$3,700,000
2010			$1,700,000		$1,700,000
TOTAL:			$10,600,000		$10,600,000

OCR RELEASED AUG 20 2007 TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2007	$1,500,000	
FY: 2008	$3,700,000	
FY: 2009	$3,700,000	
FY: 2010	$1,700,000	
TOTAL:	$10,600,000.00	
End Date:	December 31, 2009	December 31, 2009

State Agency Fiscal Contact & Telephone #

Maureen Abbey
20th Floor, Tennessee Tower
615-741-6070

State Agency Budget Officer Approval

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

☐ African American ☐ Disabled ☐ Hispanic ☒ Small Business ☒ NOT minority/disadvantaged
☐ Asian ☐ Female ☐ Native American ☐ OTHER minority/disadvantaged—

Contractor Selection Method

☐ RFP ☒ Competitive Negotiation ☐ Alternative Competitive Method
☐ Non-Competitive Negotiation ☐ Government ☐ Other

Procurement Process Summary

The process described in the request to procure a vendor by a competitive negotiation process was followed. The evaluation of the technical and cost proposals was completed in the manner described in documents provided to the proposers.

RECEIVED 2007 AUG 21 P 3:16

RECEIVED AUG 30 2007 FISCAL REVIEW

RECEIVED 2007 AUG 16 PM 2:16 COMPTROLLER'S OFFICE MANAGERIAL SERVICES

PROCESSED AUG 20 2007 ACCOUNTS

AMENDMENT ONE
TO CONTRACT NUMBER FA-07-20295-00

This contract, by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the State, and Policy Studies Inc. (PSI), hereinafter referred to as the Contractor, is hereby amended as follows:

1. Add the following as Section A.15 and renumber any subsequent sections as necessary.

   A.15 Print/Production and Mass Mailing. The Contractor shall procure print/production and mass mailing service upon authorization from the State. The Contractor shall procure such service on a competitive basis, document the competitive basis and provide the documentation to the State. The State shall provide to the Contractor either the exact copy of material to be printed and distributed or request the Contractor to draft for approval by the State the material to be printed. The State will provide to the Contractor specifications regarding the format and print requirements, the timeframe for the print project, including but not limited to pertinent completion dates for the materials to be printed and mailed, and any additional material to include in the competitive bid such as postage paid envelopes or other items.

   Prior to initiating any project authorized in this item of this Contract with a value in excess of one thousand dollars ($1,000), the Contractor and the State will review the objectives of the project and the proposed manner of execution to determine if the proposal represents the least costly option. The analysis will include an assessment of ways to focus the project on the most narrowly defined distribution of materials in keeping with the anticipated outcomes. The State shall memorialize the assessment with the Contractor having an opportunity to comment upon the State's observations.

2. Add the following as Section C.3.1 and renumber any subsequent sections as necessary.

   C.3.1 Print/Production and Mass Mailing. The State may authorize the Contractor to procure print/production and mailing service the cost of which is not remunerated in accordance with preceding contract sections. In which case, the Contractor shall procure such service on a competitive basis, document the competitive basis and provide the documentation to the State. For each print/production and mass mailing service approved by the State in advance, the State shall reimburse the Contractor for the Contractor's actual net cost of the service and shall compensate the Contractor in an amount no less than $200 and no greater than $2,000 for the Contractor's actual cost to procure bids and oversee the print, production and mass mailing of the applications or other requested documents. Said payment shall constitute the total amount payable to the Contractor for any and all costs associated with a print/production and mass mailing service. The Contractor shall not be reimbursed or compensated for any print/production and mass mailing service not approved by the State in advance.

The other terms and conditions of this contract not amended hereby shall remain in full force and effect.

IN WITNESS WHEREOF:

POLICY STUDIES INC.:

8-9-07

MARK A. LEVY, PRESIDENT OF POLICY STUDIES INC. **DATE**

MARC A. LEVY PRESIDENT OF POLICY STUDIES INC.

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M.D. Goetz Jr. 8-10-07

M. D. GOETZ, JR., COMMISSIONER MOA DATE

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

PER AUTHORIZED SIGNATURE ABOVE

AUG 16 2007

M. D. GOETZ, JR., COMMISSIONER DATE

COMPTROLLER OF THE TREASURY:

John G. Morgan 8-17-07

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY DATE

RECEIVED
JUN 18 2007
FISCAL REVIEW

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION
312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Richard Chapman

Date: June 15, 2007

RE: Request for Amendment # 1 to the Policy Studies Inc. contract

Please find attached a Non-Competitive Amendment request to amend the existing contract with Policy Studies Inc. signed by Commissioner Goetz. The contract with Policy Studies Inc. is for the provision of eligibility determination, application processing and beneficiary services for the CoverKids program. The amendment would add print and production responsibilities to the current scope of services and enable the Contractor to provide these services for the State in the printing and production of approximately one million applications to be distributed to children starting school in the late summer and early fall.

The timeline established by the Department of Education to ensure the inclusion of the applications in the back to school packet provided to each child necessitates the amendment enabling Policy Studies Inc. to provide this service for the State. The amendment to the Policy Studies Inc. contract will enable the Department of Finance and Administration, Division of Insurance Administration to meet the requested time lines established by the Department of Education. Consultants to the Division and staff from the Federal granting agency have consistently re-enforced the need to continue to provide information regarding the benefits and eligibility of the CoverKids program. This program, the SCHIP program within Tennessee, is replicating the experience of other states when they initially launched these programs and realize the importance of a continuing need to make eligibility and benefit information available to Tennesseans.

The base contract is included as is a draft of the amendment created to address the additional responsibilities for print and production.

Thank you for your consideration of this request.

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED
Commissioner of Finance & Administration Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.	
1) RFS #	350.50-052-07
2) State Agency Name :	F&A – Insurance Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	To provide eligibility determination, application processing and beneficiary services for the CoverKids plan.
4) Contractor :	Policy Studies Inc.
5) Contract #	FA-07-20295-00
6) Contract Start Date :	February 20, 2007
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$10,600,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	1
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	June 15, 2007
11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$10,600,000
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 amendment will revise the scope of services and the payment methodology to include print and production responsibilities and method of payment for those services when authorized by the State. Currently, the Contractor is responsible for responding to requests for applications made directly by an applicant for CoverKids and providing the applicant with an application and a return postage paid envelope. A distribution of

applications is planned for the late summer to coincide with the beginning of the school year and requires the printing and distribution of approximately one million applications. This type of mass printing and distribution was not anticipated during the competitive negotiation process resulting in the current Contractor. The cost proposal did not address this activity and currently there is not a provision within the scope of services or the payment methodology to accommodate this service. Language to address both areas is included in Amendment #1.

15) Explanation of Need for the Proposed Amendment :

This amendment would allow the State to authorize the Contractor to seek competitive bids for the printing and distribution to school systems statewide in order for the CoverKids applications to be included in school packets provided to all children attending public schools within Tennessee.

16) Name & Address of Contractor's Current Principal Owner(s) :
(not required if proposed contractor is a state education institution)

Policy Studies Inc., 1875 Lawrence Street, Suite 1500, Denver, CO 80202

17) Documentation of Office for Information Resources Endorsement :
(required only if the subject service involves information technology)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :
(required only if the subject service involves training for state employees)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

19) Documentation of State Architect Endorsement :
(required only if the subject service involves construction or real property related services)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

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

In order to meet the requirements set forth by the Department of Education for availability of the CoverKids applications at the school systems statewide, the current Contractor is in the most advantageous position to secure the printing and distribution of the one million CoverKids applications and make them available to the school systems within the parameters of the Department of Education timeline request.

21) Justification for the Proposed Non-Competitive Amendment :

The State has been advised through consultants and the granting Federal agency that the benefits provided under the CoverKids plan as Tennessee's SCHIP program must be marketed in a variety of methods in order to penetrate those families who may be eligible for these services. The experience in other states has been that enrollment develops over time and the need to provide information concerning the availability of the benefit to children's health remains relatively constant throughout the plan availability.

REQUESTING 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)

M Joe Z/1	6/14/07
Agency Head Signature	**Date**

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION
312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

To: Commissioner M. D. Goetz, Jr.

From: Richard Chapman

Date: June 15, 2007

Re: Contract Start Date

This is to request a start date for the amendment to the contract with Policy Studies Inc. to revise the scope of services to include responsibility for print and production services on the part of the Contractor when authorized by the State.

This contract secures the services of Policy Studies Inc. to secure bids and services to print and produce approximately one million applications to be distributed to children starting school in the late summer and early fall. The timeline established by the Department of Education to ensure the inclusion of the applications in the back to school packet provided to each child necessitates the amendment enabling Policy Studies Inc. to provide this service for the State.

CONTRACT SUMMARY SHEET

8-8-05

RFS #	Contract #
350.50-052-07	FA-07- 20295-00
State Agency	**State Agency Division**
Dept. of Finance and Administration	Division of Insurance Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Policy Studies Inc.	☐ C- or ☒ V- 84-093-8521

Service Description

To provide eligibility determination, application processing and beneficiary services for the CoverKids program.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
February 20, 2007	December 31, 2009	Vendor	

Mark, if Statement is TRUE

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.04	50	083	11		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007	$1,500,000				$1,500,000
2008	$3,700,000				$3,700,000
2009	$3,700,000				$3,700,000
2010	$1,700,000				$1,700,000
TOTAL:	$10,600,000				$10,600,000

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2007		
FY: 2008		
FY: 2009		
TOTAL:		
End Date:		

State Agency Fiscal Contact & Telephone #

Maureen Abbey
20th Floor, Tennessee Tower
615-741-6070

State Agency Budget Officer Approval

Maureen Abbey

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)

FEB 23 2007

Contractor Ownership

☐ African American ☐ Disabled ☐ Hispanic ☒ Small Business ☒ NOT minority/disadvantaged
☐ Asian ☐ Female ☐ Native American ☐ OTHER minority/disadvantaged—

Contractor Selection Method

☐ RFP ☒ Competitive Negotiation ☐ Alternative Competitive Method
☐ Non-Competitive Negotiation ☐ Government ☐ Other

Procurement Process Summary

The process described in the request to procure a vendor by a competitive negotiation process was followed. The evaluation of the technical and cost proposals was completed in the manner described in documents provided to the proposers.

MAR - 1

CONTRACT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION
AND
POLICY STUDIES INC. (PSI)

This Contract, by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the "State" and Policy Studies Inc. (PSI), hereinafter referred to as the "Contractor", is for the delivery of a broad range of, eligibility determination, application processing and beneficiary services for the State of Tennessee CoverKids program managed by the Division of Insurance Administration within the Department of Finance and Administration that will enable the State to establish a consistent application of beneficiary contacts, application processing and eligibility policies throughout the State of Tennessee, as further defined in the "SCOPE OF SERVICES."

The Contractor is a for profit corporation. The Contractor's address is:

Policy Studies Inc.
1899 Wynkoop Street, Suite 300
Denver, Colorado 80202

The Contractor's place of incorporation or organization is Colorado.

The Contractor's Federal Employee Tax Identification Number is 84-093-8521.

A. SCOPE OF SERVICE

A.1. Deliverables

A.1.1. The Contractor shall maintain an appropriately staffed customer service call center to provide information and answer questions regarding the CoverKids program in a consistent, timely, and culturally-competent manner, as more specifically provided in Section A.2. This customer service call center will adhere to standards established by the State regarding knowledge of policies and practices as they relate to enrollees, promptness of response, accuracy of information, and ability to provide information to the State in a mutually agreed upon manner. This function also includes mailing informational pamphlets/literature/forms to families at their request as directed by the State.

A.1.2 The Contractor shall maintain an appropriately staffed eligibility information and education function that includes training for regional community service agencies in providing application and renewal assistance, and statewide outreach. This function will assist families in applying for CoverKids.

A.1.3 The Contractor shall provide an automated enrollment/disenrollment system into the CoverKids program. The automated enrollment function shall be capable of managing enrollments for newly eligible beneficiaries.

A.1.4. The Contractor shall operate an interactive voice response system to provide beneficiaries information about eligibility including, but not limited to, current eligibility and enrollment status.

A.1.5 The Contractor shall maintain an appropriately staffed function that is capable of processing the volume of applications for eligibility for the CoverKids program, as more specifically provided in Section A.4.3. Based on the review, the Contractor will either approve or deny eligibility both for initial eligibility in the program and subsequent redeterminations.

A.1.6 The Contractor shall adhere to the State's specified standards of promptness or registration of applications, eligibility decisions and incomplete applications, and appropriate notice to applicants as to status of applications and requests for information/assistance as well as call center performance.

A.1.7 The Contractor shall allow the State and other state or affiliated agencies access to all information maintained in the Contractor's database(s) that pertains to CoverKids.

A.1.8 The Contractor shall maintain an information system capable of producing comprehensive reports for the State, including but not limited to, monthly and annual enrollment reports, demographic reports as requested by the State, and any other management reports determined necessary by the State. The State and the Contractor shall review, within the first 60 days of the Contract, the standard reports that can be produced by the Contractor's information system and shall determine the specific requirements for the reports and system under this Section A.19. Based upon that review, the State and the Contractor will develop an action plan for the provision of such reports and modification of such system

A.1.9 The Contractor's management information system shall also have capacity to fully integrate with the current TennCare and CSS eligibility systems, as well as any new/replacement systems acquired by the State of Tennessee relating to Medicaid and CSS eligibility except as provided by amendments to this Contract in accordance with Section D.2 hereof.

A.1.10 The Contractor shall adhere to all State policies and procedures in a HIPAA compliant manner.

A.1.11 The Contractor shall work closely with and be familiar with the CoverKids plan administrator (the "plan administrator"). The Contractor and the plan administrator shall determine the format for data transfer by using standard formats for the transmittal The plan administrator shall be available to the Contractor no later than March 2, 2007 to provide member service support and answer all questions concerning plan coverage.] The Contractor, the State, and the plan administrator will interact on a regular basis to assure open communication and prompt problem resolution. The State shall provide the toll-free hotline number of the plan administrator no later than February 15, 2007.

A.2. <u>CoverKids Customer Service Call Center</u>

A.2.1 The Contractor shall manage a call center capable of handling the received volume of calls per month. The Contractor's phone counselors shall be trained to provide accurate responses to inquiries regarding CoverKids. The Contractor's call center shall identify the caller's issue and respond to or refer the call appropriately; calls cover various subject matters, such as, but not limited to, the following:

a. Requests for informational pamphlets and/or forms that require the Contractor's call center to mail the requested information.
b. Complaints that must be transferred to the State or the plan administrator and/or plan administrator via a method to be mutually agreed upon.
c. General information requests about CoverKids including the application process, eligibility and enrollment, outreach, appeals, contact information for the health plan, and contact information for programs or services outside of CoverKids such as – numbers for TennCare, other Cover Tennessee programs, Department of Human Services offices, and the Division of Insurance Administration.
d. Requests for information that require the Contractor to provide information regarding additional resources available to assist beneficiaries.

A.2.2 The Contractor will maintain a toll-free number for the CoverKids Program. The Contractor is responsible for maintaining the local line. The Contractor's telephone center(s) must be capable of handling the expected volume of calls. The phone center shall be available to accept calls Monday through Friday from 7:00 a.m. to 6:00 p.m. (Central Standard Time). The Contractor will

not be expected to provide services on Federal holidays including New Year's Eve, New Year's Day, Martin Luther King Day, President's Day, Memorial Day, July 4th, Labor Day, Veterans Day, Thanksgiving Day, the day after Thanksgiving, Christmas Eve and Christmas.

A.2.3 The Contractor shall retain an adequate staff of specially trained phone counselors to perform the education, enrollment and data collection functions for the targeted populations as delineated in the counselors' position description. The Contractor shall ensure the availability of phone counselors trained to address questions or issues regarding the CoverKids program. Phone counselors must be sensitive to the cultural differences and special medical needs of these populations.

A.2.4 The Contractor shall ensure that telephone operators treat all callers with dignity. The callers' need for privacy shall be respected and HIPAA guidelines followed. All operators shall be able to process enrollments and disenrollments, over the telephone and also be able to answer/handle general inquiries/complaints, and mail at the beneficiary's request information brochures/ pamphlets. A voice mailbox shall be available for after hours with a callback the next working day. Contractor telephone lines shall be equipped with a telecommunications device for the hearing impaired and translation services shall be available in Spanish and English.

A.2.5 The Contractor shall assure that telephone staffing level is adequate to fulfill the standards of promptness and quality listed below:

a. 100% of telephone calls must be answered within four rings (a call pick-up system which places the call in a queue may be used)
b. Telephone calls should be of sufficient length to assure adequate information is imparted to the beneficiary
c. The wait time in the queue should not be longer than three (3) minutes
d. The abandoned (dropped) call rate should not exceed 5% of the call volume funded by the State. Calls terminated in fewer than 30 seconds will not be included in the abandoned call rate.

A.2.6 The Contractor shall develop position descriptions for the phone counselors, which shall include the following criteria:

a. Education/experience in working with consumers, including working with special needs populations and/or working with families of special needs children
b. Background/training in a health care related field
c. Demonstrated knowledge of health care insurance, Medicaid and CoverKids
d. Education/experience working with computers

The position description shall be filed with the State for comment.

All calls involving CoverKids eligibility will be logged in the Contractor's processing system. Calls involving application requests will be reported in the Call Center report including repeat requests due to non-receipt of application

A.2.7 The Contractor shall have a desk or online reference available for counselors to access necessary information to respond to callers regarding general inquiries and complaints. This will involve knowledge of the State's program policies and procedures regarding CoverKids. The State has authority to review and comment on the desk reference.

A.2.8 The State and/or beneficiaries may request various applications, information pamphlets, literature and forms. Some of these shall be prepared and maintained by the Contractor and some shall be ordered from the State and a supply maintained by the Contractor for mailing purposes.

A.2.9 The Contractor shall ensure all calls to the CoverKids toll-free number are answered in a timely manner and consistent and accurate information provided to all callers. Contractor staff must

have general knowledge of Medicaid and how to apply as well as CoverKids policy and procedures and the CoverKids plan administrator.

A.3. Interactive Voice Response System – IVRS (Beneficiary)

A.3.1 The Contractor shall provide an interactive voice response system to respond to inquiries regarding CoverKids eligibility and health plan enrollment status. Beneficiaries shall be able to access the Contractor's system to obtain the information using identifying information, e.g. birth date and/or social security number. The IVRS must inform the beneficiary if the beneficiary has active CoverKids for the current month and the plan administrator's toll free number, if applicable. This system is to be available 24 hours per day, seven days per week, except for scheduled preventive maintenance or downtime necessary to correct/restore functionality. The Contractor shall notify the State when this occurs.

A.4. CoverKids Program Activities

A.4.1 The Contractor will assist the State in the administration of the CoverKids program. CoverKids implementation was begun after passage of Public Chapter 867 in the State of Tennessee in 2006 and falls under Title XXI of the Social Security Act enacted in 1997. Under the CoverKids program, the State contracts with a licensed plan administrator to provide a specified health benefit package to beneficiaries. The benefit package is based upon the State of Tennessee's employee benefit package. Children at or below 250% of the federal poverty level (FPL) who are not otherwise insured are eligible for participation in CoverKids unless the child has access to state employee health insurance. Children in families with income greater than 250% of the FPL can buy into the program at full cost premium per child.

A.4.2 The Contractor will perform required administrative functions under the direction of the State, including, but not limited to, the following as described in the CoverKids Eligibility Manual in effect as of the Contract start date.

a. Eligibility determination
b. Renewal
c. Case maintenance activities per State policies and procedures
d. Develop and maintain eligibility and enrollment databases

A.4.3 The Contractor shall have the capability to process all CoverKids applications received. As a part of the eligibility determination process for CoverKids, Medicaid eligible families or children shall be referred to their local office of the Tennessee Department of Human Services. The Contractor's data system must be able to detect overlaps in eligibility and process the appropriate disenrollments based upon a mutually agreed upon hierarchy and data received from the Department of Human Services or the TennCare Bureau Interface.

A.4.4 The Contractor shall follow the Department's "no wrong door policy" for the CoverKids program. Families may apply for coverage through any of the following agencies/methods:

a. Local Public Health Departments
b. Through the United States Postal Service
c. Department of Human Services and its local offices
d. Doctor's offices and clinics
e. Community Service Agencies

The Contractor shall accept applications that are mailed or faxed.

A.4.5 The Contractor shall make paper applications available, by request through the Contractor's toll-free phone service and through the State's website. The Contractor's web applications shall conform to all State policies, architecture and design standards. Web application design and all subsequent changes shall be approved by the Division of Insurance Administration and Office of Information Resources (OIR) Web Architect. The Contractor shall make necessary changes to

the Web application design to conform to changes in State standards or as required by the State. The web application shall be engaged in a software development life cycle (SDLC) which includes phases for development, testing, quality assurance, and security testing and code promotion methods. The Web application will be accessed through a link on the State's Web Portal.

A.4.6 The Contractor shall mail applications to requestor within two business days unless otherwise approved by the State. The Contractor may perform this task directly or through local agencies, who subcontract with the Contractor.

A.4.7 The Contractor shall develop and maintain a complete and accurate database of demographic eligibility data related to CoverKids beneficiaries. Within 25 days of the date the contract is signed, the State will provide the data elements that the database must contain. The Contractor shall comply with all health plan enrollment regulations of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The State shall have on-line access to the Contractor's CoverKids database, and any software used for calculating budgets, for audit and for quality assurance activities.

A.5. CoverKids Eligibility

A.5.1 The Contractor's data systems shall be compatible with the State to transmit and accept data as required. The Contractor shall ensure that CoverKids beneficiaries are not receiving Medicaid benefits and maintain the integrity of the application and enrollment process. The Contractor will develop and maintain the capability for the State to have on-line access to the Contractor's CoverKids database, including all software used in the Contractor's eligibility determination. The access must allow the State to perform audit and quality assurance functions, to carry out ad hoc queries on the data, and to generate reports. The Contractor will provide instructions and training to the State on the operation of the database and any associated reporting software.

A.5.2 At a time agreed to by the Contractor and the state, the Contractor shall be able to accept applications via the Internet (when developed). Applications may be downloaded from the Internet and mailed to the Contractor. A downloadable application in a standard electronic format (e.g., Adobe PDF) shall fully satisfy this requirement. The Contractor conducts the initial review to determine if the application should be processed for eligibility determination or referred to the Department of Human Services. Persons who are Medicaid eligible are not eligible for CoverKids. For referred applications, the Contractor will log the application and then populate a Medicaid application with information collected on the CoverKids application and mail to the family. The Contractor will also contact a community-based organization to follow-up with the family and assist the family in completing and signing the TennCare application to be sent to the local Department of Human Services' office.

A.5.3 The Contractor shall work with the State to design and maintain the electronic Internet application if requested. A presumptive eligibility tool that calculates program specific eligibility, and produces notices, signature pages and all relevant elements as directed and/or approved by the State only in the case of pregnant women and infants. The Contractor will be responsible for integrating the data received from the e-application process into the mainframe database of all CoverKids beneficiaries. These duties will include, but are not limited to, the following:

a. Developing and maintaining a server backup
b. Developing and implementing disaster recovery policies and procedures
c. Immediate response to problems, programming changes, correctness of computations, and correctness of information provided for drop down lists, and maintaining continuous service

A.5.4 The Contractor is required to have performed an annual Statement of Auditing Standards (SAS-70) Level II review of the CoverKids Administration Contract for submission to the State.

A.5.5 The Contractor shall adhere to the following State policies and procedures:

1) CoverKids Presumptive Eligibility Activities

a. The State will designate certified health care providers and other entities to submit presumptive eligibility determinations on behalf of pregnant women and newborn infants via fax or Internet when available. These agencies assist the individual in the application completion and then submit the completed application along with their preliminary determination to the Contractor via fax or Internet. The designated providers and other entities are authorized to grant presumptive eligibility to individuals in this category whose applications submitted by these agencies appear to meet all the requirements for receiving CoverKids benefits. The Contractor shall provide certified agencies with the applications, processes, and procedures for determining CoverKids presumptive eligibility. The State shall approve the processes and procedures before the Contractor sends them to the certified health care providers.

b. Presumptive eligibility will remain in effect from the date the application receives preliminary approval by the Contractor through the last day of the first full month following that date. The Contractor shall deny a presumptive eligibility decision if the application is incomplete as defined in the CoverKids Eligibility Manual or if the agency is not a certified agency. After receipt of a presumptive eligibility application, the Contractor will be required to review the application and make a final determination of eligibility ongoing coverage.

2) CoverKids Eligibility Activities

a. The Contractor will be responsible for all eligibility determinations for the CoverKids program. All beneficiaries of the CoverKids program must meet all eligibility factors established for the CoverKids program as determined by the State.

b. The Contractor shall review all applications and enter the information into the Contractor's database within two working days of receipt.

c. The Contractor shall make a decision on eligibility within ten days of the date the completed application is received.

d. If the application is approved, the Contractor notifies the family that CoverKids eligibility has been approved effective the first day of eligibility. The letter must inform the family of the decision, the effective date of coverage, and the plan administrator's contact information. Coverage is effective on the first day of the next available month following approval of the application, or for families whose eligibility is based on income greater than 250% of the Federal Poverty Level, the first of the next available month after which the plan administrator notifies the Contractor that the family has paid the applicable premiums.

e. If the application is denied, the letter to the family shall clearly state the reason for the denial of eligibility and must inform the family of its right to appeal the determination and the process for filing such an appeal. If the application is denied and presumptive eligibility has been granted because the application was submitted by a certified health care provider, then, the letter must inform the family of the date that presumptive eligibility is no longer in effect and CoverKids coverage terminates.

f. The Contractor shall transmit electronic enrollment files to inform the plan administrator of the plan member's enrollment and the effective date of coverage.

g. The Contractor shall base all eligibility determination solely upon policy and procedures approved by the State as specified in the CoverKids Eligibility

Manual which the State shall supply to the Contractor within ten (10) days of the effective date of this Contract. The State shall have access to all case files to perform monthly random beneficiary post-eligibility audits. The State shall conduct random samples of the Contractor's eligibility determinations to ensure that the Contractor is adhering to policy adopted by the State and the State Plan submitted to the Centers for Medicare and Medicaid Services.

h. Generally, once eligibility is determined, CoverKids coverage continues for 12 months from the effective date of coverage unless the beneficiary dies, ages out of the program, or no longer meets the state residency requirement. Changes in family circumstances will not terminate coverage within a 12 month eligibility period unless such change would result in the child being Medicaid eligible in which case the Contractor will transmit all available eligibility information to the Department of Human Services to support the child's enrollment in TennCare. The Contractor shall provide the family with a renewal form at least 50 calendar days prior to the end of the beneficiary's 12-month eligibility period. The renewal form will have limited fields preprinted. The family will be required to attest to the accuracy of the preprinted information and provide updated information and supply current income information. If the Contractor has not received the renewal form within 20 working days, the Contractor shall follow-up with the family. The Contractor must receive approval for the follow-up process from the State prior to implementation of that process. If the family fails to respond to the renewal application, the family will lose eligibility for the CoverKids program. The Contractor will close these cases.

3) CoverKids Enrollment Information

a. The CoverKids eligibility information shall be transmitted by the Contractor to the plan administrator by the first day of each month. The monthly audit file shall be in enrollment, disenrollment and change notice layout files in a HIPAA-compliant 834 format. The Contractor shall monitor plan administrator access to files and assist the plan administrator with information regarding the downloading of the files. The Contractor shall report to the State the failure of the plan administrator to retrieve enrollment files. The method of transmission must be a secure medium approved by the State.

4) Children's Special Services (CSS) (Title V only)

a. The Contractor shall allow CoverKids eligible children who are not eligible for Medicaid but are active CSS to enroll in CoverKids and provide for any necessary interfaces with the CSS program.

A.6. <u>CoverKids Communication</u>

A.6.1 The Contractor shall produce, distribute maintain and update the following documents (this will include mailing costs). All materials must include State requirements such as the State non-discrimination statement.

a. Program information to explain CoverKids benefits
b. CoverKids application forms with a return postage-paid envelope
c. Renewal notifications including applications
d. Information regarding appeal procedures
e. Approval/denial/missing information letters and forms
f. TennCare applications for CoverKids applicants who appear to be eligible

Materials shall be printed in languages defined as prevalent by the State and the Contractor and written at a 6th grade level. Currently, materials shall be printed in Spanish and English.

A.6.2 The Contractor shall create pamphlets, literature, and forms from the State and maintain an adequate supply of these materials. The Contractor shall provide sample letter templates that include graphics, format, layout, and text (both English and Spanish) prior to the start of system development. The State shall approve such templates within three (3) business days of receipt from the Contractor. The State shall fully involve the Contractor in informing the decisions on how to market the Program so as to properly identify and perform outreach to eligible children and families without triggering applications from ineligible children and families. No applicant shall receive more than three pieces of correspondence on average. The Contractor shall mail the appropriate pamphlet, literature, and/or form at the request of the State or the beneficiary and include the appropriate pamphlet, literature and/or form in each enrollment-related letter/packet.

The Contractor will be responsible for mailing costs.

A.7. Quality Assurance Activities

A.7.1 The Contractor shall develop internal policies and procedures that ensure the quality of the services that it provides to the State and CoverKids applicants and beneficiaries. The State has authority to review and approve all Contractor policies and procedures prior to implementation. Internal procedures shall include audits to ensure all quality standards set forth in this contract are met, including but not limited to the following:

a. Standards of promptness timelines for enrollment and notification of enrollment
b. Application review timelines
c. Eligibility determination accuracy
d. Standards of promptness timelines for processing applications and for notifications to applicants
e. Record retention
f. Phone service standards
g. Data system maintenance requirements

A.7.2 The Contractor shall be familiar with the grievance and complaint processes available to beneficiaries as adopted by the State. The Contractor must provide assistance to a CoverKids beneficiary in completing a complaint or grievance filing necessary to appeal a health plan decision under the applicable law. The Contractor shall not act as the beneficiary's legal counsel, but shall assist the beneficiary's family in understanding the steps to grieve a decision and to complete the applicable grievance process.

A.7.3 The Contractor shall record all complaints and grievances received from beneficiaries.

The Contractor must conduct a review of all eligibility grievance and complaint request by the beneficiary, such as denial of eligibility or suspension or termination of enrollment or if eligibility determination was not made in a timely manner. The beneficiary may request a review by calling the eligibility and enrollment toll-free number or by submitting correspondence in writing to the Contractor. The beneficiary can report additional information or clarify information pertaining to their review by contacting the Contractor. The Contractor will document the call and any additional information/clarification provided by the beneficiary. The Contractor staff will review the grievance or complaint request. If the Contractor's review does not result in the child being eligible, the beneficiary parent will be notified of the reason the denial was upheld. The notification letter will inform the beneficiary that they may submit a formal request in writing to the Division of Insurance Administration, to be reviewed by the State.

The State will perform the following oversight and monitoring activities to ensure that the Contractor maintains compliance with the quality standards set forth in this Contract:

a. Review reports and logs submitted by Contractor
b. Monitor compliance with contract requirements
c. Conduct scheduled site visits for performance auditing purposes

d. Conduct an independent evaluation of the eligibility counselor process at least annually
e. Evaluate effectiveness of educational materials and activities
f. Meet with the Contractor on a periodic basis to review and discuss project activities and functions. For purposes of this contract, telephone conference calls may meet this requirement with the State's approval.
g. Monitor the Contractor to ensure provision of adequate levels of service
h. Facilitate open communication and prompt resolution of programs between the Contractor, the State, the Department of Human Services, the TennCare Bureau and the plan administrator
i. Collaborate with the Contractor to improve services
j. Identify errors, discrepancies in beneficiary information, and enrollment requests that are not able to be processed in data transmitted by Contractor

A.8. Outreach and Cooperation with Agencies

A.8.1 The Contractor shall support these activities through the provision of CoverKids application materials and overall responsiveness to community input into the CoverKids program operation. The focus shall be on identifying uninsured persons who may qualify for CoverKids.

A.8.2 The Contractor shall develop and maintain working relationships with the local Department of Human Services offices, local health departments, and regional community service organizations that interact CoverKids potential applicants and beneficiaries. The Contractor must inform these organizations of the application and eligibility determination process of the Contractor. In addition, the Contractor must be available to answer inquiries regarding the application process. The Contractor must also develop protocols including time frames to provide materials to local and State agencies as needed or requested.

A.9 Project Management

The Contractor will carry out this project under the direction and control of the State. Although there will be continuous liaison with the Contract term, the State project director will confer biweekly as a minimum, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise. The State shall respond to requests for information, approve materials and answer questions from the Contractor within two (2) business days of receipt.

The Contractor will submit brief written monthly summaries of progress for each month before the end of the immediately succeeding month, which outlined the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the State's project director; and notification of any significant deviation from previously agreed-upon work statements.

Within ten (10) days of the effective date of the Contract, the Contractor will submit to the State project director for final approval a work statement. This final implementation plan must be in agreement with the implementation plan as proposed by the bidder and accepted by the State for Contract, and must include the following:

- The Contractor's project organizational structure.
- The Contractor's staffing table with names and title of personnel assigned to this project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval by the State which approval shall not be unreasonably withheld.
- The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.
- The time-phased plan in the form of a graphic display, showing each event, task and decision point in the work statement.

A.10. Administrative Requirements

A.10.1 The Contractor shall be incorporated in the State of Tennessee or authorized to conduct business in Tennessee. The Contractor and its subcontractors must not have any affiliation with a health care organization or provider of health, dental, mental health or substance abuse care services under CoverKids, Medicaid, or the Children's Special Services program, or any other health care program administered by the state.

A.10.2 The Contractor shall maintain an appropriately staffed office. Senior management personnel of the Contractor responsible for day-to-day operations based outside Tennessee also must be available to CoverKids management by phone by the beginning of the next business day and in person in Tennessee with 48 hours notice.

A.10.3 The Contractor shall also comply with the following administrative requirements:

a. Furnish and supply offices at Contractor expense including telephones, paper supplies, postage machines, furniture, and other necessary items for the work force
b. Develop written policies and procedures, employee manuals, external and internal communications and training materials necessary to fulfill the requirements of the contract
c. Develop detailed procedures for the security and safeguarding of documents and files including the loss, misuse, or dissemination of confidential information to unauthorized personnel. The Contractor is responsible for full compliance with all provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) with respect to privacy and security regulations.
d. Maintain strict adherence to the State's HIPAA security procedures
e. Notify the State of all employee terminations and the user IDs and passwords of the terminated employee so that these may be removed from the State's information system

A.10.4 The Contractor shall also maintain sufficient storage capability for a 12-month supply of all materials sent by the Contractor to the beneficiaries, including materials prepared by the State.

A.11. Technical Environment

A.11.1 In general, the Contractor's management information system must meet the following requirements:

a. The Contractor's system shall be compatible with the State's current Medicaid eligibility system as well as any subsequent eligibility system utilized by the State. When the State implements a new Medicaid eligibility system it will be in scope, for the purpose of this contract, for the contractor to make the appropriate changes to their system to be compatible with the new eligibility system.
b. All files prepared by the Contractor shall be in the record formats provided to the State.
c. The Contractor shall utilize all files provided by the State in the formats prescribed.
d. The Contractor system shall be flexible and able to utilize and integrate data sent by the State into their databases.
e. The Contractor shall manage the data sent by the State appropriately. Contractor will be charged for data refreshes that are requested for data mismanagement. Data refreshes necessary due to State error will be provided free.
f. The Contractor shall maintain a complete testing environment with a test database. The State staff shall have inquiry access to the test environment.
g. The Contractor shall have written procedures to provide a secure computer room.
h. The Contractor shall have software control procedures that meet standard IT best practice security requirements. The Contractor shall create a detailed Security Plan describing how the CoverKids application security features shall be integrated with existing network user log-in IDs to provide the security requirements. Recommended levels of security, limitations of capabilities, and required rules shall be provided. The format and content of security tables shall be included, as well as the recommended starting phase for establishing security

profiles.

i. The Contractor shall develop and maintain disaster recovery policies and procedures that must be approved by the State. The Contractor shall inform the State 30 day prior to any change in these policies and procedures.
j. The Contractor shall have back up procedures and the capability to fully restore their system without the State's intervention.
k. The Contractor shall notify the State of any system or software failure within 4 hours.
l. The Contractor shall retain all data collected for a minimum of 7 years. The Contractor shall maintain data on line for a minimum of 2 years. The Contractor may archive data after 2 years of inactivity.
m. The transaction submission error rate cannot exceed 5%.
n. The Contractor shall maintain an electronic log records that will track data accessed in case of Security or Confidentiality breaches.
o. The Contractor system shall have capacity for 1.8 million records initially with an average growth rate of 1 million records per year.
p. The Contractor shall follow the HIPAA security and confidentiality rules consistent with the State's policies and procedures. The Contractor shall provide documentation of staff training in HIPAA security and confidentiality. After the Contract is awarded documentation of staff training and signed security and confidentiality agreements shall be available for review by the State upon request.
q. The Contractor shall submit to the State for its approval within ninety (90) days of the effective date of this Contract a transition plan to be implemented in the event of the award of this business to another vendor in a subsequent procurement.

A.11.2 All data given to the Contractor by the State and all data collected by the Contractor in the performance of contractual duties is the property of the State and will be provided to the State or an entity designated by the State at the completion of this contract. The Contractor shall allow the State access to this data upon request. Further, the information collected by the Contractor in the performance of contractual duties is proprietary and may not be used for any other purpose without the State's permission.

A.11.3 Information Interface

The development and maintenance of all systems interfaces will be the responsibility of the Contractor. The State will assist the Contractor, as necessary.

The Contractor shall work with the CoverKids plan administrator to arrange transfer of the following data:

1) <u>Daily transmission of changes in the eligibility status of beneficiaries</u>.

Electronic transmission of the 834 version 1040A1 will conform to the State of Tennessee health plan implementation guide wherever possible. The Contractor shall publish an implementation guide that has been approved by the State. The State will provide to the plan administrator the monthly and weekly enrollment files that contain the official enrollment and disenrollment notification. Beneficiary choice of primary care provider within a health plan when applicable shall be included on the daily enrollment file.

The Contractor shall have a secure file transfer and retrieval process that shall be prior approved by the State.

The Contractor shall be responsible for acquisition and maintenance of all communications equipment, including but not limited to, lease lines and data transmission lines, necessary to maintain the above communications and be responsible for the development and maintenance of the system's interface. Data System design analysis must be approved by the State.

A.11.4 Data Transfer

a. Data Transfers Sent From the State to the Contractor

The Administrative Contractor will use daily electronic files in a mutually agreed upon format from the Department of Human Services eligibility system or the TennCare Bureau Interface to check that no family members are already enrolled in Medicaid. The Administrative Contractor will be provided with monthly TennCare enrollment information via an electronic file in order to conduct electronic matches to identify CoverKids members who gained TennCare Medicaid after they became active CoverKids members. The State of Tennessee Acceptable Use Policy for Network Access Rights and Obligations will be required. Signatures of contracted users will be mandatory.

Daily – The State will send two files of all Title XIX (General Medicaid and Title V (CSS) data for new eligible's or whenever there is a change in demographics such as change of address, county of residence, eligibility, etc. These files will be transferred utilizing the State's bulletin board.

b. Contractor Data Transfers to the State

The data transfers shall be in a mutually agreed upon format. The files will be 834 enrollment files for CoverKids health plans.

The Contractor shall maintain the capability to provide to the State an extract file of CoverKids beneficiary data on a scheduled or on demand basis in a mutually agreed upon format.

Contractor Data Transfers to CoverKids Health Plan. The enrollment files for CoverKids Health plan shall be transferred via a secure site that has been approved by the State. The Contractor will implement a single interface to exchange electronic information with the health plan(s).

c. Contractor Data Base

The Contractor shall maintain the following data in a standard database format. The State shall be provided on-line access to this data from outside the Contractor's location during business hours.

1) <u>CoverKids Database</u>

Demographic data excerpted from the CoverKids application or other appropriate source per the State policy that includes, but is not limited to, the following information regarding each beneficiary:

a) Name
b) Address
c) County and state of residence
d) Citizenship
e) Birth date
f) Gender
g) Race
h) Pregnancy Status
i) Parent or guardian names
j) Countable Income
k) Social security number
l) Begin and end dates of plan administrator enrollment provided by the plan administrator

m) Begin and end dates of CoverKids eligibility
n) Status of application/predetermination - approval, pending missing information, denied with reason for denial, referred for Medicaid
o) Type of application – on-line, paper, submitted by agency
p) Preliminary eligibility granted
q) CSS coverage – whether an eligible individual is enrolled in CSS
r) Complaint log regarding complaints about the Contractor's services and the resolution of all such complaints
s) Unique identifiers assigned by the Contractor

A.12. Reports.

A.12.1 The Contractor shall develop methodologies for reporting to the State. The State shall have authority to review, comment upon and approve the proposed methodologies. Reports shall be submitted to the State's project manager as directed by the contract. Reports shall be submitted electronically and by hard copy unless otherwise specified by the State.

a. Monthly Data Reports
Reports will include a narrative to explain trends in eligibility, problems experienced in the month, recommendations to the State for policy and/or procedural changes, and any comments the Contractor may have.

1) CoverKids standardized summary reports that provide the quantity for each of the following elements:

a) Applications received from the general public and from the DHS
b) Applications mailed
c) Renewal forms mailed
d) Children applying
e) Renewal forms received
f) Children reapplying
g) Applications approved
h) Renewal applications approved
i) Persons disenrolled (including those disenrolled because beneficiary has active Medicaid)
j) Disenrollments for failure to cooperate with audits
k) Disenrollments for failure to pay premiums
l) Persons who did not renew
m) Referrals to TennCare due to audit results
n) Applications within the 10-day pending period
o) Incomplete applications pending
p) Applications sent to Medicaid
q) Applications denied for CoverKids
r) Telephone calls received
s) Average abandon call rate

2) CoverKids Standardized summary reports:

a) The number of all children processed each month by CoverKids, including the number of children enrolled in CoverKids, referred from Medicaid, referred to Medicaid, and denied
b) Program enrollment numbers based on eligibility information provided to the health plan
c) The number of CSS children enrolled in CoverKids
d) Total number of new and cumulative CoverKids beneficiaries enrolled with the health plan by county

e) Total number of CoverKids applications received and the number of children applying, by county and listing both the number of new applications and the number of renewing applications
f) The number of applications approved, the number disapproved and the number pending
g) A breakdown of the CoverKids denials, listing the reasons for denial and the percentage and number for each denial reason
h) CoverKids renewal results, including the number renewed for CoverKids, the number referred to TennCare, and the number denied
i) Results of a monthly survey of approximately 50 families who fail to return renewal forms, to determine the reason(s) for this failure
j) Breakdown of percentages enrolled by gender, age, and race/ethnicity
k) A breakdown of the sources of information about CoverKids
l) Monthly CoverKids call volume and abandon rates

3) Time frame for CoverKids eligibility determinations by the Contractor including the standard of promptness reports

b. Ad Hoc Reports

1) Telephone Log

a) Logs shall be maintained for the CoverKids calls, showing the number of calls answered per day/week/month.

Extensive reporting of telephone activity will be required to assure that the Contractor is fulfilling the promptness and quality standard requirements of the contract. The Contractor shall submit monthly reports obtained from its phone company to the State, which shall include but are not limited to the following:

- Total number of telephone calls received per month at PSI switch
- Average Wait time for all calls in queue
- Average length of call

2) Mail Log

- Type of each mailing
- Reason for each mailing
- Date of the mailing

3) Other Contacts

- Method of contact (phone, mail, etc.)
- Source
- Reason for contact

4) Presentations

- Number
- Audience
- Date

5) Number of referrals by type and by agency

6) Other reports as requested by the State and agreed to by the Contractor.

A.13. Deadlines. The Contractor shall provide the form of application and phone number that applicants may call and leave messages no later than March 13, 2007, it being understood and agreed that the Contractor cannot provide all of the deliverables described in this Contract by March 13, 2007 and that the Contractor shall use all reasonable efforts to provide the other deliverables described in this Contract.

A.14 The State will not materially increase the Contractor's obligations under this contract without negotiating an amendment to the contract under Section D.2.

B. CONTRACT TERM:

B.1. Contract Term. This Contract shall be effective for the period commencing on February 20, 2007 and ending on December 31, 2009. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

B.2. Term Extension. The State reserves the right to extend the Contract for an additional period or periods of time representing increments of no more than one year and a total contract term of no more than five (5) years, provided that such an extension of the contract term is effected prior to the current, contract expiration date by means of an amendment to the Contract.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Ten Million Six Hundred Thousand Dollars ($10,600,000.00). The Service Rates in Section C.3 and the Travel Compensation provided in Section C.4. 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 Service 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 Service 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 Service 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 Service 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. The Contractor shall be compensated for the satisfactory completion of each of the units of service or project milestones defined in Section A. The Contractor shall be compensated based upon the following Service Rates:.

Component	Year 1	Year 2	Year 3
Applications Received:			
One time fee per application – Consistent Cost due to:			

0 - 10,000 Applications	$12.92	$13.62	$14.78
10,001 - 20,000 Applications	$12.58	$13.26	$14.41
20,001 - 30,000 Applications	$12.06	$12.73	$13.86
30,001 - 40,000 Applications	$10.67	$11.30	$12.39
40,001 - 50,000 Applications	$9.46	$10.06	$11.11
50,001 - 60,000 Applications	$8.59	$9.17	$10.19
60,001 - 70,000 Applications	$7.72	$8.28	$9.27
Applications Completed:			
One time fee per application completed in timeframe specified in eligibility rules.	**Year 1**	**Year 2**	**Year 3**
0 - 10,000 Applications	$8.94	$9.58	$10.71
10,001 - 20,000 Applications	$8.60	$9.23	$10.35
20,001 - 30,000 Applications	$8.08	$8.70	$9.81
30,001 - 40,000 Applications	$6.72	$7.30	$8.36
40,001 - 50,000 Applications	$5.52	$6.07	$7.10
50,001 - 60,000 Applications	$4.67	$5.20	$6.20
60,001 - 70,000 Applications	$3.82	$4.32	$5.29
Renewals:			
Per Member (one time)	$9.17	$9.17	$9.17
Enrollment Fee:			
Per Member (per month)			
0 - 10,000 Enrollees	$19.56	$13.97	$11.59
10,001 - 20,000 Enrollees	$12.37	$6.66	$5.32
20,001 - 30,000 Enrollees	$9.49	$3.73	$2.81
30,001 - 40,000 Enrollees	$8.78	$3.00	$2.19

Change Orders: (per Hour)			
Computer Programming	$99	$102	$105
Administrative	$124	$127	$131
Analytical	$89	$92	$95
Other			

The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

C.4. Travel Compensation. Compensation to the Contractor for travel, meals, or lodging shall be subject to amounts and limitations specified in the "State Comprehensive Travel Regulations," as they are amended from time to time and shall not exceed Fifteen Thousand Dollars ($15,000.00) during the period of the Contract.

C.5. 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.6. 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.7. 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.8. 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 Contract may be terminated by either party by giving written notice to the other, provided that the State shall give said notice to the Contractor at least Ninety (90) days before the effective date of termination, and the Contractor shall give said notice to the

State at least Two Hundred and Seventy (270) days before the effective date of termination. Should the State exercise this provision, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Should the Contractor exercise this provision, the State shall have no liability to the Contractor except for those units of service which can be effectively used by the State. The final decision as to what these units of service are, shall be determined by the State. In the event of disagreement, the Contractor may file a claim with the Tennessee claims Commission in order to seek redress.

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 notify the Contractor of the items that the Contractor has failed to perform. The Contractor shall provide to the State, within two business days of the receipt of the State's notice, a proposed plan of action which will provide a cure of the State's concern within 60 calendar days of the notice. The Contractor's proposed cure shall be subject to the review and comment by the State and shall be subject to the State's approval. 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 pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). 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 as Attachment C, 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 against the State 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 ventures, 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, riots, wars, strikes, 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 facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:
Marlene D. Alvarez, Manager of Procurement and Contracting
Tennessee Department of Finance & Administration
Division of Insurance Administration
312 Eighth Ave. No., 26th Floor WRS Tennessee Tower
Nashville, TN 37243-0295
Phone: 615-253-8358
Fax: 615-253-8556
E-mail Address: marlene.alvarez@state.tn.us

The Contractor:

Eric Rubin, Executive Vice President
Policy Studies Inc.
1875 Lawrence Street, Suite 1500
Denver, CO 80202
Phone: 303-863-0900
Fax: 303-295-0244
E-mail Address: erubin@policy-studies.com

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3)business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

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. Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

— failure to perform in accordance with any term or provision of the Contract;
— partial performance of any term or provision of the Contract;
— any act prohibited or restricted by the Contract, or
— violation of any warranty.

For purposes of this contract, these items shall hereinafter be referred to as a "Breach."

a. Contractor Breach— The State shall notify Contractor in writing of a Breach.

(1) In event of a Breach by Contractor, the state shall have available the remedy of Actual Damages and any other remedy available at law or equity.

(2) Liquidated Damages— In the event of a Breach, the State may assess Liquidated Damages. The State shall notify the Contractor of amounts to be assessed as Liquidated Damages in accordance with Attachment A. The parties agree that due to the complicated nature of the Contractor's obligations under this Contract it would be difficult to specifically designate a monetary amount for a Breach by Contractor as said amounts are likely to be uncertain and not easily proven. Contractor hereby represents and covenants it has carefully reviewed the Liquidated Damages contained in above referenced, Attachment A and agree that said amounts represent a reasonable relationship between the amount and what might reasonably be expected in the event of Breach, and are a reasonable estimate of the damages that would occur from a Breach. It is hereby agreed between the parties that the Liquidated Damages represent solely the damages and injuries sustained by the State in losing the benefit of the bargain with Contractor and do not include any injury or damage sustained by a third party. The Contractor agrees that the liquidated damage amount is in addition to any amounts Contractor may owe the State pursuant to the indemnity provision or other section of this Contract.

The State may continue to withhold the Liquidated Damages or a portion thereof until the Contractor cures the Breach, the State exercises its option to declare a Partial Default, or the State terminates the Contract. The State is not obligated to assess Liquidated Damages before availing itself of any other remedy. The State may choose to discontinue Liquidated Damages and avail itself of any other remedy available under this Contract or at law or equity; provided, however, Contractor shall receive a credit for said Liquidated Damages previously withheld except in the event of a Partial Default.

For the initial period of the contract ending on December 31, 2007, the maximum amount of liquidated damages payable by the Contractor to the State shall be $100,000.

If during the initial three calendar quarters of this contract, the number of calls received exceeds 9,000 during any month, then the calculation of Performance Guarantee 1. Call Center – Call Abandonment Rate shall not include the statistics for that month in the determination of the quarterly measure.

If during the initial three calendar quarters of this contract, the average handle time (call duration) exceeds five minutes for the quarter, then the application of Performance Guarantee 1. Call Center – Call Abandonment Rate shall be suspended for that calendar quarter.

If during the initial three calendar quarters after the Application Processing Operational Date, the number of applications exceeds 5,000 a month, then the application of Performance Guarantee 2. Standard of Promptness for Registration of Applications shall be suspended for that for quarter that includes a month in which the Contractor receives more than 8,000 applications in a month.

If during the initial three calendar quarters after the Application Processing Operational Date, the number of applications exceeds 5,000 a month, then the application of Performance Guarantee 3. Standard of Promptness for Eligibility Decisions shall be suspended for the quarter that includes a month in which the Contractor receives more than 8,000 applications.

If during the initial three calendar quarters after the Application Processing Operational Date, the number of applications exceeds 5,000 a month, then the application of Performance Guarantee 4. Standard of Promptness – Identification of Incomplete Applications shall be suspended for the quarter that includes a month in which the Contractor receives more than 8,000 applications.

(3) Partial Default— In the event of a Breach, the State may declare a Partial Default. In which case, the State shall provide the Contractor written notice of: (1) the date which Contractor shall terminate providing the service associated with the Breach; and (2) the date the State will begin to provide the service associated with the Breach. Notwithstanding the foregoing, the State may revise the time periods contained in the notice written to the Contractor.

In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the State shall be entitled to receive within five (5) days any requested material

from Contractor. The State shall make the final and binding determination of said amount.

The State may assess Liquidated Damages against the Contractor for any failure to perform which ultimately results in a Partial Default with said Liquidated Damages to cease when said Partial Default is effective. Upon Partial Default, 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. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken.

(4) Contract Termination— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the State. Said notice shall hereinafter be referred to as Termination Notice. The Termination Notice may specify either that the termination is to be effective immediately, on a date certain in the future, or that the Contractor shall cease operations under this Contract in stages. In the event of a termination, the State may withhold any amounts which may be due Contractor without waiver of any other remedy or damages available to the State at law or at equity. The Contractor shall be liable to the State for any and all damages incurred by the State and any and all expenses incurred by the State which exceed the amount the State would have paid Contractor under this Contract. Contractor agrees to cooperate with the State in the event of a Contract Termination or Partial Takeover.

b. State Breach— In the event of a Breach of contract by the State, the Contractor shall notify the State in writing within thirty (30) days of any Breach of contract by the State. Said notice shall contain a description of the Breach. Failure by the Contractor to provide said written notice shall operate as an absolute waiver by the Contractor of the State's Breach. In no event shall any Breach on the part of the State excuse the Contractor from full performance under this Contract unless such breach is material and the State fails to cure it within thirty (30) days after notice from the Contractor, in which case the Contractor shall have the right to terminate this Contract. During that thirty (30) day period and ninety (90) days after the effective date of the termination if the Contractor is paid as provided in this Contract, the Contractor shall be required to continue fulfilling its duties in accordance with this Contract's terms. For purposes of this Section E.4.b. a "material breach" is a failure by the State to pay the Contractor any amount that is due and payable to Contractor under this Contract (i) for at least 60 calendar days and (ii) in an amount equal to or exceeding $83,333.00 unless the payment was withheld due to fraud or gross misconduct directly affecting the provision of the services for which payment was requested. In the event of Breach by the State, the Contractor may also avail itself of any remedy at law in the forum with appropriate jurisdiction; provided, however, failure by the Contractor to give the State written notice and opportunity to cure as described herein operates as a waiver of the State's Breach. Failure by the Contractor to file a claim before the appropriate forum in Tennessee with jurisdiction to hear such claim within one (1) year of the written notice of Breach shall operate as a waiver of said claim in its entirety. It is agreed by the parties this provision establishes a contractual period of limitations for any claim brought by the Contractor.

E.5. Partial Takeover. The State may, at its convenience and without cause, exercise a partial takeover of any service which the Contractor is obligated to perform under this Contract, including but not limited to any service which is the subject of a subcontract between Contractor and a third party, although the Contractor is not in Breach (hereinafter referred to as "Partial Takeover"). Said Partial Takeover shall not be deemed a Breach of Contract by the State. Contractor shall be given at least 30 days prior written notice of said Partial Takeover with said notice to specify the area(s) of service the State will assume and the date of said assumption. Any Partial Takeover by the State shall not alter in any way Contractor's other obligations under

this Contract. The State may withhold from amounts due the Contractor the amount the Contractor would have been paid to deliver the service as determined by the State. The amounts shall be withheld effective as of the date the State assumes the service. Upon Partial Takeover, 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.6. Annual Report and Audit. The Contractor shall prepare and submit, within nine (9) months after the close of the reporting period, an annual report of its activities funded under this Contract to the commissioner or head of the contracting agency, the Tennessee Comptroller of the Treasury, and the Commissioner of Finance and Administration. The annual report for any Contractor that receives five hundred thousand dollars ($500,000) or more in aggregate federal and state funding for all its programs shall include audited financial statements. All books of account and financial records shall be subject to annual audit by the Tennessee Comptroller of the Treasury or the Comptroller's duly appointed representative. When an audit is required, the Contractor may, with the prior approval of the Comptroller, engage a licensed independent public accountant to perform the audit. The audit contract between the Contractor and the licensed independent public accountant shall be on a contract form prescribed by the Tennessee Comptroller of the Treasury. Any such audit shall be performed in accordance with generally accepted government auditing standards, the provisions of OMB Circular A-133, if applicable, and the *Audit Manual for Governmental Units and Recipients of Grant Funds* published by the Tennessee Comptroller of the Treasury. The Contractor shall be responsible for reimbursement of the cost of the audit prepared by the Tennessee Comptroller of the Treasury, and payment of fees for the audit prepared by the licensed independent public accountant. Payment of the audit fees of the licensed independent public accountant by the Contractor shall be subject to the provisions relating to such fees contained in the prescribed contract form noted above. Copies of such audits shall be provided to the designated cognizant state agency, the State Contracting State, the Tennessee Comptroller of the Treasury, and the Department of Finance and Administration and shall be made available to the public.

E.7. State Ownership of Work Products. The State shall have all ownership right, title, and interest, including ownership of copyright, in all work products created, designed, developed, derived, documented, installed, or delivered to the State under this Contract: provided that, this Contract shall not restrict or deprive the Contractor of any of its ownership right, title, or interest in any work products that existed prior to, or are independent of the performance of the services under this Contract (the "Pre-existing or Independent Work Products"). The State shall have royalty-free and unlimited rights to use, disclose, reproduce, or publish all the Pre-existing or Independent Work Products to enable the full use and benefit of the services provided under this Contract and (ii) the Contractor shall furnish such information and data upon request of the State, in accordance with the Contract and applicable State law as is required to enable the full use and benefit of the services provided under this Contract.

E.8. Performance Bond. Upon approval of the Contract by all appropriate State officials in accordance with applicable State laws and regulations, the Contractor shall furnish a performance bond in the amount equal to fifty thousand dollars ($50,000), guaranteeing full and faithful performance of all undertakings and obligations under this Contract for the initial Contract term and all extensions thereof. The bond shall be in the manner and form prescribed by the State and shall be issued through a company licensed to issue such a bond in the State of Tennessee.

The Contractor shall obtain the required performance bond in form and substance acceptable to the State and provide it to the State no later than February 15, 2007. Failure to provide the performance bond prior to the deadline as required shall result in contract termination.

In lieu of a performance bond, a surety deposit, in the sum of fifty thousand dollars ($50,000), may be substituted if approved by the State prior to its submittal.

E.9. 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.10. Incorporation of Additional Documents. Included in this Contract by reference are the following documents:

a. The Contract document and its attachments
b. Technical Specifications provided to the Contractor
c. CoverKids Business Rules

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.12. Workpapers Subject to Review. The Contractor shall make all audit, accounting, or financial analysis workpapers, notes, and other documentation available for review by the Comptroller of the Treasury or his representatives, upon request, during normal working hours either while the analysis is in progress or subsequent to the completion of this Contract.

E.13. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:

No federally appropriated funds have been paid or will be paid, by or on behalf of the Contractor, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, and entering into any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

The Contractor shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including sub-grants, subcontracts, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients of federally appropriated funds shall certify and disclose accordingly.

E.14. Public Funding Notice. All notices, informational pamphlets, press releases, research reports, signs, and similar public notices prepared and released by the Contractor relative to this Contract shall include the statement, "This project is funded under an agreement with the State of Tennessee." Any such notices by the Contractor shall be approved by the State.

E.15. 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.

E.16. 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.17. Copyrights and Patents. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims or suits which may be brought against the State for infringement of any laws regarding patents or copyrights which may arise from the Contractor's performance of this Contract. In any such action brought against the State, the Contractor shall satisfy and indemnify the State for the amount of any final judgment for infringement. The Contractor further agrees it shall be liable for the reasonable fees of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State. The State shall give the Contractor written notice of any such claim or suit and full right and opportunity to conduct the Contractor's own defense thereof.

E.18. Public Accountability. If the Contractor is subject to *Tennessee Code Annotated*, Title 8, Chapter 4, Part 4 or if this Contract involves the provision of services to citizens by the Contractor on behalf of the State, the Contractor agrees to establish a system through which recipients of services may present grievances about the operation of the service program, and the Contractor shall display in a prominent place, located near the passageway through which the public enters in order to receive services pursuant to this contract, a sign at least twelve inches (12") in height and eighteen inches (18") in width stating:

NOTICE: THIS AGENCY IS A RECIPIENT OF TAXPAYER FUNDING. IF YOU OBSERVE AN AGENCY DIRECTOR OR EMPLOYEE ENGAGING IN ANY ACTIVITY WHICH YOU CONSIDER TO BE ILLEGAL, IMPROPER, OR WASTEFUL, PLEASE CALL THE STATE COMPTROLLER'S TOLL-FREE HOTLINE: 1-800-232-5454

E.19. Environmental Tobacco Smoke. Pursuant to the provisions of the federal "Pro-Children Act of 1994" and the Tennessee "Children's Act for Clean Indoor Air of 1995," the Contractor shall prohibit smoking of tobacco products within any indoor premises in which services are provided pursuant to this Contract to individuals under the age of eighteen (18) years. The Contractor shall post "no smoking" signs in appropriate, permanent sites within such premises. This prohibition shall be applicable during all hours, not just the hours in which children are present. Violators of the prohibition may be subject to civil penalties and fines. This prohibition shall apply to and be made part of any subcontract related to this Contract.

E.20. Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract: provided that, such agreement to indemnify and hold harmless shall not apply to

claims, liabilities, losses or causes of action if and to the extent that they arise, accrue, or result solely for the acts, omissions, or negligence of the State. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State.

In the event of any such suit or claim, the Contractor shall give the State immediate notice thereof and shall provide all assistance required by the State in the State's defense. The State shall give the Contractor written notice of any such claim or suit, and the Contractor shall have full right and obligation to conduct the Contractor's own defense thereof. Nothing contained herein shall be deemed to accord to the Contractor, through its attorney(s), the right to represent the State of Tennessee in any legal matter, such rights being governed by ***Tennessee Code Annotated***, Section 8-6-106.

Contractor's liability to the state for damages claims under this contract shall not exceed two (2) times the value of the Contract. The value of the Contract shall be determined by the Maximum Liability provisions in paragraph C.1 of this Contract, or as such Maximum Liability may be amended. This limitation applies to causes of action based on the Contract including without limited to breach of contract, breach of warranty, and negligent acts, but specifically shall not apply to criminal acts, international torts or fraudulent conduct of the Contractor, or losses from Federal government actions to recover funds from the State, if and to the extent that the Contractor's actions were a contributing factor to the erroneous or unjustified payments, grants, loans, or draw-down of funds alleged by the Federal government.

E.21. 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.23. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it and its principals:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;

b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offence in connection with obtaining attempting to obtain, or performing a public (Federal, State, or Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;

c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and

d. have not within a three (3) year period preceding this Contract had one or more public transactions (Federal, State, or Local) terminated for cause or default.

E.24. HIPAA Compliance. The State and Contractor shall comply with obligations under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its accompanying regulations. The State of Tennessee HIPAA Business Associate Agreement Compliance with Privacy and Security Rules will be required. Signatures of contracted users will be mandatory. Please see Attachment B.

a. Contractor warrants to the State that it is familiar with the requirements of HIPAA and its accompanying regulations, and will comply with all applicable HIPAA requirements in the course of this contract.

b. Contractor warrants that it will cooperate with the State, including cooperation and coordination with State privacy officials and other compliance officers required by HIPAA and its regulations, in the course of performance of the Contract so that both parties will be in compliance with HIPAA.

c. The State and the Contractor will sign documents, including but not limited to business associate agreements, as required by HIPAA and that are reasonably necessary to keep the State and Contractor in compliance with HIPAA. This provision shall not apply if information received by the State under this Contract is NOT "protected health information" as defined by HIPAA, or if HIPAA permits the State to receive such information without entering into a business associate agreement or signing another such document.

IN WITNESS WHEREOF:

POLICY STUDIES INC.:

2-20-07

MARK A. LEVY, PRESIDENT OF POLICY STUDIES INC. **DATE**

DEPARTMENT OF FINANCE AND ADMINISTRATION:

2-21-07

M. D. GOETZ, JR., COMMISSIONER **DATE**

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

per authorized signature above

FEB 23 2007

M. D. GOETZ, JR., COMMISSIONER **DATE**

COMPTROLLER OF THE TREASURY:

John G. Morgan 2-28-07

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY DATE

Contract Attachment A
Performance Guarantees

The Contractor shall pay to the State the indicated total dollar assessment upon notification by the State that an amount is due in accordance with this attachment, through the life of the contract.

1. Call Center – Call Abandonment Rate	
Guarantee	Calls are not abandoned at a rate in excess of the specified portion for the period.
Measurement	For the initial period and then measured and reported quarterly. For the second calendar quarter of 2007 a call abandonment rate no greater than 10%. For the third calendar quarter of 2007 call abandonment rate no greater than 7%. For the fourth calendar quarter of 2007 an abandonment rate no greater than 5%. For balance of the contract, a call abandonment rate no greater than 5%.
Non-Performance Amount	$5,000 for each period during which the call abandon rate exceeds the specified rate.
Definition	The abandonment rate as indicated by the number of qualified calls received that are terminated by the caller after being on hold for more than thirty (30) seconds and prior to being answered by a contractor's employee compared to the number of qualified calls received.
2. Standard of Promptness for Registration of Applications	
Guarantee	Registration (entry into processing system) of application information measured from date received by the contractor at its processing center to the date registration information is entered.
Measurement	For the second calendar quarter of 2007, an average duration of within three business days of receipt of the application. For each subsequent calendar quarter of 2007, an average duration of within two business days of receipt of the application.
Non-Performance Amount	$3,000 for each period when the standard is not met.
Definition	The amount of time, measured in business days between the receipt of an application and its entry (registration) into the contractor's processing system.
3. Standard of Promptness for Eligibility Decisions	
Guarantee	Decision concerning qualification of applicants will be made within specified time frames.
Measurement	By the period specified. For the second calendar quarter of 2007 – the decision made within 15 business days after application is determined to be complete. For the next two (2) subsequent calendar quarters - decision made within 12 business days after application is determined to be complete. For each calendar quarter thereafter - decision within 10 business days after application is determined to be complete.
Non-Performance Amount	$3,000 for each period during which the contractor does not meet the performance criteria.
Definition	Measurement will be based upon 98 percent compliance with the specified timeframes.

4. Standard of Promptness – Identification of Incomplete Applications	
Guarantee	Identification and return of incomplete application will occur within specified timeframes.
Measurement	By the period specified. For the second calendar quarter of 2007 – the decision made within 15 business days after application is determined to be complete. For the next two (2) subsequent calendar quarters - decision made within 12 business days after application is determined to be complete. For each calendar quarter thereafter - decision within 10 business days after application is determined to be complete.
Non-Performance Amount	$3,000 for each period during which the contractor does not meet the performance criteria.
Definition	Measurement will be based upon 98 percent compliance with the specified timeframes.

Contract Attachment B
HIPAA BUSINESS ASSOCIATE AGREEMENT TO COMPLY WITH PRIVACY AND SECURITY RULES

THIS BUSINESS ASSOCIATE AGREEMENT (hereinafter "Agreement") is between **The State of Tennessee,** (hereinafter "Covered Entity") and **Policy Studies Inc.** (hereinafter "Business Associate"). Covered Entity and Business Associate may be referred to herein individually as "Party" or collectively as "Parties."

BACKGROUND

Covered Entity acknowledges that it is subject to the Privacy and Security Rules (45 CFR Parts 160 and 164) promulgated by the United States Department of Health and Human Services pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), Public Law 104-191 in certain aspects of its operations.

Business Associate provides services to Covered Entity pursuant to one or more contractual relationships detailed below and hereinafter referred to as "Service Contracts"

- [contract number(s)]

In the course of executing Service Contracts, Business Associate may come into contact with, use, or disclose Protected Health Information (defined in Section 1.8 below). Said Service Contracts are hereby incorporated by reference and shall be taken and considered as a part of this document the same as if fully set out herein.

In accordance with the federal privacy and security regulations set forth at 45 C.F.R. Part 160 and Part 164, Subparts A, C, and E, which require Covered Entity to have a written memorandum with each of its internal Business Associates, the Parties wish to establish satisfactory assurances that Business Associate will appropriately safeguard "Protected Health Information" and, therefore, make this Agreement.

DEFINITIONS

1.1 Terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in 45 CFR §§ 160.103, 164.103, 164.304, 164.501 and 164.504.

1. "Designated Record Set" shall have the meaning set out in its definition at 45 C.F.R. § 164.501.

1.3 "Electronic Protected Health Care Information" shall have the meaning set out in its definition at 45 C.F.R. § 160.103.

1.4 "Health Care Operations" shall have the meaning set out in its definition at 45 C.F.R. § 164.501.

1. "Individual" shall have the same meaning as the term "individual" in 45 CFR § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 CFR § 164.502(g).

1.6 "Privacy Official" shall have the meaning as set out in its definition at 45 C.F.R. § 164.530(a)(1).

1.7 "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, subparts A, and E.

1.8 "Protected Health Information" shall have the same meaning as the term "protected health information" in 45 CFR § 160.103, limited to the information created or received by Business Associate from or on behalf of Covered Entity.

1.9 "Required by Law" shall have the meaning set forth in 45 CFR § 164.512.

1.10 "Security Rule" shall mean the Security Standards for the Protection of Electronic Protected Health Information at 45 CFR Parts 160 and 164, Subparts A and C.

2. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE (Privacy Rule)

2.1 Business Associate agrees to fully comply with the requirements under the Privacy Rule applicable to "business associates," as that term is defined in the Privacy Rule and not use or further disclose Protected Health Information other than as permitted or required by this Agreement, the Service Contracts, or as Required By Law. In case of any conflict between this Agreement and the Service Contracts, this Agreement shall govern.

2.2 Business Associate agrees to use appropriate procedural, physical, and electronic safeguards to prevent use or disclosure of Protected Health Information other than as provided for by this Agreement. Said safeguards shall include, but are not limited to, requiring employees to agree to use or disclose Protected Health Information only as permitted or required by this Agreement and taking related disciplinary actions for inappropriate use or disclosure as necessary.

2.3 Business Associate shall require any agent, including a subcontractor, to whom it provides Protected Health Information received from, created or received by, Business Associate on behalf of Covered Entity or that carries out any duties for the Business Associate involving the use, custody, disclosure, creation of, or access to Protected Health Information, to agree, by written contract with Business Associate, to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such information.

2.4 Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Agreement.

2.5 Business Associate agrees to require its employees, agents, and subcontractors to promptly report, to Business Associate, any use or disclosure of Protected Health Information in violation of this Agreement. Business Associate agrees to report to Covered Entity any use or disclosure of the Protected Health Information not provided for by this Agreement

2.6 If Business Associate receives Protected Health Information from Covered Entity in a Designated Record Set, then Business Associate agrees to provide access, at the request of Covered Entity, to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by covered Entity, to an Individual in order to meet the requirements under 45 CFR § 164.524, provided that Business Associate shall have at least seven (7) business days from Covered Entity notice to provide access to, or deliver such information.

2.7 If Business Associate receives Protected Health Information from Covered Entity in a Designated Record Set, then Business Associate agrees to make any amendments to Protected Health Information in a Designated Record Set that the Covered Entity directs or agrees to pursuant to the 45 CFR § 164.526 at the request of Covered Entity or an Individual, and in the time and manner designated by Covered Entity, provided that Business Associate shall have at least thirty (30) days from Covered Entity notice to make an amendment.

2.8 Business Associate agrees to make its internal practices, books, and records including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, created by or received by Business Associate on behalf of, Covered Entity available to the Secretary of the United States Department of Health in Human Services or the Secretary's designee, in a time and manner designated by the Secretary, for purposes of determining Covered Entity's or Business Associate's compliance with the Privacy Rule.

2.9 Business Associate agrees to document disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an

Individual for an accounting of disclosure of Protected Health Information in accordance with 45 CFR § 164.528.

2.10 Business Associate agrees to provide Covered Entity or an Individual, in time and manner designated by Covered Entity, information collected in accordance with this Agreement, to permit Covered Entity to respond to a request by an Individual for and accounting of disclosures of Protected Health Information in accordance with 45 CFR § 164.528, provided that Business Associate shall have at least seven (7) days from Covered Entity notice to provide access to, or deliver such information which shall include, at minimum, (a) date of the disclosure; (b) name of the third party to whom the Protected Health Information was disclosed and, if known, the address of the third party; (c) brief description of the disclosed information; and (d) brief explanation of the purpose and basis for such disclosure.

2.11 Business Associate agrees it must limit any use, disclosure, or request for use or disclosure of Protected Health Information to the minimum amount necessary to accomplish the intended purpose of the use, disclosure, or request in accordance with the requirements of the Privacy Rule.

2.11.1 Business Associate represents to Covered Entity that all its uses and disclosures of, or requests for, Protected Health Information shall be the minimum necessary in accordance with the Privacy Rule requirements.

2.11.2 Covered Entity may, pursuant to the Privacy Rule, reasonably rely on any requested disclosure as the minimum necessary for the stated purpose when the information is requested by Business Associate.

2.11.3 Business Associate acknowledges that if Business Associate is also a covered entity, as defined by the Privacy Rule, Business Associate is required, independent of Business Associate's obligations under this Memorandum, to comply with the Privacy Rule's minimum necessary requirements when making any request for Protected Health Information from Covered Entity.

2.12 Business Associate agrees to adequately and properly maintain all Protected Health Information received from, or created or received on behalf of, Covered Entity

2.13 If Business Associate receives a request from an Individual for a copy of the individual's Protected Health Information, and the Protected Health Information is in the sole possession of the Business Associate, Business Associate will provide the requested copies to the individual and notify the Covered Entity of such action. If Business Associate receives a request for Protected Health Information in the possession of the Covered Entity, or receives a request to exercise other individual rights as set forth in the Privacy Rule, Business Associate shall notify Covered Entity of such request and forward the request to Covered Entity. Business Associate shall then assist Covered Entity in responding to the request.

2.14 Business Associate agrees to fully cooperate in good faith with and to assist Covered Entity in complying with the requirements of the Privacy Rule.

3. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE (Security Rule)

3.1 Business Associate agrees to fully comply with the requirements under the Security Rule applicable to "business associates," as that term is defined in the Security Rule. In case of any conflict between this Agreement and Service Agreements, this Agreement shall govern.

3.2 Business Associate agrees to implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic protected health information that it creates, receives, maintains, or transmits on behalf of the covered entity as required by the Security Rule.

3.3 Business Associate shall ensure that any agent, including a subcontractor, to whom it provides electronic protected health information received from or created for Covered Entity or that carries out any duties for the Business Associate involving the use, custody, disclosure, creation of, or access to Protected Health

Information supplied by Covered Entity, to agree, by written contract (or the appropriate equivalent if the agent is a government entity) with Business Associate, to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such information.

3.4 Business Associate agrees to require its employees, agents, and subcontractors to report to Business Associate within five (5) business days, any Security Incident (as that term is defined in 45 CFR Section 164.304) of which it becomes aware. Business Associate agrees to promptly report any Security Incident of which it becomes aware to Covered Entity.

3.5 Business Associate agrees to make its internal practices, books, and records including policies and procedures relating to the security of electronic protected health information received from, created by or received by Business Associate on behalf of, Covered Entity available to the Secretary of the United States Department of Health in Human Services or the Secretary's designee, in a time and manner designated by the Secretary, for purposes of determining Covered Entity's or Business Associate's compliance with the Security Rule.

3.6 Business Associate agrees to fully cooperate in good faith with and to assist Covered Entity in complying with the requirements of the Security Rule.

4. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE

4.1 Except as otherwise limited in this Agreement, Business Associate may use or disclose Protected Health Information to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in Service Contracts, provided that such use or disclosure would not violate the Privacy and Security Rule, if done by Covered Entity.

4.2 Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information as required for Business Associate's proper management and administration or to carry out the legal responsibilities of the Business Associate.

4.3 Except as otherwise limited in this Agreement, Business Associate may disclose Protected Health Information for the proper management and administration of the Business Associate, provided that disclosures are Required By Law, or provided that, if Business Associate discloses any Protected Health Information to a third party for such a purpose, Business Associate shall enter into a written agreement with such third party requiring the third party to: (a) maintain the confidentiality, integrity, and availability of Protected Health Information and not to use or further disclose such information except as Required By Law or for the purpose for which it was disclosed, and (b) notify Business Associate of any instances in which it becomes aware in which the confidentiality, integrity, and/or availability of the Protected Health Information is breached.

4.4 Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information to provide Data Aggregation services to Covered Entity as permitted by 42 CFR § 164.504(e)(2)(i)(B).

4.5 Business Associate may use Protected Health Information to report violations of law to appropriate Federal and State Authorities consistent with 45 CFR 164.502(j)(1)

5. OBLIGATIONS OF COVERED ENTITY

5.1 Covered Entity shall provide Business Associate with the notice of Privacy Practices that Covered Entity produces in accordance with 45 CFR § 164.520, as well as any changes to such notice. Covered Entity shall notify Business Associate of any limitations in its notice that affect Business Associate's use or disclosure of Protected Health Information.

5.2 Covered Entity shall provide Business Associate with any changes in, or revocation of, permission by an Individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses.

5.3 Covered Entity shall notify Business Associate of any restriction to the use or disclosure of Protected Health Information that Covered Entity has agreed to in accordance with 45 CFR § 164.522, to the extent that such restriction may affect Business Associate's use of Protected Health Information.

6. PERMISSIBLE REQUESTS BY COVERED ENTITY

6.1 Covered Entity shall not request Business Associate to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy or Security Rule, if done by Covered Entity.

7. TERM AND TERMINATION

7.1 Term. This Agreement shall be effective as of the date on which it is signed by both parties and shall terminate when all of the Protected Health Information provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy Protected Health Information, Section 7.3. below shall apply.

7.2 Termination for Cause.

7.2.1. This Agreement authorizes and Business Associate acknowledges and agrees Covered Entity shall have the right to immediately terminate this Agreement and Service Contracts in the event Business Associate fails to comply with, or violates a material provision of, requirements of the Privacy and/or Security Rule or this Memorandum.

7.2.2. Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:

7.2.2.1. provide a reasonable opportunity for Business Associate to cure the breach or end the violation, or

7.2.2.2. if Business Associate has breached a material term of this Agreement and cure is not possible or if Business Associate does not cure a curable breach or end the violation within a reasonable time as specified by, and at the sole discretion of, Covered Entity, Covered Entity may immediately terminate this Agreement and the Service Agreement.

7.2.2.3. If neither cure nor termination is feasible, Covered Entity shall report the violation to the Secretary of the United States Department of Health in Human Services or the Secretary's designee.

7.3 Effect of Termination.

7.3.1. Except as provided in Section 7.3.2. below, upon termination of this Agreement, for any reason, Business Associate shall return or destroy all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of, Covered Entity. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the Protected Health Information.

7.3.2. In the event that Business Associate determines that returning or destroying the Protected Health Information is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction unfeasible. Upon mutual agreement of the Parties that return or destruction of Protected Health Information is unfeasible, Business Associate shall extend the protections of this Memorandum to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction unfeasible, for so long as Business Associate maintains such Protected Health Information.

8. MISCELLANEOUS

8.1 Regulatory Reference. A reference in this Agreement to a section in the Privacy and /or Security Rule means the section as in effect or as amended.

8.2 Amendment. The Parties agree to take such action as is necessary to amend this Memorandum from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy and Security Rules and the Health Insurance Portability and Accountability Act, Public Law 104-191. Business Associate and Covered Entity shall comply with any amendment to the Privacy and Security Rules, the Health Insurance Portability and Accountability Act, Public Law 104-191, and related regulations upon the effective date of such amendment, regardless of whether this Agreement has been formally amended.

8.3 Survival. The respective rights and obligations of Business Associate under Section 7.3. of this Memorandum shall survive the termination of this Agreement.

8.4 Interpretation. Any ambiguity in this Agreement shall be resolved in favor of a meaning that permits Covered Entity and the Business Associate to comply with the Privacy and Security Rules.

8.5 Notices and Communications. All instructions, notices, consents, demands, or other communications required or contemplated by this Agreement shall be in writing and shall be delivered by hand, by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below, or to such other party, facsimile number, or address as may be hereafter specified by written notice.

COVERED ENTITY:
Name: M.D. Goetz, Jr..
Title: Commissioner of the Department of Finance and Administration for the State of Tennessee
Address: 312 8th Avenue, North
Nashville, Tennessee 37243-0295
Phone: 615-253-8358
Fax: 615-253-8556
Email: dave.goetz@state.tn.us

BUSINESS ASSOCIATE:
Name: Eric Rubin
Title: Executive Vice President
Policy Studies Inc.
Address: 1875 Lawrence Street, Suite 1500
Denver, Colorado 80202
Phone: 303-863-0900
Fax: 303-295-0244
Email: erubin@policy-studies.com

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the date of hand delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the facsimile machine at the receiving location and receipt is verbally confirmed by the sender.

8.6 Strict Compliance. No failure by any Party to insist upon strict compliance with any term or provision of this Agreement, to exercise any option, to enforce any right, or to seek any remedy upon any default of any other Party shall affect, or constitute a waiver of, any Party's right to insist upon such strict compliance, exercise that option, enforce that right, or seek that remedy with respect to that default or any prior, contemporaneous, or subsequent default. No custom or practice of the Parties at variance with any provision of this Agreement shall affect, or constitute a waiver of, any Party's right to demand strict compliance with all provisions of this Agreement.

8.7 Severability. With respect to any provision of this Agreement finally determined by a court of competent jurisdiction to be unenforceable, such court shall have jurisdiction to reform such provision so that it is enforceable to the maximum extent permitted by applicable law, and the Parties shall abide by such court's determination. In the event that any provision of this Agreement cannot be reformed, such provision shall be deemed to be severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect.

8.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee except to the extent that Tennessee law has been pre-empted by HIPAA.

8.9 Compensation. There shall be **no** remuneration for performance under this Agreement except as specifically provided by, in, and through, existing administrative requirements of Tennessee State government and services contracts referenced herein.

IN WITNESS WHEREOF,

POLICY STUDIES INC. (PSI):

2-20-07

~~ERIC RUBIN, EXECUTIVE VICE~~ PRESIDENT OF PSI **DATE:**

Mark A. Levy, President

STATE OF TENNESSEE, DEPARTMENT OF FINANCE & ADMINISTRATION:

2-21-07

M.D. GOETZ, JR., COMMISSIONER **DATE:**

ATTACHMENT C

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	FA-07
CONTRACTOR LEGAL ENTITY NAME:	Policy Studies Inc.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	84-093-8521

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.

SIGNATURE & DATE: Mark A. Levy, President

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.