CONTRACT #12
RFS # 317.86-032
FA # 06-16533

Finance & Administration
Benefits Administration

VENDOR:
CIGNA Point of Service (POS)
Middle Tennessee Region

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
EXECUTIVE DIRECTOR

MEMORANDUM

RECEIVED
APR 01 2010
FISCAL REVIEW

TO: James White, Executive Director, Fiscal Review Committee

FROM: Laurie Lee

DATE: April 1, 2010

RE: Amendments # 4 to CIGNA Point of Service (POS) Contracts for East # 2038, Middle # 2039 and West #2040

This is a request for a start date of May 1, 2010 for the amendments to these three contracts. These amendments add funding to continue Per Member Per Month (PMPM) administrative fee payments for members of the State, Local Education and Local Government Insurance Plans. The PMPM fees continue at the 2010 fee schedule rate for all three Plans.

These amendments are not provided with the requested sixty day advance. The funding balance remaining in the three contracts requires the addition of the funds sooner than 60 days to continue to make the administrative payments on these three contracts. The funding balances were incorrectly stated during the transition from the STARS accounting system to the new Edison system and this discrepancy was only recently discovered. Benefits Administration has added appropriate financial oversight to ensure that this type of error is not repeated.

Thank you for your consideration of this request.

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Marlene Alvarez	*Contact Phone:	615.253.8358
*Original Contract Number:	FA-06-16533	*Original RFS Number:	317.86-032
Edison Contract Number: (*if applicable*)	2039	Edison RFS Number: (*if applicable*)	31786 - 00013
*Original Contract Begin Date:	01.01.2006	*Current End Date:	01.31.2012

Current Request Amendment Number: (*if applicable*)	# 4
Proposed Amendment Effective Date: (*if applicable*)	May 1, 2010
*Department Submitting:	Finance & Administration
*Division:	Benefits Administration
*Date Submitted:	April 1, 2010
*Submitted Within Sixty (60) days:	No.
If not, explain:	Benefits Administration delayed this amendment to research the error made loading the contract maximum liability during conversion.
*Contract Vendor Name:	CIGNA POS Middle
*Current Maximum Liability:	$33,000,000.00

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

FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009**	FY: **2010**	FY: **2011**
$19,000,000.00	$2,000,000.00	$2,000,000.00	$2,000.000.00	$6,200.000.00	$1,800,000.00

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

FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009 YTD**	FY: 2010	FY:
$2,556,552.52	$5,491,128.51	$6,747,997.69	$11,358,044.22	$9,536,322.06	$

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. Monthly funding of contract expenditures is obtained, on an as needed basis, from each separate plan funds (State Fund 55, Local Education Fund 56, and Local Government Fund 58). Plan fund revenues are obtained primarily from employer and employee premiums, which are annually set by the committees, and utilized for paying all health plan fund expenses (claims and administrative expenses, etc.), and can only be utilized for that purpose.**
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	**Under TCA –Title 8: Chapter 27-102 (a), 301 (b), and 207 (d) the State, Local Education and Local Government insurance committees have the authority to enter into contracts with insurance companies, claims administrators, and other organizations for some or all of the insurance benefits or services, including actuarial and consulting advice for the purpose of**

Supplemental Documentation Required for
Fiscal Review Committee

	administering the state sponsored basic health plans. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan fund (State Fund 55, Local Education Fund 56, and Local Government Fund 58). By approving the one year contract extensions, the insurance committees have authorized the payment of expenses from the funds for the additional one year extension. The present estimated maximum liability of the contract is changed based on the estimate of the additional one year expenses due to the contract extension. These contracts are in allotment code 317.86 that is an off-line code and does not submit carry-forward letters. The insurance funds are billed each month and they each carry a fund balance which can be found on the Comprehensive Annual Financial Report (CAFR).
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	**After the conversion from STARS to Edison, the beginning balance in Edison was overstated. This overstatement allowed the maximum liability of the contract to be exceeded. This error has been corrected and additional financial oversight within Benefits Administration has been included in this process to ensure it does not occur again. A conversion between two accounting systems is a rare, infrequent and unusual occurrence.** **The funding was obtained from the Public Sector Plan funds.**

*Contract Funding Source/Amount:	State:	Federal:	
Interdepartmental:	$33,000,000.00	*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*)
Amendment # 3 – October 2009	Amendment extends term through January 31, 2012. Defines the PMPM Adm. Fee for CY 2010. Defines the Target Claims /Trend Costs for CY 2010. Carves out pharmacy benefits April 2010 and defines the contractor's responsibility for claims during the last thirteen months of the contract term.
Amendment # 2 – November 2008	Amendment extends the term adding additional funds for the extension and adds responsibilities regarding Edison
November 2007 – Revision	Re-allocate funds to establish retiree funds codes 51, 52 and 53 as required by Comprehensive Annual Financial Report (CAFR) of the State of Tennessee.
Amendment # 1 – April 2007	Amendment revised communications and contact information and added language regarding the transition from the Tennessee Insurance System (TIS) to the State's Enterprise Resource Planning (ERP) system.

Method of Original Award: (*if applicable*)	RFP
*What were the projected costs of the service for the entire term of the contract prior to contract award?	At the time of the procurement in 2005, the exact number of potential participants in this plan was unknown. An initial funding amount of $25,000,000 was allocated with the understanding that should additional funding be required to provide the administrative Per Member Per Month (PMPM) fee would be increased.

Supplemental Documentation Required for Fiscal Review Committee

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

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

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

Deliverable description:	FY:	FY:	FY:	FY:	FY:

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

Deliverable description:	FY:	FY:	FY:	FY:	FY:

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

Proposed Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:

Cigna - POS Middle

STARS contract #:	FA0616533
Edison contract #:	2039

Expenditures

FY	Amount
2006	2,566,552.52
2007	5,491,128.51
2008	6,747,997.69
2009 STARS	6,441,134.00
2009 Edison	4,916,910.22
2010	9,536,322.06
	35,700,045.00

Projected Amendment Amount

$14,045,000

NON-COMPETITIVE AMENDMENT REQUEST:

APPROVED
Commissioner of Finance & Administration

1) **RFS #**	31786 – 00013
2) **Procuring Agency :**	Finance & Administration, Benefits Administration
EXISTING CONTRACT INFORMATON	
3) **Service Caption :**	Self insured Point of Service (POS) – **Middle service area.**
4) **Contractor :**	Connecticut General Life Insurance Company
5) **Contract #**	Edison ID # 2039 (FA-06-16533-00)
6) **Contract Start Date :**	January 1, 2006
7) **CURRENT Contract End Date :** (if ALL options to extend the contract are exercised)	January 31, 2012
8) **CURRENT Maximum Cost :** (if ALL options to extend the contract are exercised)	$33,000,000.00
PROPOSED AMENDMENT INFORMATON	
9) **Amendment #**	4
10) **Amendment Effective Date :** (attached explanation required if < 60 days after F&A receipt)	May 1, 2010
11) **PROPOSED Contract End Date :** (if ALL options to extend the contract are exercised)	January 31, 2012
12) **PROPOSED Maximum Cost :** (if ALL options to extend the contract are exercised)	$47,044,100.00
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 :

Amendment # 4 adds additional funding increasing the maximum liability to the amount listed above in item # 12.

15) Explanation of Need for the Proposed Amendment :

Amendment # 4 adds additional funding required for administrative, per member per month (PMPM) expenditures associated with the contract and for any risk share payments owed to the Contractor by the State.

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

Connecticut General Life Insurance Company (CIGNA)
1000 Corporate Center Drive
Franklin, Tennessee 37067

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 :

No procurement alternatives were sought as this is the final year administrative fees will be paid under this contract document. The Third Party Administrators (TPAs) RFP was released March19, 2010 to secure new vendors for this service on January 1, 2011.

21) Justification for the Proposed Non-Competitive Amendment :

The additional funds are required to pay monthly PMPM administrative fees and any risk share funds owed by the State to the current Contractor based on the annual reconciliation performed in the fall for the prior year's activities. The settlement date for the risk sharing agreement will be no later than nine (9) months from the end of each contract year. For example, year five (calendar year 2010) will be settled no later than September 30, 2011.

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 M D Gartz 3/30/10

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31786-00013	2039	FA - 06-16533-00	4

Contractor
Connecticut General Life Insurance Company - POS Middle

Contractor Federal Employer Identification or Social Security #
☐ C- or ☒ V- 06-0303370

Amendment Purpose/ Effects
Amendment # 4 adds additional funding required for administrative, per member per month (PMPM) expenditures associated with the contract and for any risk share payments owed to the Contractor by the State..

Contract Begin Date	Contract End Date	Subrecipient or Vendor	CFDA #(s)
January 1, 2006	January 31, 2012	☐ Subrecipient ☒ Vendor	

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			$19,000,000.00		$19,000,000.00
2007			$2,000,000.00		$2,000,000.00
2008			$2,000,000.00		$2,000,000.00
2009			$2,000,000.00		$2,000,000.00
2010			$11,384,100.00		$11,384,100.00
2011			$10,660,000.00		$10,660,000.00
TOTAL:			$47,044,100.00		$47,044,100.00

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
2006	$19,000,000.00	
2007	$2,000,000.00	$0.00
2008	$2,000,000.00	$0.00
2009	$2,000,000.00	$0.00
2010	$6,200,000.00	$5,184,100.00
2011	$1,800,000.00	$8,860,000.00
TOTAL:	$33,000,000.00	$14,044,100.00

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
Multiple funds apply	78901000

— OCR USE —	**Procurement Process Summary** (non-competitive, FA- or ED-type only) The original contract (FA-06-16533) was procured through the RFP process.

AMENDMENT FOUR
TO CONTRACT FA-06-16533-00 (Edison ID # 2039)

This Contract Amendment is made and entered by and between the State of Tennessee, State Insurance Committee, Local Education Insurance Committee, and Local Government Insurance Committee, hereinafter referred to as the "State" and Connecticut General Life Insurance Company, 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.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 Forty-Seven Million Forty-Four Thousand One Hundred Dollars ($47,044,100.00). The per member per month (PMPM) Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The PMPM Rates include, but are not limited to, all applicable taxes, fees, overheads, profit, 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 PMPM 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.

The revisions set forth herein shall be effective on the date of final approval by the appropriate State officials in accordance with applicable Tennessee State laws and regulations. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY:

CONTRACTOR SIGNATURE **DATE**

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
LOCAL GOVERNMENT INSURANCE COMMITTEE:

M. D. GOETZ, JR., CHAIRMAN DATE

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

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

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

MEMORANDUM

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

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

DATE: September 16, 2009

SUBJECT: **Contract Comments**
(Fiscal Review Committee Meeting 9/15/09)

RFS# 317.86-00013
Department: Finance & Administration/Benefits Administration
Contractor: Connecticut General Life Insurance Company – CIGNA
Summary: The vendor currently provides Self-Insured Point of Service (POS) benefits for enrollees in the Middle Tennessee region. The proposed amendment extends the current contract for an additional 25 months, carves out pharmacy benefits, and increases the maximum liability by $1,800,000.
Maximum liability: $31,200,000
Maximum liability w/amendment: $33,000,000

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

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

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JUL 3 1 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
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: John Anderson, Director of Public Sector Plans, Benefits Administration

Date: July 30, 2009

RE: **Amendments to extend the five (5) Connecticut General Life Insurance Company contracts through Jan. 31, 2012 adds Contractor responsibilities for the transition to a Pharmacy Benefits Manager. Contract numbers include FA-06-16533-00 (Edison ID # 2039), FA-06-16532-00 (Edison # 2038), FA-06-16534-00 (Edison # 2040), FA-06-16531-00 (Edison ID # 2037), and FA-06-16530-00 (Edison ID # 2036)**

The five (5) enclosed contract amendments extend the contracts between the State, Local Education and Local Government Insurance Committees and Connecticut General Life Insurance Company for an additional two (2) years and one (1) month. The first year (2010) continues the provision of administrative service for the HMO and POS plan options, and the last thirteen (13) months of this contract amendment provides for the payment of claims during the "run out period". These amendments were approved by the Committees on March 31, 2009. The original contracts, secured through a competitive procurement, contain provisions under Section B.2 Term Extension for an initial three (36 year term with two (2) one (1) year extensions. This amendment extends beyond the five (5) year term. A rule exception has been requested and approved by the Commissioner of Finance and Administration, under separate cover, to allow for this amendment. The contract amendments are the same for each contract with the exception that they cover different HMO service areas (Nashville and Memphis), and different POS service areas (East, Middle and West). There is no increase in the administrative fees for 2010, which remain at $14.52 PMPM for the HMO plan options and $14.58 for the POS plan options. Four of the five amendments require an increase in the maximum liability. The HMO Memphis amendment will require no increase in the maximum liability. Additional language within each contract amendment addresses the Contractor's responsibilities for the transition to one Pharmacy Benefits Manager (PBM). The Request for Proposals for the PBM is currently under review within the Department of Finance and Administration.

The base contract for each of the five regions is included as are the prior amendments, all revisions to the contract summary sheets, the signed non-competitive amendment request and the supplemental documentation required for the Fiscal Review Committee.

Thank you for your consideration of this request.

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Marlene Alvarez	*Contact Phone:	615.253.8358
*Contract Number:	Edison ID # 2039 (was FA-06-16533)	*RFS Number:	31786 – 00013 (was 317.86-032)
*Original Contract Begin Date:	01.01.2006	*Current End Date:	12.31.2009
Current Request Amendment Number: (*if applicable*)	3		
Proposed Amendment Effective Date: (*if applicable*)	12.01.2009		
*Department Submitting:	Finance & Administration		
*Division:	Benefits Administration		
*Date Submitted:	July 31, 2009		
*Submitted Within Sixty (60) days:	Yes		
If not, explain:			
*Contract Vendor Name:	CIGNA POS Middle contract		
*Current Maximum Liability:	$31,200,000.		

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

FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009**	FY: **2010**	FY:
$19,000,000	$2,000,000	$2,000,000	$2,000.000	$6,200.000	

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

FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009 YTD**	FY:	FY:
$2,556,552.52	$5,491,128.51	$7,499,405.83	$11,358,044.22		$

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. Monthly funding of contract expenditures is obtained, on an as needed basis, from each separate plan funds (State Fund 55, Local Education Fund 56, and Local Government Fund 58). Plan fund revenues are obtained primarily from employer and employee premiums, which are annually set by the committees, and utilized for paying all health plan fund expenses (claims and administrative expenses, etc.), and can only be utilized for that purpose.**
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	**Under TCA –Title 8: Chapter 27-102 (a), 301 (b), and 207 (d) the State, Local Education and Local Government insurance committees have the**

Supplemental Documentation Required for Fiscal Review Committee

	authority to enter into contracts with insurance companies, claims administrators, and other organizations for some or all of the insurance benefits or services, including actuarial and consulting advice for the purpose of administering the state sponsored basic health plans. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan fund (State Fund 55, Local Education Fund 56, and Local Government Fund 58). By approving the one year contract extensions, the insurance committees have authorized the payment of expenses from the funds for the additional one year extension. The present estimated maximum liability of the contract is changed based on the estimate of the additional one year expenses due to the contract extension. These contracts are in allotment code 317.86 that is an off-line code and does not submit carry-forward letters. The insurance funds are billed each month and they each carry a fund balance which can be found on the Comprehensive Annual Financial Report (CAFR).
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	**FY 2007, 2008 and 2009 expenditures exceeded the allocation. Funding to pay these expenditures was provided from funding availability rolled forward from FY 2006.**

*Contract Funding Source/Amount:	State:	Federal:	
Interdepartmental:	$31,200,000	*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*)
April 2007 – Amendment # 1	Updates Contacts for contract (section E.2.) and adds Edison requirements
November 2007 – Revision	Re-allocate funds to establish retiree funds codes 51, 52 and 53 as required by Comprehensive Annual Financial Report (CAFR) of the State of Tennessee.
November, 2008 – Amendment # 2	Extension to 12.31.09, increased maximum liability by $6.2 million, added payment methodology for CY 2009, added Target Claims Cost for CY 2009, updated Contacts (Section E.2.), added Prohibition of Illegal Immigrants and Voluntary Buyout Language.

Method of Original Award: (*if applicable*)	RFP
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 – "CIGNA – POS Middle Payments Since Inception as of June 30, 2009"

Supplemental Documentation Required for Fiscal Review Committee

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 fifth year of the term of the contract. Expenditures for the current year and the extension year of the contract are attached and are based on estimated member enrollment.

CIGNA POS MIDDLE PAYMENTS SINCE INCEPTION

as of June 30, 2009

STARS Contract Number: FA0616533

Edison Contract Number: 2039

Fiscal Year	Total Payments
2006	2,566,552.52
2007	5,491,128.51
2008	7,499,405.83
2009	11,358,044.22
Total	26,915,131.08

Projected Expenditures for 2009 and 2010 Based on Estimated Member Enrollment

STATE PLAN:	CIGNA HMO NASHVILLE		CIGNA HMO MEMPHIS		CIGNA POS EAST		CIGNA POS MIDDLE		CIGNA POS WEST	
	Estimated monthly members	Admin fees	Estimated monthly members	Admin fees	Estimated monthly members	Admin fees	Estimated monthly members	Admin fees	Estimated monthly members	Admin fees
Jan-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Feb-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Mar-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Apr-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
May-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Jun-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
		$ 1,437,480.00		$ 662,112.00		$ 988,524.00		$ 2,676,888.00		$ 1,574,640.00
Jul-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Aug-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Sep-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Oct-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Nov-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Dec-09	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Jan-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Feb-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Mar-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Apr-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
May-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Jun-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
		$ 2,874,960.00		$ 1,324,224.00		$ 1,977,048.00		$ 5,353,776.00		$ 3,149,280.00
Jul-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Aug-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Sep-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Oct-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Nov-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
Dec-10	16,500	$ 239,580.00	7,600	$ 110,352.00	11,300	$ 164,754.00	30,600	$ 446,148.00	18,000	$ 262,440.00
		$ 1,437,480.00		$ 662,112.00		$ 988,524.00		$ 2,676,888.00		$ 1,574,640.00

LOCAL EDUCATION PLAN:	Estimated Monthly Members	Admin fees	Estimated Monthly Members	Admin fees	Estimated Monthly Members	Admin fees	Estimated Monthly Members	Admin fees	Estimated Monthly Members	Admin fees
Jan-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Feb-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Mar-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Apr-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
May-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Jun-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
		$ 150,282.00		$ 54,450.00		$ 1,793,340.00		$ 1,924,560.00		$ 1,076,004.00
Jul-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Aug-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Sep-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Oct-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Nov-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Dec-09	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Jan-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Feb-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Mar-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Apr-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
May-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Jun-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
		$ 300,564.00		$ 108,900.00		$ 3,586,680.00		$ 3,849,120.00		$ 2,152,008.00
Jul-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Aug-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Sep-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Oct-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Nov-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
Dec-10	1,725	$ 25,047.00	625	$ 9,075.00	20,500	$ 298,890.00	22,000	$ 320,760.00	12,300	$ 179,334.00
		$ 150,282.00		$ 54,450.00		$ 1,793,340.00		$ 1,924,560.00		$ 1,076,004.00

LOCAL GOVERNMENT PLAN:	Estimated Monthly Members	Admin fees	Estimated Monthly Members	Admin fees	Estimated Monthly Members	Admin fees	Estimated Monthly Members	Admin fees	Estimated Monthly Members	Admin fees
Jan-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Feb-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Mar-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Apr-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
May-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Jun-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
		$ 58,806.00		$ 54,450.00		$ 236,196.00		$ 406,782.00		$ 240,570.00
Jul-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Aug-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Sep-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Oct-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Nov-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Dec-09	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Jan-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Feb-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Mar-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Apr-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
May-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Jun-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
		$ 117,612.00		$ 108,900.00		$ 472,392.00		$ 813,564.00		$ 481,140.00
Jul-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Aug-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Sep-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Oct-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Nov-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
Dec-10	675	$ 9,801.00	625	$ 9,075.00	2,700	$ 39,366.00	4,650	$ 67,797.00	2,750	$ 40,095.00
		$ 58,806.00		$ 54,450.00		$ 236,196.00		$ 406,782.00		$ 240,570.00
CONTRACT GRAND TOTALS:		$ 6,586,272.00		$ 3,084,048.00		$ 12,072,240.00		$ 20,032,920.00		$ 11,564,856.00

NON-COMPETITIVE AMENDMENT REQUEST:

APPROVED
Commissioner of Finance & Administration

1) **RFS #**	31786 – 00013 (formerly 317.86-032)
2) **Procuring Agency :**	Finance & Administration, Benefits Administration
EXISTING CONTRACT INFORMATON	
3) **Service Caption :**	Self insured Point of Service (POS) – **Middle service area.**
4) **Contractor :**	Connecticut General Life Insurance Company
5) **Contract #**	FA-06-16533-00 (Edison ID # 2039)
6) **Contract Start Date :**	January 1, 2006
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)	$31,200,000
PROPOSED AMENDMENT INFORMATON	
9) **Amendment #**	3
10) **Amendment Effective Date :** (attached explanation required if < 60 days after F&A receipt)	December 1, 2009
11) **PROPOSED Contract End Date :** (if ALL options to extend the contract are exercised)	January 31, 2012
12) **PROPOSED Maximum Cost :** (if ALL options to extend the contract are exercised)	$33,000,000

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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 :

Amendment 3 extends term to January 31, 2012; defines the PMPM Administrative Fee for CY 2010; defines the Target Claims/Trend Costs for CY 2010; carves out the pharmacy benefit as of April 2010; and defines the Contractor's responsibilities for claims during the last thirteen months of the contract.

15) Explanation of Need for the Proposed Amendment :

Amendment 3 extends the contract with Connecticut General Life Insurance Company to provide administrative services to the state sponsored POS plan serving the Middle service area for an additional twenty-five (25) month period (1/1/10 through 01/31/12). It includes a no increase in the administrative fees, a continuation of the risk sharing arrangement for a favorable, guaranteed trend of 8%, and adds funds to the contract. It also carves out the pharmacy benefit option from the contract as of April 2010 (or as designated by Benefits Administration) and defines the Contractor's responsibilities during the last thirteen (13) months of the contract (the "run-out period").

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

Connecticut General Life Insurance Company (CIGNA)
1000 Corporate Center Drive
Franklin, Tennessee 37067

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 :

No procurement alternatives were sought. Benefits Administration and the State Insurance Committees are in agreement with the extension of the contract with no increase in administrative fees and favorable risk sharing trend factor of 8% negotiated with the Contractor. A contract extension also removes the Contractor's responsibility for administrating the pharmacy benefits. The term extension is appropriate and in the best interest of the State and its' employees.

21) Justification for the Proposed Non-Competitive Amendment :

The maintenance of the present administrative fees and carve out of the pharmacy benefits in addition to the favorable risk sharing arrangement negotiated with the Contractor are acceptable to the State. The extension of the contract for the additional period is also necessary in order to provide Benefits Administration and the State Insurance Committees the time necessary to implement new plan redesigns for plan year 2011.

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 2/29/04

CY09-652

060206

REQUEST: RULE EXCEPTION

APPROVED
PER AUTHORIZED/CERTIFIED SIGNATURE BELOW
Commissioner of Finance & Administration
Date:

RFS #:	31786 – 00013 (formerly 317.86-032)

INFORMATION ABOUT THE EXCEPTION(S) REQUESTED

SUBJECT RULE NUMBER(S):

"0620-3-3-.07(5)" for an exception permitting a contract term greater than five (5) years

DESCRIPTION OF EXCEPTION(S):

The department seeks a rule exception to amend the contract to a period commencing on January 1, 2006 and ending on January 31, 2012 (a 73-month period).

JUSTIFICATION: (compelling rationale for and validation of rule exception request)

Section A.5.13. in Amendment # 3 to the contract specifies:

> For the time period beginning January 1, 2011, or in the event of its termination or cancellation for any reason, the Contractor shall be responsible for the processing of all claims incurred for medical services rendered or medical supplies purchased during the prior term period of this contract with no additional administrative cost to the State. Incurred claims shall be processed for the last thirteen (13) months of the term of the contract with no additional administrative cost to the State. In addition, for the period January 1, 2011 through January 1, 2012 of the Contract, the Contractor is responsible for working with the State to settle the risk sharing arrangement for the contract year of 2010 per section C.4 of this contract.

Therefore, it is necessary to extend the contract end date by thirteen (13) months (the run out period) to ensure that the Contractor is able to provide the required services with no additional administrative costs to the State and to settle the risk sharing arrangement.

INFORMATION REGARDING THE APPLICABLE CONTRACT

CONTRACTOR:	Connecticut General Life Insurance Company
SERVICE INVOLVED:	Self-insured Health Maintenance Organization (POS) – **Middle service area.**
BEGIN DATE:	January 1, 2006
END DATE (including ALL options for term extension):	January 31, 2012
MAXIMUM LIABILITY (including ALL options for term extension):	$33,000,000.
AGENCY HEAD REQUEST SIGNATURE: (signed by the procuring agency head or authorized signatory)	M. D. Smith Jr.
SIGNATURE DATE:	7/27/09

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CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31786-00013 (formerly 317.86-032)	2039	FA – 06-16533-00	3

Contractor
Connecticut General Life Insurance Company - POS Middle

Contractor Federal Employer Identification or Social Security #
☐ C- or ☒ V- 06-0303370

Amendment Purpose/ Effects

Amendment extends term to January 31, 2012; defines the PMPM Administrative Fee for CY 2010; defines the Target Claims/Trend Costs for CY 2010; carves out the pharmacy benefit as of April 2010; and defines the Contractor's responsibilities for claims during the last thirteen months of the contract term ("run-out period").

Contract Begin Date	Contract End Date	Subrecipient or Vendor	CFDA #(s)
January 1, 2006	January 31, 2012	☐ Subrecipient ☒ Vendor	

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			$19,000,000.00		$19,000,000.00
2007			$2,000,000.00		$2,000,000.00
2008			$2,000,000.00		$2,000,000.00
2009			$2,000,000.00		$2,000,000.00
2010			$6,200,000.00		$6,200,000.00
2011			$1,800,000.00		$1,800,000.00
TOTAL:			$33,000,000.00		$33,000,000.00

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
2006	$19,000,000.00	
2007	$2,000,000.00	$0.00
2008	$2,000,000.00	$0.00
2009	$2,000,000.00	$0.00
2010	$6,200,000.00	$0.00
2011	$0.00	$1,800,000.00
TOTAL:	$31,200,000.00	$1,800,000.00

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
Multiple funds apply	78901000

F&A Secured Document

FA0616533-03

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— OCR USE —	**Procurement Process Summary** (non-competitive, FA- or ED-type only) The original contract (FA-06-16533) was procured through the RFP process.

AMENDMENT THREE
TO CONTRACT FA-06-16533-00 (Edison ID # 2039)

This Contract Amendment is made and entered by and between the State of Tennessee, State Insurance Committee, Local Education Insurance Committee, and Local Government Insurance Committee, hereinafter referred to as the "State" and Connecticut General Life Insurance Company, hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The text of Contract Section A.3.2. is deleted in its entirety and replaced with the following:

   A.3.2. Retail and Mail Order Claims Adjudication – the Contractor shall:

   - Adjudicate and process all electronic point of sale and paper retail and mail order pharmacy claims incurred through March 31, 2010 or as otherwise determined by the State in strict accordance with the State Pharmacy Benefits as contained in the State Plan Document (Appendix 7.3 of RFP #317.86-032).
   - Maintain an integrated retail and mail order electronic point-of-sale claims system that shall have edits to verify eligibility, covered drug benefits, and claim accuracy. Mail order facilities shall have the capacity to process the volume of member subscriptions.
   - Make efforts to recover overpayments and reimburse underpayments to the State in accordance with applicable law and any applicable State polices regarding the collection of overpayment and reimbursement of underpayment.
   - Have the ability to refill mail order prescriptions online through the website, by telephone, or by mail, subject to compliance with all applicable federal and state laws and regulations.

2. The text of Contract Section A.5.13. is deleted in its entirety and replaced with the following:

   A.5.13. For the time period beginning January 1, 2011, or in the event of its termination or cancellation for any reason, the Contractor shall be responsible for the processing of all claims incurred for medical services rendered or medical supplies purchased during the prior term period of this contract with no additional administrative cost to the State. The Contractor shall process incurred claims, at no additional cost to the State, in one of the two following ways: (1) in the event of a premature contract termination, for thirteen (13) months following the termination date of the contract; or (2) in the event of a normal contract termination, for the last thirteen (13) months of the term of the contract. In addition, for the period January 1, 2011 through January 1, 2012 of the Contract, the Contractor is responsible for working with the State to settle the risk sharing arrangement for the contract year of 2010 per section C.4 of this contract.

3. The text of Contract Section A.8.7. is deleted in its entirety and replaced with the following:

   A.8.7. Submit health and medical claims data to the State's healthcare data management vendor during the term of this contract on a quarterly basis or more frequently as mutually agreed to by both parties, until all claims incurred during the term of this contract have been paid. Data shall be submitted in the format detailed in Appendix 7.7, of RFP #317.86-032. The Contractor shall ensure that all claims processed for payment have complete ICD-9 and CPT4 codes and valid provider identifications.

   For each quarter of the contract term, and any extensions thereof, claims data must meet the quality standards detailed in Contract Attachment A, Performance Guarantee # 9, as determined by the State's healthcare claims data management vendor (currently Thomson Reuters).

The cost of the initial claims data conversion to the format of the State's data management vendor shall be borne by the Contractor. The current vendor currently charges a maximum of $30,000 per conversion. Furthermore, any changes associated with data formats supplied to the State's data management vendor, which are Contractor-initiated or are due to meeting compliance with new regulations, and which result in costs or fees, such costs or fees shall be payable by the Contractor.

Claims data are to be submitted to the State's data management vendor no later than the last day of the month following the end of each calendar quarter. Failure to submit data by the deadline will result in an assessment against the Contractor in the amount of $100 per day for the first and second working days past the compliance date, and $500.00 for each working day thereafter, to a maximum of $10,000 per quarter.

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

B.1. This Contract shall be in effect commencing on January 1, 2006 and ending on January 31, 2012. The State shall have no obligation for services rendered by the Contractor, which are not performed within the specified term.

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

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Thirty-three Million Dollars ($33,000,000.00). The per member per month (PMPM) Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The PMPM Rates include, but are not limited to, all applicable taxes, fees, overheads, profit, 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 PMPM Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

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

C.3. Payment Methodology. The Contractor shall be compensated based on the PMPM 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 State shall compensate the Contractor monthly for the services outlined in this contract, at the per member per month (PMPM) rates indicated in the following table, based upon the number of members certified by the State to the Contractor. Monthly payments will be made for each month extending from and including January 2006 to December 2010.

PMPM Administrative Fee

	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009	PMPM 2010
State Plan	$9.59	$9.59	$14.00	$14.58	$14.58
Local Education Plan	$9.59	$9.59	$14.00	$14.58	$14.58
Local Government Plan	$9.59	$9.59	$14.00	$14.58	$14.58

There will be no PMPM Administrative Fee paid to the Contractor for the time period January 1, 2011 through January 31, 2012 of this Contract.

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.

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

C.4. Risk Free Corridor will mean a range between Five percent (5%) above and Five percent (5%) below the targeted POS PMPM cost level. Effective January 1, 2009 the target level will be the aggregate HMO and POS claims cost for all CIGNA plans. Within this range the Contractor is neither penalized nor rewarded for Plan financial performance. Calculation of the Risk Free Corridor will be determined by calculating the figures 5% below and 5% above the Target Claims Cost (see Section C.4.1. following).

C.4.1. Target Claims Cost: The Contractor agrees to the Target Claims/Trend Cost contained in the Cost Proposal (Attachment 6.4, Part B, incorporated by reference). Calculation of the Target Claims Cost, for use in determining Risk Sharing Percentages (Section C.4.2. below), will be as follows:

- The State, Local Education, and Local Government weighted POS Cost PMPM claims will be totaled, for each year as indicated below. Effective January 1, 2009 the State, Local Education, and Local Government weighted aggregate HMO and POS PMPM claims for all CIGNA plans will be utilized for calendar year 2009 as indicated below.

Year	Claims, by plan	For claims incurred during...	And paid during...
2006	State, Local Education, and Local Government weighted HMO Cost Per Member Per Month (PMPM) claims	January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008
2008		January 1, 2008 through December 31, 2008	January 1, 2008 through June 30, 2009
2009	State, Local Education, and Local Government weighted aggregated HMO and POS plan Cost Per Member Per Month (PMPM) for all CIGNA plan claims	January 1, 2009 through December 31, 2009	January 1, 2009 through June 30, 2010
2010		January 1, 2010 through December 31, 2010	January 1, 2010 through June 30, 2011

- The POS PMPM (effective calendar year 2009 and later years the aggregate HMO and POS) cost for each year will be adjusted to arrive at the Target Year PMPM cost by multiplying that cost by the Contractor's Guaranteed Trend Factor contained in the following table.

- Pharmacy claims will be excluded from the calculation for the 2010 Contract year.

Contract Year	Contractor's Guaranteed Claims Trend Adjustment
2006	-60.01%
2007	30.0%

2008	30.0%
2009	8.0%
2010	8.0%

C.4.2. Risk Sharing Percentages/Maximum Risk Limits

- The State will pay the Contractor additional Administrative fees of 40% of the difference between Actual Incurred PMPM claims cost and Administrative fees and (the Target Incurred PMPM claims cost minus Five percent (5%) plus Administrative fees), multiplied by the sum of the number of members enrolled during each month of the calendar year. Payments by the State to the Contractor under this provision shall not exceed $3.00 Per Member Per Month (PMPM) per year during the term of the contract.
- The Contractor will refund to the State Administrative fees of 60% of the excess of the Actual incurred PMPM claims cost and Administrative fees and (the Target Incurred PMPM claims cost plus Five percent (5%) plus Administrative fees) multiplied by the sum of the number of members enrolled during each month of the calendar year. Payments by the Contractor to the State under this provision shall not exceed $5.00 Per Member Per Month (PMPM) per year during the term of the contract.

C.4.3. The settlement date for the risk sharing agreement will be no later than Nine (9) months from the end of EACH contract year. For example, year five (calendar year 2010) will be settled no later than September 30, 2011.

C.4.4. Should the State elect to modify the benefits as provided in the POS option, the State and Contractor shall mutually agree to appropriately modify the risk sharing arrangement based on the impact of these changes on the claims experience for the year the changes are implemented.

8. The following provision is added as Contract Section A.3.9.:

A.3.9. Effective April 1, 2010, or on an alternate date as determined by the State, the State will exercise the option contained in Section A.3.8. of this Contract and carve out the pharmacy benefit. The Contractor will no longer be responsible for administering the pharmacy benefits, except for pharmacy claims incurred prior to 12:00 A.M. on April 1, 2010, or on an alternate date as determined by the State.

9. The following provision is added as Contract Section A.3.10.:

A.3.10. Effective April 1, 2010, or on an alternate date as determined by the State, the Contractor shall begin to accept a weekly pharmacy claims data feed from the State's pharmacy benefits manager via secure medium during the term of the contract. The data shall be in the format specified by the State.

10. The following provision is added as Contract Section A.3.11.:

A.3.11. At the State's request, the Contractor shall provide current member pharmacy data, via secure medium, to the State's new pharmacy benefit manager, within thirty (30) days of the request. The data may include, but is not limited to, current prior authorizations, overrides, and open refills (mail and retail).

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

IN WITNESS WHEREOF:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY:

Jim Cullen 9/28/09

CONTRACTOR SIGNATURE DATE

Jim Cullen, Account Executive

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
LOCAL GOVERNMENT INSURANCE COMMITTEE:

M.D. Goetz Jr. 10-01-09

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

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

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

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

MEMORANDUM

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

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

DATE: September 16, 2009

SUBJECT: **Contract Comments**
(Fiscal Review Committee Meeting 9/15/09)

RFS# 317.86-00013
Department: Finance & Administration/Benefits Administration
Contractor: Connecticut General Life Insurance Company – CIGNA
Summary: The vendor currently provides Self-Insured Point of Service (POS) benefits for enrollees in the Middle Tennessee region. The proposed amendment extends the current contract for an additional 25 months, carves out pharmacy benefits, and increases the maximum liability by $1,800,000.
Maximum liability: $31,200,000
Maximum liability w/amendment: $33,000,000

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

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

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, Donna Rowland
Curtis Johnson, David Shepard
Gerald McCormick, Curry Todd
Mary Pruitt, Eddie Yokley
Craig Fitzhugh, *ex officio*
Speaker Jimmy Naifeh, *ex officio*

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

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 9, 2008

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meeting 10/7)

RFS# 317.86-032
Department: Finance & Administration/Benefits Administration
Contractor: Connecticut General Life Insurance Company (CIGNA)
Summary: The vendor currently provides Self-Insured Point of Service (POS) services for enrollees in the Middle Tennessee region. The proposed amendment changes references from the TN Insurance Plan to the Edison System, includes CY2009 rates, increases the maximum liability by $6,200,000, and extends the current contract an additional year, through December 31, 2009.
Maximum liability: $25,000,000
Maximum liability w/amendment: $31,200,000

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

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

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Marlene Alvarez	*Contact Phone:	615.253.8358
*Contract Number:	FA-06-16533	*RFS Number:	317.86-032
*Original Contract Begin Date:	01.01.2006	*Current End Date:	12.31.2008
Current Request Amendment Number: (*if applicable*)		2	
Proposed Amendment Effective Date: (*if applicable*)		01.01.2009	
*Department Submitting:		Finance & Administration	
*Division:		Benefits Administration	
*Date Submitted:		September 25, 2008	
*Submitted Within Sixty (60) days:		Yes	
If not, explain:			
*Contract Vendor Name:		CIGNA POS – Middle contract	
*Current Maximum Liability:		$25,000,000.	

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

FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009**	FY:	FY:
$19,000,000	$2,000,000	$2,000,000	$2,000,000		

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

FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009 YTD**	FY:	FY:
$2,566,552.52	$5,491,128.51	$7,499,405.83	$1,524,754.00		$

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. Monthly funding of contract expenditures is obtained, on an as needed basis, from each separate plan funds (State Fund 55, Local Education Fund 56, and Local Government Fund 58). Plan fund revenues are obtained primarily from employer and employee premiums, which are annually set by the committees, and utilized for paying all health plan fund expenses (claims, and administrative expenses, etc.), and can only be utilized for that purpose.**
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	**Under TCA –Title 8: Chapter 27-102 (a), 301 (b), and 207 (d) the State, Local Education and Local Government insurance committees have the authority to enter into contracts with insurance**

Supplemental Documentation Required for Fiscal Review Committee

	companies, claims administrators, and other organizations for some or all of the insurance benefits or services, including actuarial and consulting advice for the purpose of administering the state sponsored basic health plans. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan fund (State Fund 55, Local Education Fund 56, and Local Government Fund 58). By approving the one year contract extensions, the insurance committees have authorized the payment of expenses from the funds for the additional one year extension. The present estimated maximum liability of the contract is changed based on the estimate of the additional one year expenses due to the contract extension. These contracts are in allotment code 317.86 that is an off-line code and does not submit carry-forward letters. The insurance funds are billed each month and they each carry a fund balance which can be found on the Comprehensive Annual Financial Report (CAFR).
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	**Not applicable**

*Contract Funding Source/Amount:	State:	Federal:	
Interdepartmental:	$25,000,000	*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*)
April 2007 – Amendment # 1	Updates Contacts for contract (section E.2.) and adds Edison requirements
November 2007 – Revision	Re-allocate funds to establish retiree funds codes 51, 52 and 53 as required by Comprehensive Annual Financial Report (CAFR) of the State of Tennessee.

Method of Original Award: (*if applicable*)	RFP

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BENEFITS ADMINISTRATION
312 Eighth Avenue North
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

RECEIVED
SEP 25 2008
FISCAL REVIEW

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: John Anderson, Director of Public Sector Plans, Benefits Administration

Date: September 25, 2008

RE: **Amendments to extend the five (5) Connecticut General Life Insurance Company (CIGNA) contracts for one year in addition to adding an additional disease management program and contractor responsibilities for the transmission of enrollment through Edison. Contract numbers include FA-05-16530, FA-05-16531, FA-05-16532, FA-05-16533 and FA-05-16534**

Please find attached a Non-Competitive Amendment request for each contract listed above to add language to the existing contracts between the State, Local Education, and Local Government Insurance Committees and the Connecticut General Life Insurance Company (CIGNA) signed by Commissioner M. D. Goetz, Jr. The amendment was approved by the Insurance Committees on July 31, 2008. The original contracts, secured through a competitive procurement, contain provisions under Section B.2 Term Extension that provide for this extension. The contract also contains the right under Section A.2.7, for the State to add, based on mutually agreeable terms and conditions, additional disease management or other care management programs. The contract amendments are the same for each contract, except they are for different HMO and POS service areas (Nashville HMO, Memphis HMO, POS West, POS Middle, and POS East). There is no increase in the administrative fees, except for the cost of adding the Contractor's Weight Complication Disease Management Program at an additional administrative cost of $0.58 Per Member Per Month (PMPM). Additionally, the Contractor also provides for an annual guaranteed return of investment (ROI) for the additional programs. Language within each contract amendment also addresses the Contractor's responsibilities under the new Edison System. The base contract is included as is the prior amendment, all revisions to the contract summary sheets and the supplemental documentation required for the Fiscal Review Committee.

Thank you for your consideration of this request.

RECEIVED

SEP 2 5 2008

FISCAL REVIEW

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED
Commissioner of Finance & Administration Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.	
1) RFS #	317.86-032
2) State Agency Name :	Finance & Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	Self Insured POS Health Insurance - Middle contract
4) Contractor :	Connecticut General Life Insurance Company
5) Contract #	FA-06-16533-00
6) Contract Start Date :	January 1, 2006
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2008
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$25,000,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	# 2
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	January 1, 2009
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 :	$31,200,000
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 amendment extends the contract with Cigna Healthcare to provide administrative services to the state sponsored POS plan serving the Middle Tennessee service area for one additional year (1/1/09 through 12/31/09) with a $0.58 increase in the Per Member Per Month (PMPM) administrative fees to provide for the enhancement of existing Disease Management programs and a decrease in the risk sharing arrangement to a favorable guaranteed trend of 8%. Additionally, the amendment adds the Contractor's responsibilities for the transfer of plan enrollment information between the State's Edison system.

15) Explanation of Need for the Proposed Amendment :

The option to extend the contract for an additional year was included within the original contract, and the Contractor and Benefits Administration have agreed to an increase of $0.58 PMPM in the administrative fees for calendar year 2009 to provide for enhancements in the Disease Management Programs provided by CIGNA. The amendment continues the provision of the POS plan option for the Middle Tennessee service area. Also, it is necessary to define the Contractor's responsibilities for the interface with the State's Edison system.

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

CIGNA, 1000 Corporate Center Drive, Franklin, TN 37067

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 :

Benefits Administration is in agreement with the continuation of the contract with the increase in the PMPM administrative fee providing for enhancements to the disease management programs and favorable change in the risk sharing trend factor negotiated with the Contractor. Benefits Administration considers a term extension appropriate and in the best interest of the State and its' employees.

21) Justification for the Proposed Non-Competitive Amendment :

The modest increase in the administrative fees providing for enhanced disease management programs and the favorable modification of the risk sharing arrangement negotiated with the Contractor are acceptable to the State, and the Contractor has accepted the data interface requirements between Edison.

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	9/23/08 **Date**

FAX/EMAIL TRANSMITTAL

to Request OIR Procurement Endorsement

TO :	**Jane Chittenden, Director OIR Procurement & Contract Management**	**FAX # 741-6164**
FROM :	**Marlene D. Alvarez, Procurement & Contracting Manager**	**FAX # 253-8556**
DATE :	**September 22, 2008**	
RFS #	**317.86-032**	
RE :	**Procurement Endorsement — Connecticut General Life Insurance Company POS (Middle Tennessee Service Area), amendment transfer Contractor responsibilities from Tennessee Insurance System (TIS) to Edison**	

INFORMATION SYSTEMS PLAN PROJECT: N/A

NUMBER OF FAX PAGES (including cover) : 1

The nature and scope of service detailed in the attached service procurement document(s) appears to require Office for Information Resources (OIR) review and support, because the procurement involves information technology or information systems services.

This communication seeks to ensure that OIR is aware of the procurement and has an opportunity to review the matter. Please determine whether OIR is supportive of the procurement. If you have any questions or concerns about this matter, please call **Marlene D. Alvarez** at **615-253-8358**.

Please indicate below your response to this proposed procurement, and return this communication at your earliest convenience (note the return FAX number above).

Thank you for your help.

Attachment(s)

Must include the entire contract or amendment document and where applicable, the non-competitive contract or amendment request form. The original contract and any prior amendments that were applied to the same section of the contract must be provided with an amendment. Electronic copies of the contract, amendments, and request form without signature are acceptable.

RFP documents must be provided in electronic form.

OIR Endorsement :

Mark Bugel (gc) 9/25/08

OIR Chief Information Officer **Date**

CIGNA POS MIDDLE CONTRACT PAYMENTS

POS-MIDDLE CIGNA FY 2006

	STATE	LOCAL EDUCATION	LOCAL GOV'T	COMBINED TOTAL
Jan-06	239,519.84	144,089.75	39,261.46	$ 422,871.05
Feb-06	242,444.79	145,048.75	39,376.54	$ 426,870.08
Mar-06	244,075.09	145,115.88	39,443.67	$ 428,634.64
Apr-06	245,110.81	145,480.30	39,021.71	$ 429,612.82
May-06	245,916.37	146,113.24	39,021.71	$ 431,051.32
Jun-06	243,969.60	144,789.82	38,753.19	$ 427,512.61
Total FY 2006	$ 1,461,036.50	$ 870,637.74	$ 234,878.28	$ 2,566,552.52

POS-MIDDLE CIGNA FY 2007

	STATE		LOCAL EDUCATION		LOCAL GOV'T		COMBINED TOTAL
	Active	Retired	Active	Retired	Active	Retired	
Jul-06	238,474.53	6,799.31	142,469.04	3,126.34	38,235.33	450.73	$ 429,555.28
Aug-06	240,872.03	6,828.08	144,310.32	3,030.44	36,844.78	575.40	$ 432,461.05
Sep-06	241,974.88	6,770.54	147,225.68	3,279.78	36,950.27	508.27	$ 436,709.42
Oct-06	244,765.57	6,828.08	150,563.00	3,557.89	37,113.30	527.45	$ 443,355.29
Nov-06	244,842.29	7,250.04	150,524.64	3,672.97	36,192.66	508.27	$ 442,990.87
Dec-06	246,549.31	6,962.34	151,522.00	3,567.48	36,911.91	537.04	$ 446,050.08
Jan-07	257,807.97	10,702.44	166,079.62	4,718.28	38,379.18	556.22	$ 478,243.71
Feb-07	258,584.76	8,621.41	166,319.37	4,190.83	38,264.10	537.04	$ 476,517.51
Mar-07	257,932.64	7,556.92	167,546.89	4,104.52	38,475.08	517.86	$ 476,133.91
Apr-07	258,517.63	7,633.64	168,007.21	4,219.60	38,369.59	508.27	$ 477,255.94
May-07	257,347.65	7,873.39	167,777.05	4,200.42	38,235.33	537.04	$ 475,970.88
Jun-07	257,203.80	7,556.92	168,601.79	4,200.42	37,803.78	517.86	$ 475,884.57
Total FY 2007	$ 3,004,873.06	$ 91,383.11	$ 1,890,946.61	$ 45,868.97	$ 451,775.31	$ 6,281.45	$ 5,491,128.51

POS-MIDDLE CIGNA FY 2008

	STATE		LOCAL EDUCATION		LOCAL GOV'T		COMBINED TOTAL
	Active	Retired	Active	Retired	Active	Retired	
Jul-07	259,313.60	7,719.95	168,103.11	4,114.11	38,638.11	431.55	$ 478,320.43
Aug-07	259,994.49	7,930.93	170,241.68	4,142.88	38,839.50	489.09	$ 481,638.57
Sep-07	261,183.65	8,151.50	174,998.32	4,679.92	39,472.44	498.68	$ 488,984.51
Oct-07	263,216.73	8,113.14	181,567.47	4,852.54	39,625.88	652.12	$ 498,027.88
Nov-07	266,247.17	8,113.14	181,979.84	4,823.77	39,875.22	469.91	$ 501,509.05
Dec-07	266,419.79	8,017.24	182,842.94	4,775.82	40,719.28	460.32	$ 503,235.39
Jan-08	398,412.00	11,788.00	274,008.00	7,028.00	60,116.00	644.00	$ 751,996.00
Feb-08	399,336.00	12,278.00	275,772.00	7,070.00	59,136.00	588.00	$ 754,180.00
Mar-08	401,856.00	12,600.00	276,710.00	7,238.00	59,640.00	602.00	$ 758,646.00
Apr-08	405,524.00	12,810.00	275,940.00	7,420.00	59,542.00	588.00	$ 761,824.00
May-08	406,336.00	12,432.00	276,416.00	7,308.00	60,130.00	602.00	$ 763,224.00
Jun-08	402,612.00	12,474.00	275,660.00	7,210.00	59,262.00	602.00	$ 757,820.00
Total FY 2008	$ 3,990,451.43	$ 122,427.90	$ 2,714,239.36	$ 70,663.04	$ 594,996.43	$ 6,627.67	$ 7,499,405.83

POS-MIDDLE CIGNA FY 2009

	STATE		LOCAL EDUCATION		LOCAL GOV'T		COMBINED TOTAL
	Active	Retired	Active	Retired	Active	Retired	
Jul-08	403,116.00	12,600.00	276,696.00	7,392.00	60,158.00	560.00	$ 760,522.00
Aug-08	404,250.00	12,712.00	279,468.00	7,378.00	59,864.00	560.00	$ 764,232.00
FYTD Total	$ 807,366.00	$ 25,312.00	$ 556,164.00	$ 14,770.00	$ 120,022.00	$ 1,120.00	$1,524,754.00

GRAND TOTAL **$ 17,081,840.86**

CONTRACT SUMMARY SHEET

021908

RFS #	Contract #
317.86-032	FA-06-16533- 02
State Agency	**State Agency Division**
Finance and Administration	Benefits Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Connecticut General Life Insurance Company	☐ C- or ☒ V- 06-0303870

RECEIVED DEC 18 2008 FISCAL REVIEW

Service Description

Self Insured POS (health insurance) – Middle contract Amendment extends term with additional funds for the extension and adds responsibilities regarding Edison.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
January 1, 2006	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
317.86	CP	896	51,52,53,55,56,58		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			$19,000,000		$19,000,000
2007			2,000,000		2,000,000
2008			2,000,000		2,000,000
2009			2,000,000		2,000,000
2010			6,200,000		6,200,000
TOTAL:			$31,200,000		$31,200,000

OCR RELEASED DEC 02 2008 TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
2006	$19,000,000	
2007	2,000,000	
2008	2,000,000	
2009	2,000,000	
2010		6,200,000
TOTAL:	$25,000,000	6,200,000
End Date:	12-31-08	12-31-09

State Agency Fiscal Contact & Telephone #

Maureen Abbey, Director – Office of Business and Finance
312 Rosa L. Parks Avenue, Suite 2000
Nashville, TN 37243-1102
615.741.6070

RECEIVED 2008 NOV 26 AM 11:50 COMPTROLLER OF THE TREASURY

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)

DEC - 4 NOV 07 2008

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

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

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

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

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

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CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA-06-16533
Fiscal Year	2009

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	896	55				$760,000
317.86	CP	896	56				$630,000
317.86	CP	896	58				$226,000
317.86	CP	896	51				$240,000
317.86	CP	896	52				$120,000
317.86	CP	896	53				$24,000
TOTAL							$2,000,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA-06-16533
Fiscal Year	2010

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	896	55				$2,000,000
317.86	CP	896	56				$2,000,000
317.86	CP	896	58				$1,000,000
317.86	CP	896	51				$500,000
317.86	CP	896	52				$500,000
317.86	CP	896	53				$200,000
TOTAL							$6,200,000

AMENDMENT TWO
TO CONTRACT FA-06-16533-00

This Contract Amendment is made and entered by and between the State of Tennessee, State Insurance Committee, Local Education Insurance Committee, and Local Government Insurance Committee, hereinafter referred to as the "State" and Connecticut General Life Insurance Company, hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

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

A.2. **MEDICAL AND CARE MANAGEMENT SERVICES**

A.2.1. The Contractor shall provide a medical and care management system designed to help individual plan members secure the most appropriate level of care consistent with their health status. In carrying out this function, the Contractor must provide a system for reviewing the appropriateness of hospital inpatient care, skilled nursing, inpatient rehabilitative care and other levels of care as necessary. The Contractor must have in place an effective process that identifies and manages those members in need of inpatient care. The following services must be provided:

- Identification of those patients in need of inpatient care for the purpose of reviewing the level of care requested and determining extent of care required, and the identification of appropriate additional or alternative services as needed. Process must include admission review, or the pre-certification/ authorization of inpatient stay,
- Concurrent review during the course of a patient's hospital inpatient stay, where qualified medical management personnel coordinate care with the hospital staff and patient's physician(s). Process will review the continued hospitalization of the patient and identify medical necessity for the stay as well as available alternatives,
- Discharge planning providing a process where medial management staff work with the hospital, patient's physician(s), family, and appropriate community resources to coordinate discharge and post-discharge needs of the patient. Prevention of readmission is also a goal of the discharge planning process, and
- Review of urgent and/or emergency admissions, on a retroactive basis when necessary, in order to determine medical necessity for the service.
- Effective January 1, 2009, the Contractor shall provide the Contractors' Personal Health Solutions Plus Model. Additional services within this model include the following: Outpatient Pre-Certification to include, but not limited to, Magnetic Resonance Imaging (MRI), Magnetic Resonance Angiography (MRA), Magnetic Resonance Spectroscopy (MRS), Computerized Tomography (CT), Computerized Tomography Angiography (CTA), Positron Emission Tomography (PET) scans, and nuclear cardiac imaging studies, and inpatient review beginning the first day of hospital admission for 80% of all hospital admissions, with an average of 2.5 evaluations per admission.

The Contractor shall provide a written report to the State on a semiannual basis regarding the utilization of services and the demonstrated effectiveness of the programs. Contractor guarantees a Return on Investment (ROI) for the additional services provided through the Contractor's Personal Health plus Model of at least $1.00 PMPM. The ROI will be measured annually and based on a methodology approved by the State's benefits consultant.

A.2.2. The aforementioned services should be included as required and appropriate for hospital admissions. Pre-admission certification should not be employed for admissions for the normal delivery of children. Prospective review procedures may also include pre admission testing criteria and criteria for same day surgery procedures. If inpatient hospital pre-admission certification is utilized, authorization or denial must occur within one business day for urgent requests upon receipt by the Contractor of all necessary

information regarding the admission. Any appeals of requests for continued hospitalization denials must be promptly processed and involve physician-to-physician contact.

A.2.3. The Contractor shall maintain a case management/care management program for Plan members (see Contract Section A.2.4), utilizing procedures and criteria to prospectively and retrospectively identify members that would benefit from case management/ care management services. The process of care management shall be capable of identifying the level of a patient's health status through stratification of risk in order for patients to receive the proper level of management appropriate to their condition. Care coordination/care management should consist of a full continuum of services designed to meet the level of need of the plan member (wellness information through catastrophic case management). Contractor shall provide a written report to the State on a semiannual basis regarding the utilization of care management services and the demonstrated effectiveness of the programs. The Contractor shall utilize a system of Evidence Based Medicine in the development and use of clinical practice guidelines, protocols or pathways incorporating national criteria and local physician input as appropriate. The Contractor shall also develop specialty care and outpatient case management/care management protocols when appropriate.

A.2.4. The Contractor shall submit to the State, at contract implementation, two (2) written copies describing its medical management/case management/care management procedures. Additionally, the Contractor shall notify the State, in writing, within thirty (30) days of any significant changes to these programs during the course of the contract.

A.2.5. The Contractor shall maintain an internal quality assurance program. The Contractor shall submit to the State, at contract implementation, a summary of the plan indicating areas addressed and methodology employed.

A.2.6. The Contractor's POS Plan must be accredited by either the National Committee for Quality Assurance (NCQA) or the Joint Commission on Accreditation of Health Care Organizations (JCAHO) or URAC. If such accreditation is through NCQA, the Contractor shall annually submit to the State its HEDIS report card.

A.2.7. The Contractor, in consultation with the State, must have in place or implement within ninety (90) days or earlier of contract effective date at least two (2) of the disease management programs for the following chronic conditions: congestive heart failure, coronary artery disease, chronic obstructive pulmonary disease. In addition, a program for diabetes mellitus should be offered. The Contractor shall develop and implement these disease management programs for high cost, high prevalence diseases in the State-sponsored population, designed to optimize the health status of members therefore reducing the need for high cost medical intervention. The programs shall include a statistically valid methodology designed to measure the impact on health status, utilization of medical services and claims cost of participating members. The Contractor shall provide a written report at least semiannually detailing plan member participation in the disease management program, and a written report at least annually to the State with the results of the analysis of the program's impact on the health status, utilization and cost of medical services of those participating in the program. The State reserves the right to review and comment on the programs. Failure to provide programs acceptable to the State will result in an assessment against the Contractor for payment to the State in the amount of $20,000 for each program of each year of the contract term in which the Contractor fails to establish such disease management programs. The State reserves the right during the term of the Contract to add, based on mutually agreeable terms and conditions, additional disease management or other care management programs that have proven to improve the health status of plan members and effectiveness and quality of care delivered.

A.2.8. Effective January 1, 2009, the Contractor shall provide the following additional disease management programs: chronic obstructive pulmonary disease, asthma, and low back pain. In addition, Contractor shall also add their weigh complication disease management program at an additional administrative fee of $0.58 Per Member Per Month (PMPM) as included in Section C.3. Payment Methodology. Contractor guarantees a Return on Investment (ROI) for these additional disease management programs of at least $1.44 PMPM. The ROI will be measured annually and based on a methodology approved by the State's benefits consultant.

2. The text of Contract Section A.3.7. is deleted in its entirety and replaced with the following:

A.3.7. Pharmacy Rebates and Audits – the Contractor shall:

- The Contractor shall remit to the State no less than quarterly a check for 100% of all pharmacy program rebates including administrative fees or other reimbursements received in connection with any rebates, discounts, fee reductions, incentive programs or the like received by Contractor as result of the drug manufacturer payments which include volume of pharmaceutical use by or on behalf of the State. The Contractor will retain 1.5% of the total billed rebates as a withhold for rebates billed to, but not received from, pharmaceutical manufacturers. The amount of the withhold shall be included on all quarterly client rebate invoices. The Contractor shall conduct an annual "true-up" of received verses paid rebates to correct rebate underpayments.
- With provision by the State of 30 days notice, and with execution of any applicable third party confidentiality agreements, submit to examination and audit of applicable pharmacy benefit data by the State, including manufacturer rebate contracts and rebate payments, by the State's authorized independent auditor (experienced in conducting pharmacy rebate audits) during the term of this contract and for three years after final contract payment (longer if required by law). For the purpose of this requirement, Contractor shall include its parents, affiliates, subsidiaries and subcontractors. Such audits shall include third party confidentiality agreements between the auditor and the party being audited.
- With provision by the State of 30 day notice, and with the execution of any applicable third party confidentiality agreements, provide full disclosure of rebates received by the Contractor, its affiliates, subsidiaries, or subcontractors on behalf of the State, including line item detail by National Drug Code number and line item detail by pharmaceutical manufacturer showing actual cost remitted and other related claim and financial information as needed to satisfy the scope of the audit. The Contractor will, upon request by the State, disclose to the State's authorized independent auditor (experienced in conducting pharmacy rebate audits) any administrative fees or other reimbursements received in connection with any rebates, discounts, fee reductions, incentive programs, or the like received by Contractor as a result of the drug manufacturer payments which include volume of pharmaceutical use by or on behalf of the State. In addition, Contractor will, upon request by the State, disclose fees or other reimbursements received in connection with any grants, educational programs or other incentive programs received by the Contractor on behalf of the State.
- With the execution of any applicable third party confidentiality agreements provide at any time, upon 30 day notice from the State, access to audit the pharmacy rebate program, including but not limited to rebate contracts, special discounts, fee reductions, incentive programs or the like with pharmacy manufactures and program financial records as necessary to perform accurate and complete audit of rebates received by the State. At the State's discretion, the State's authorized independent auditor (experienced in conducting rebate audits) may perform such audit. The State is responsible for the cost of its' authorized third party representative for such audits. If the outcome of the audit results in an amount due to the State, payment of such

settlement will be made within 30 days of the Contractor's receipt of the final audit report.

3. The text of Contract Section A.5.5. is deleted in its entirety and replaced with the following:

A.5.5. The State shall determine all Plan policies and benefits (see Appendix 7.3 of RFP # 317.86-032). Should the Contractor have a question on policy determinations, benefits, or operating guidelines required for proper performance of the Contractor's responsibilities, the Contractor shall request a determination in writing. The State will then respond in writing making a determination within thirty (30) days. The Contractor shall then act in accordance with such policy determinations and/or operating guidelines.

A.5.5.1. The State shall have the sole responsibility for and authority to clarify and/or revise the benefits available under this program. It is understood between the parties that the program cannot and does not cover all medical situations. In a case where the benefits are not referenced or are not clear, the Contractor shall utilize their polices in adjudicating claims, and the Contractor shall advise the Division of Benefits Administration in writing, as to the difference along with the Contractor's recommendation. Such matters as determined by the State to have a significant impact on administration of plan benefits shall be resolved by the State.

4. The text of Contract Section A.5.14. is deleted in its entirety and replaced with the following:

A.5.14. The Contractor is expected to assist the State in identifying fraud and perform fraud investigations of members and providers, in consultation with the State, for the purpose of recovery of overpayments due to fraud. Reviews must include all possible actions necessary to locate and investigate cases of potential, suspected, or known fraud and abuse. In the event the Contractor discovers evidence that an unusual transaction has occurred that merits further investigation, the Contractor shall simultaneously inform the Division of Benefits Administration and the Division of State Audit, in the Office of the Comptroller of the Treasury. The State will review the information and inform the Contractor whether it wishes the Contractor to:

- discontinue further investigation if there is insufficient justification; or
- continue the investigation and report back to the Division of Benefits Administration and the Division of State Audit; or
- continue the investigation with the assistance of the Division of State Audit; or
- discontinue the investigation and turn the Contractor's findings over to the Division of State Audit for its investigation.

5. The text of Contract Section A.7.5. is deleted in its entirety and replaced with the following:

A.7.5. The Contractor shall respond to all inquiries in writing from the Division of Benefits Administration within one (1) week after receipt of said inquiry. In cases where additional information to answer the State's inquiry is required, the Contractor shall notify the State immediately as to when the response can be furnished to the State.

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

A.8. **DATA AND SPECIFIC REPORTING REQUIREMENTS**

The Contractor shall:

A.8.1. Maintain an electronic data interface, via internet access, with the State of Tennessee's Edison System, for the purpose of accessing State member eligibility information. The Contractor is responsible for providing the hardware and software necessary for access. When the Contractor requires the exchange of Protected Health Information (PHI) with the State of Tennessee, the State recommends the use of second level authentication.

This is accomplished using the State's standard software product which supports Public Key Infrastructure (PKI). The Contractor will agree to design a solution, in coordination with the State, to connect to the State's SFTP server using a combination of the password and the authentication certificate. Additionally, federal standards require encryption of all electronic protected health data at rest as well as during transmission. The State of Tennessee uses public key encryption with Advanced Encryption Standard (AES) to encrypt PHI. If the State adopts a different or additional encryption standard or tool in the future, the Contractor is expected, with adequate notice, to cooperate with the State to maintain the security of protected information according to all applicable State and Federal standards.

Furthermore, the Contractor must adhere to the privacy and security regulations required by the Health Insurance Portability & Accountability Act of 1996 (HIPAA).

A.8.1.1. Notwithstanding the requirement to maintain eligibility data, the Contractor is not authorized to initiate data changes to the system without the State's approval, as detailed below. This prohibition shall include, but not necessarily be limited to: initiation, termination, and/or changes of coverage.

A.8.2. Maintain, in its computer system, in-force eligibility and enrollment records of all State plan participants. Specific additional obligations, relative to this requirement, are the following:

A.8.2.1. **Weekly Enrollment Update:** To ensure that State plan participants' enrollment records remain accurate and complete, the Contractor commits to the following:

- to receive, via secure medium (see A.8.1.) weekly enrollment data electronic transfer files from the State, in the State's Edison 834 transaction formats, for participants who are maintained in the State's Edison System (See Attachment D of this contract), for participants who are maintained in the State's Edison System [files will include full population records for all participants and will be in the format of ANSI ASC X12.84, Benefit Enrollment and Maintenance (834), version 004010X095A1, with a few fields being customized by the state];

- to complete each of the following tasks by the indicated deadline:

Required Task	Deadline	Penalty for missed deadline
1. Systematically process and update, via computer programs, the Contractor's database, utilizing the State's weekly enrollment file records	within three (3) working days of receipt of the files from the State	$100.00 per day for the first (1st) and second (2nd) working days out of compliance; $500.00 per working day thereafter
2. Resolve all mismatches identified by the processing of the weekly files; "mismatches" are defined as: Any difference of values between the State's and the Contractor's databases.	within six (6) working days of receipt of the files from the State	$100.00 per day for the first (1st) and second (2nd) working days out of compliance; $500.00 per working day thereafter

- and to complete and submit to the State, the *Weekly File Transmission Statistics Report* (format to be provided by the State), within seven (7) working days of receipt of the weekly files.

The Contractor shall also require of its subcontractors, as applicable, to maintain Weekly Enrollment Updates on a timely basis.

NOTE: Section A.8.2.1 shall be monitored by the State as Performance Guarantee # 7 (see Contract Attachment A).

A.8.2.2. **Enrollment Data Match**: Upon request by the State, not to exceed two (2) times annually, the Contractor shall submit to the State, via secure medium, its full file of State enrollees, by which the State will conduct a data match against the State's Edison database. The purpose of this data match will be to determine the extent to which the Contractor is maintaining its data base of State members, as required by Section A.8.2.1.

Data will be sent by the Contractor to the State in a format specified by the State. Failure by the Contractor to submit records, and in the proper format, within fourteen (14) calendar days of the request from the State, shall result in a penalty of $10,000 per request.

Results of this match will be communicated to the Contractor, including any requirements – and associated timeframes – for resolving the discrepancies identified by the data match. Failure by the Contractor to resolve the discrepancies, within the specified timeframe(s) will result in a penalty to the Contractor of $10,000.

For the purpose of the requirements of this section, "mismatches" are defined as: Any difference of values between the State's and the Contractor's databases.

A.8.3. Maintain a duplicate set of all records relating to the benefit payments in electronic medium, usable by the State and Contractor for the purpose of disaster recovery. Such duplicate records are to be stored at a secure fire, flood, and theft- protected facility located away from the storage location of the originals. The duplicate data processing records shall be updated, at a minimum, on a daily basis and retained for a period of 60 days from the date of creation. Upon notice of termination or cancellation of this contract, the original and the duplicate data processing records medium, and the information they contain shall be conveyed to the State on or before the effective date of termination or cancellation.

A.8.4. Reconcile, within ten (10) working days of receipt, payment information provided by the State. Upon identification of any discrepancies, the Contractor shall immediately advise the State.

A.8.5. Maintain the benchmarks required by each of the provisions contained in Contract Attachment A, Performance Guarantees, through the entire contract term.

A.8.6. Annually provide the State with a GeoNetworks® report showing service and geographic access (see Contract Attachment A: Performance Guarantee # 8). The State shall review the network structure and shall inform the Contractor in writing of any deficiencies the State considers to deny reasonable access to health care. The State and Contractor shall then mutually develop a plan of action to correct said deficiencies within sixty (60) days from the date the Contractor was first notified of the problem.

A.8.7. Submit health and medical claims data to the State's healthcare data management vendor and to the Department of Finance and Administration, Office for Information Resources on a quarterly basis or more frequently as mutually agreed to by both parties during and following the term of this contract, until all claims incurred during the term of this contract have been paid. Data shall be submitted in the format detailed in Appendix 7.7, of RFP #317.86-027. The Contractor shall ensure that all claims processed for payment have complete ICD-9 and CPT4 codes and valid provider identifications.

For each quarter of the contract term, and any extensions thereof, claims data must meet the quality standards detailed in Contract Attachment A, Performance Guarantee # 9, as determined by the State's healthcare claims data management vendor.

The cost of the initial claims data conversion to the format of the State's data management vendor shall be borne by the Contractor. The current vendor currently charges a maximum of $30,000 per conversion. Furthermore, any changes associated with data formats supplied to the State's data management vendor, which are Contractor-initiated or are due to meeting compliance with new regulations, and which result in costs or fees, such costs or fees shall be payable by the Contractor.

Claims data are to be submitted to the State's data management vendor no later than the last day of the month following the end of each calendar quarter. Failure to submit data by the deadline will result in an assessment against the Contractor in the amount of $100 per day for the first and second working days past the compliance date, and $500.00 for each working day thereafter, to a maximum of $10,000 per quarter.

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

A.9. **SUBMIT MANAGEMENT REPORTS**

The Contractor shall submit hard copy reports, of the type, at the frequency, and containing the detail described in Contract Attachment B. Reporting shall continue for the twelve (12) month period following termination of the contract. If agreed between the Contractor and the State, these reports shall also be submitted in an electronic format. Where available, the Contractor shall provide identical reports in the aggregate for comparable employer groups to enable the State's comparison of its program utilization and claim costs with other employer groups.

8. The text of Contract Section A.10. is deleted in its entirety and replaced with the following:

A.10. **SERVICES PROVIDED BY THE STATE**

The State shall provide enrollment records. These records shall include enrollment data for participants and covered dependents. The Contractor's computer system shall be compatible with and/or have the capability to utilize the enrollment information provided by the State, in the State's proprietary transaction formats.

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

B.1. This Contract shall be in effect commencing on January 1, 2006 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 term.

10. 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 Thirty One Million Two Hundred Thousand Dollars ($31,200,000). The per member per month (PMPM) Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The PMPM Rates include, but are not limited to, all applicable taxes, fees, overheads, profit, 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 PMPM 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.

11. 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 PMPM 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 State shall compensate the Contractor monthly for the services outlined in this contract, at the per member per month (PMPM) rates indicated in the following table, based upon the number of members certified by the State to the Contractor. Monthly payments will be made for each month extending from and including January 2006 to December 2009.

PMPM Administrative Fee

	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009
State Plan	$9.59	$9.59	$14.00	$14.58
Local Education Plan	$9.59	$9.59	$14.00	$14.58
Local Government Plan	$9.59	$9.59	$14.00	$14.58

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.3.1. Payment under Term Extension. If this Contract is extended per Section B.2, the increase in Per Member Per Month payment to the Contractor, for each additional year, if requested by the Contractor, may increase by the Consumer Price Index, up to Three and One-Half percent (3.5%) for the calendar year prior to the termination year.

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

C.4. Risk Free Corridor will mean a range between Five percent (5%) above and Five percent (5%) below the targeted POS PMPM cost level. Effective January 1, 2009 the target level will be the aggregate HMO and POS claims cost for all CIGNA plans. Within this range the Contractor is neither penalized nor rewarded for Plan financial performance. Calculation of the Risk Free Corridor will be determined by calculating the figures 5% below and 5% above the Target Claims Cost (see Section C.4.1. following).

C.4.1. Target Claims Cost: The Contractor agrees to the Target Claims/Trend Cost contained in the Cost Proposal (Attachment 6.4, Part B, incorporated by reference). Calculation of the Target Claims Cost, for use in determining Risk Sharing Percentages (Section C.4.3 below), will be as follows:

- The State, Local Education, and Local Government weighted HMO Cost PMPM claims will be totaled, for each year as indicated below. Effective January 1, 2009 the State, Local Education, and Local Government weighted aggregate HMO and POS PMPM claims for all CIGNA plans will be utilized for calendar year 2009 as indicated below.

Year	Claims, by plan	For claims incurred during...	And paid during...
2006	State, Local Education, and Local Government weighted HMO Cost Per Member Per Month (PMPM) claims	January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008

2008		January 1, 2008 through December 31, 2008	January 1, 2008 through June 30, 2009
2009	State, Local Education, and Local Government weighted aggregated HMO and POS plan Cost Per Member Per Month (PMPM) for all CIGNA plan claims	January 1, 2009 through December 31, 2009	January 1, 2009 through June 30, 2010

- The POS PMPM cost for each year will be adjusted to arrive at the Target Year PMPM cost by multiplying that cost by the Contractor's Guaranteed Trend Factor contained in the following table.

Contract Year	Contractor's Guaranteed Claims Trend Adjustment
2006	-60.01%
2007	30.0%
2008	30.0%
2009	8.0%

C.4.2. Guaranteed Trend under Contract Extension. If this Contract is extended, per Section B.2, the Guaranteed Claims Trend Percentage Adjustment (reference Section C.4.1) shall be no greater than the Guaranteed Claims Trend Percentage Adjustment for the calendar year prior to the termination year.

C.4.3. Risk Sharing Percentages/Maximum Risk Limits

- The State will pay the Contractor additional Administrative fees of 40% of the difference between Actual incurred PMPM claims cost and Administrative fees and (the Target incurred PMPM claims cost minus Five percent (5%) plus Administrative fees), multiplied by the sum of the number of members enrolled during each month of the calendar year. Payments by the State to the Contractor under this provision shall not exceed $3.00 Per Member Per Month (PMPM) per year during the term of the contract.
- The Contractor will refund to the State Administrative fees of 60% of the excess of the Actual incurred PMPM claims cost and Administrative fees and (the Target incurred PMPM claims cost plus Five percent (5%) plus Administrative fees) multiplied by the sum of the number of members enrolled during each month of the calendar year. Payments by the Contractor to the State under this provision shall not exceed $5.00 Per Member Per Month (PMPM) per year during the term of the contract.

C.4.4. The settlement date for the risk sharing agreement will be no later than Nine (9) months from the end of EACH contract year. For example, year one (calendar year 2006) will be settled no later than September 30, 2007.

13. The text of Contract Section E.2. is deleted in its entirety and replaced with the following:

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

other party or address, as may be hereafter specified by written notice.

The State:

Marlene Alvarez, Manager of Procurement and Contracting
Tennessee Department of Finance & Administration
Benefits Administration Division
312 Rosa L Parks Avenue, Suite 2600
Nashville, TN 37243
Email: Marlene.alvarez@state.tn.us
Telephone: 615.253.8358
FAX: 615.253.8556

The Contractor:

Tim Cullen, Account Executive
CIGNA
1000 Corporate Center Drive
Franklin, TN 37067
Email: timothy.cullen@cigna.com
Telephone: 615.595.3382
FAX: 615.595.3287

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

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

15. The following provision is added as Contract Section D.20.:

D.20. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment 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.

16. The following provision is added as Contract Section E.12.:

E.12. Voluntary Buyout Program. The Contractor acknowledges and understands that, for a period of two years beginning August 16, 2008, restrictions are imposed on former state employees who received a State of Tennessee Voluntary Buyout Program (VBP) severance payment with regard to contracts with state agencies that participated in the VBP.

a. The State will not contract with either a former state employee who received a VBP severance payment or an entity in which a former state employee who received a VBP severance payment or the spouse of such an individual holds a controlling financial interest.

b. The State may contract with an entity with which a former state employee who received a VBP severance payment is an employee or an independent contractor. Notwithstanding the foregoing, the Contractor understands and agrees that there may be unique business circumstances under which a return to work by a former state employee who received a VBP severance payment as an employee or an independent contractor of a State contractor would not be appropriate, and in such cases the State may refuse Contractor personnel. Inasmuch, it shall be the responsibility of the State to review Contractor personnel to identify any such issues.

c. With reference to either subsection a. or b. above, a contractor may submit a written request for a waiver of the VBP restrictions regarding a former state employee and a contract with a state agency that participated in the VBP. Any such request must be submitted to the State in the form of the *VBP Contracting Restriction Waiver Request* format available from the State and the Internet at: www.state.tn.us/finance/rds/ocr/waiver.html. The determination on such a request shall be at the sole discretion of the head of the state agency that is a Party to this Contract, the Commissioner of Finance and Administration, and the Commissioner of Human Resources.

17. Contract Attachment C attached hereto is added as a new Contract Attachment.

18. Contract Attachment D attached hereto is added as a new Contract Attachment.

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

IN WITNESS WHEREOF:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY:

11/5/08

CONTRACTOR SIGNATURE DATE

Tim Cullen Acct Exec

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
LOCAL GOVERNMENT INSURANCE COMMITTEE:

M.D. Goetz Jr. 11-6-08

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

APPROVED:

M.D. Goetz, Jr. JP 11-25-08

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

John G. Morgan 12/1/08

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY DATE

The Contractor shall pay to the State the indicated total dollar penalty upon notification by the State that an amount is due, through the life of the contract.

1. Claims Payment Dollar Accuracy	
Guarantee	Average quarterly financial accuracy will be 95% or higher.
Definition	Absolute value of financial errors divided by the total paid value of audited dollars paid.
Penalty	$5,000.00 for each full percentage point below 95% for each contracted quarter.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured and reported quarterly; reconciled annually.
2. Claims Processing Accuracy	
Guarantee	Average quarterly processing accuracy will be 92% or higher.
Definition	Absolute number of claims with no errors in processing divided by the total number of claims within the audit sample. This includes all financial and coding errors.
Penalty	$5,000.00 for each full percentage point below 92%, for each contracted quarter.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured and reported quarterly; reconciled annually.
3. Claims Turnaround Time	
Guarantee	The average quarterly claims payment turnaround time will not be greater than: - 14 calendar days for 90% of **non-investigated (clean)** claims; and - 30 calendar days for 96% of **all** claims.
Definition	Measured from the date the claim is received in the office to the date processed, including weekends and holidays. Any claims that include COB and subrogation will be excluded when calculating compliance with the "investigated claims" performance standard.
Penalty	**Non-Investigated Claims (clean)**: $1,000.00 for each full percentage point below the required minimum standard of 90% within 14 days. Quarterly Guarantee. **All Claims**: $1,000.00 for each full percentage point below the required minimum standard of 96% within 30 days. Quarterly Guarantee.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured and reported quarterly; reconciled annually.
4. Telephone Response Time	
Guarantee	Member services calls will be answered by a member services representative in an average of 30 seconds or less.
Definition	Response time is defined as the amount of time elapsing between the time a call is received into the phone system and when a live member services representative answers the phone.
Penalty	$1,000.00 for each full second over the 30 second benchmark. Quarterly guarantee.
Measurement	Based on Contractor's internal telephone support system reports. Measured and reported quarterly; reconciled annually.
5. Member Satisfaction	
Guarantee	The level of overall customer satisfaction, as measured annually by a State approved Member Satisfaction survey(s), will be equal to or greater than 85% in the first year of the Contract, and 90% in all subsequent year(s) within the contract term.
Definition	Member Satisfaction will be measured utilizing the standard "overall satisfaction" question from the NCQA CAHPS Adult Member Satisfaction Survey, or other State approved survey question, as may later be deemed necessary.
Penalty	$50,000.00. Annual guarantee.
Measurement	The Contractor will be determined to have achieved compliance in the first year of the contract if 85% of all responses are positive. The compliance benchmark for all subsequent years shall be 90%. Measured, reported, and reconciled annually.
6. Member Handbooks and Provider Network Directories Distributed	
Guarantee	Member Handbooks and Provider Network Directories will be distributed prior to annual transfer period.
Definition	(See above)
Penalty	Should either of the above listed documents not be distributed as required, the total penalty

	shall be $10,000.00 per year in which the standard is not met.
Measurement	Annual guarantee; measured, reported, and reconciled annually.
7. Weekly Enrollment Update (see Contract Section A.8.2.1)	
Guarantee	All Weekly Enrollment file processing and mismatch deadlines will be met as detailed at A.8.2.1.
Definition	See A.8.2.1
Penalty	See A.8.2.1
Measurement	Measured and reported weekly; reconciled annually.
8. Provider/Facility Network Accessibility	
Guarantee	As measured by the GeoNetworks® Provider & Facility Network Accessibility Analysis, the Contractor's provider and facility network will assure that 95% of all State, Local Education, and Local Government Plan members will have the Access Standard indicated.
Definition	**Provider Group** / **Access Standard**
	PCPs (Internal Medicine, General or Family Practitioners) / 2 physicians within 30 miles
	Obstetricians/Gynecologists / 1 physician within 30 miles
	Pediatricians / 1 physician within 30 miles
	Hospitals / 1 facility within 45 miles
Penalty	$25,000.00 if ANY of the above listed standards is not met, either individually or in combination.
Measurement	Annual guarantee: Measured, reported and reconciled annually.
9. Claims Data Quality	
Guarantee	As measured by the State's current vendor for Claims Data Management, the Contractor's data submission to said vendor must meet the following Data Quality measures.
Definition	*Measure* / *Benchmark*
	Gender / Data missing for </= (less than or equal to) 3% of claims
	Date of birth / Data missing for </= 3% of claims
	Outpatient diagnosis coding / Data invalid or missing for </= 5% of outpatient claims
	Outpatient provider type missing / Data missing for </= 1.5% of outpatient claims
Penalty	$2,500.00 if ANY of the above listed standards is not met, either individually or in combination. Quarterly Guarantee.
Measurement	Measured and reported by the State's Claims Data Management vendor quarterly; reconciled annually.
10. Member ID Card Distribution	
Guarantee	Member ID cards must be distributed (defined as "mailed") to a minimum of 90% of plan members, by December 20, for those members whose enrollment information is received from the State by the Contractor, by December 1, preceding the January 1 start date, for each contract year.
Definition	(see above)
Penalty	Should the above standard not be met, the total amount shall be $15,000.00 per year in which the standard is not met.
Measurement	Measured, reported, and reconciled annually.

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	FA-06-16533-00
CONTRACTOR LEGAL ENTITY NAME:	Connecticut General Life Insurance Company
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	06-0303370

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.

CONTRACTOR SIGNATURE

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

Tim Cullen Acct Exec

PRINTED NAME AND TITLE OF SIGNATORY

11/3/08

DATE OF ATTESTATION

Special Notes:
Items highlighted in yellow indicate TN specific values. Due to the variety of coverage codes required by the State of TN, it was necessary to add custom values to the 834 mapping document. The coverage code of E1D could include Spouse dependents. The coverage code of IND will be used for Dependent Only coverage. The Relationship of '38' denotes a Child claimed on Income Tax. Any dependent with a Relationship of '38' and a "F" in INS09 is not a Student. All dependents in Edison will have the student flag turned on (INS09 = "F") until age 19. At age 19 and greater, only students (with the exception of the Relationship '38') will have INS09 = "F". The REF03, REF04 and HD11 fields contain TN Specific information that is not defined on the PeopleSoft delivered 834. REF04 is defined as a Group Element field, so the budget code is preceded by "zz:"

FIELD NAME	BN_834_FIELD_VALUE	EFFDT	BN_834_FLD_DESCR1	BN_834_FIELD_MAPPD	BN_834_FLD_DESCR2	DATA_TYPE_CD	DEFAULT_EDI_CD
COBRA_EVENT_CLASS	RED	1/1/1900 0:00	Reduction in Hours	2	Reduction of work hours	Y	N
COBRA_EVENT_CLASS	OVG	1/1/1900 0:00	Overage	7	Ineligible Child	Y	N
COBRA_EVENT_CLASS	MIL	1/1/1900 0:00	Military Leave	1	Termination of Employment	Y	N
COBRA_EVENT_CLASS	MED	1/1/1900 0:00	Medicare Entitlement	3	Medicare	Y	N
COBRA_EVENT_CLASS	RET	1/1/1900 0:00	Retired	1	Termination of Employment	Y	N
COBRA_EVENT_CLASS	DEP	1/1/1900 0:00	Married Dependent	7	Ineligible Child	Y	N
COBRA_EVENT_CLASS	DEA	1/1/1900 0:00	Death	4	Death	Y	N
COBRA_EVENT_CLASS	GMC	1/1/1901 0:00	Gross Misconduct -Not Eligible	1	Termination of employment	N	N
COBRA_EVENT_CLASS	TER	1/1/1900 0:00	Termination	1	Termination of Employment	Y	N
COBRA_EVENT_CLASS	DIV	1/1/1900 0:00	Divorce	5	Divorce	Y	N
COVRG_CD	C	1/1/1901 0:00	Employee plus 1	E1D	Employee and One Dependent	N	N

COVRG_CD	7	1/1/1900 0:00	Dom Partner Adult+Child (ren)	E6D	Employee and Two or More Dependents	Y	N
COVRG_CD	6	1/1/1900 0:00	Domestic Partner Child (ren)	E5D	Employee and One or More Dependents	Y	N
COVRG_CD	5	1/1/1900 0:00	Domestic Partner Adult	E1D	Employee and One Dependent	Y	N
COVRG_CD	4	1/1/1900 0:00	Family	E6D	Employee and Two or More Dependents	Y	N
COVRG_CD	3	1/1/1900 0:00	Employee + Dependents	E5D	Employee and One or More Dependents	Y	N
COVRG_CD	2	1/1/1900 0:00	Employee + Spouse	ESP	Employee and Spouse	Y	N
COVRG_CD	1	1/1/1900 0:00	Employee Only	EMP	Employee Only	Y	N
COVRG_CD	G	1/1/1901 0:00	Employee plus 2	E2D	Employee plus two dependents	N	N
COVRG_CD	F	1/1/1901 0:00	2 Dependent Coverage	TWO	2 Dependent Coverage	N	N
COVRG_CD	H	1/1/1901 0:00	Generic Coverage Code	EHD	Generic coverage code for all Family Members	N	N
COVRG_CD	I	1/1/1901 0:00	Multiple Dependents Only	DEP	Multiple Dependents Only	N	N
COVRG_CD	D	1/1/1901 0:00	Split	ECH	Split	N	N
COVRG_CD	B	1/1/1901 0:00	Family	FAM	Family	N	N
COVRG_CD	A	1/1/1901 0:00	Single	EMP	Employee Only	N	N
COVRG_CD	E	1/1/1901 0:00	Dependent only	IND	Dependent Only	N	N
EMPL_STATUS	T	1/1/1900 0:00	Terminated	TE	Terminated	Y	N
EMPL_STATUS	A	1/1/1900 0:00	Active	FT	Full time active employee	Y	N

EMPL_STATUS	V	1/1/1900 0:00	Terminated Pension Pay Out	TE	Terminated	Y	N
EMPL_STATUS	W	1/1/1900 0:00	Short Work Break	FT	Full time active employee	Y	N
EMPL_STATUS	X	1/1/1900 0:00	Retired-Pension Administration	RT	Retired	Y	N
EMPL_STATUS	U	1/1/1900 0:00	Terminated With Pay	TE	Terminated	Y	N
EMPL_STATUS	D	1/1/1900 0:00	Deceased	TE	Terminated	Y	N
EMPL_STATUS	L	1/1/1900 0:00	Leave of Absence	L1	Leave of Absence	Y	N
EMPL_STATUS	P	1/1/1900 0:00	Leave With Pay	L1	Leave of Absence	Y	N
EMPL_STATUS	Q	1/1/1900 0:00	Retired With Pay	RT	Retired	Y	N
EMPL_STATUS	R	1/1/1900 0:00	Retired	RT	Retired	Y	N
EMPL_STATUS	S	1/1/1900 0:00	Suspended	FT	Full time active employee	Y	N
MAR_STATUS	W	1/1/1900 0:00	Widowed	W	Widowed	Y	N
MAR_STATUS	U	1/1/1900 0:00	Unknown	R	Unknown	Y	N
MAR_STATUS	S	1/1/1900 0:00	Single	I	Single	Y	N
MAR_STATUS	M	1/1/1900 0:00	Married	M	Married	Y	N
MAR_STATUS	H	1/1/1900 0:00	Head of Household	U	Head Of Household	Y	N
MAR_STATUS	E	1/1/1900 0:00	Separated	S	Separated	Y	N
MAR_STATUS	D	1/1/1900 0:00	Divorced	D	Divorced	Y	N
MAR_STATUS	C	1/1/1900 0:00	Common-Law	U	Common-Law	Y	N
PLAN_TYPE	1X	1/1/1901 0:00	Wellness	WELL	Wellness	N	Y
PLAN_TYPE	1Z	1/1/1901 0:00	Mental Health Substance	AK	Mental Health Substance	N	Y

			Abuse		Abuse		
PLAN_TYPE	10	1/1/1900 0:00	Medical	HLT	Health	Y	Y
PLAN_TYPE	11	1/1/1900 0:00	Dental	DEN	Dental	Y	Y
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	HLT	Health	Y	Y
PLAN_TYPE	13	1/1/1900 0:00	Major Medical	MM	Major Medical	Y	Y
PLAN_TYPE	14	1/1/1900 0:00	Vision	VIS	Vision	Y	Y
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	HLT	Health	Y	Y
PLAN_TYPE	16	1/1/1900 0:00	Domestic Partner Dental	DEN	Dental	Y	Y
PLAN_TYPE	17	1/1/1900 0:00	Domestic Partner Vision	VIS	Vision	Y	Y
PLAN_TYPE	10	1/1/1900 0:00	Medical	AG	Preventive Care/Wellness	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	EPO	Exclusive Provider Org (EPO)	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	FAC	Facility	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	HE	Hearing	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	HMO	Health Maintenance Org (HMO)	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	MOD	Mail Order Drug	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	PDG	Prescription Drug	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	POS	Point of Service (POS)	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	PPO	Preferred Provider Org (PPO)	Y	N
PLAN_TYPE	11	1/1/1900 0:00	Dental	DCP	Dental Capitation	Y	N

					(DMO)		
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	AG	Preventive Care/Wellness	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	DEN	Dental	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	EPO	Exclusive Provider Org (EPO)	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	FAC	Facility	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	HMO	Health Maintenance Org (HMO)	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	MOD	Mail Order Drug	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	PDG	Prescription Drug	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	POS	Point Of Service (POS)	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	PPO	Preferred Provider Org (PPO)	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	AG	Preventive Care/Wellness	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	EPO	Exclusive Provider Org (EPO)	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	FAC	Facility	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	HE	Hearing	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	HMO	Health Maintenance Org (HMO)	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	MOD	Mail Order Drug	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	PDG	Prescription Drug	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	POS	Point Of Service (POS)	Y	N

PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	PPO	Preferred Provider Org (PPO)	Y	N
PLAN_TYPE	16	1/1/1900 0:00	Domestic Partner Dental	DCP	Dental Capitation (DMO)	Y	N
PLAN_TYPE	1V	1/1/1901 0:00	Medicare Supplement	SUP	Medicare Supplement	N	Y
PLAN_TYPE	1Y	1/1/1901 0:00	Employee Assistance Program	AG	Employee Assistance Program	N	Y
RELATIONSHIP	CN	1/1/1901 0:00	Natural Child	19	Child	N	N
RELATIONSHIP	CS	1/1/1901 0:00	Step Child	19	Child	N	N
RELATIONSHIP	A	1/1/1900 0:00	Aunt	06	Uncle or Aunt	Y	N
RELATIONSHIP	B	1/1/1900 0:00	Brother	14	Brother or Sister	Y	N
RELATIONSHIP	D	1/1/1900 0:00	Daughter	19	Child	Y	N
RELATIONSHIP	E	1/1/1900 0:00	Employee	38	Collateral Dependent	Y	N
RELATIONSHIP	FA	1/1/1900 0:00	Father	03	Father or Mother	Y	N
RELATIONSHIP	FI	1/1/1900 0:00	Father-in-Law	13	Mother-in-law or Father-in-law	Y	N
RELATIONSHIP	FR	1/1/1900 0:00	Friend	38	Collateral Dependent	Y	N
RELATIONSHIP	GC	1/1/1900 0:00	Grandchild	05	Grandson or Granddaughter	Y	N
RELATIONSHIP	GF	1/1/1900 0:00	Grandfather	04	Grandfather or Grandmother	Y	N
RELATIONSHIP	GM	1/1/1900 0:00	Grandmother	04	Grandfather or Grandmother	Y	N
RELATIONSHIP	M	1/1/1900 0:00	Mother	03	Father or Mother	Y	N
RELATIONSHIP	MI	1/1/1900 0:00	Mother-in-Law	13	Mother-in-law or Father-in-law	Y	N
RELATIONSHIP	N	1/1/1900 0:00	Neighbor	38	Collateral Dependent	Y	N

RELATIONSHIP	NA	1/1/1900 0:00	Domestic Partner Adult	53	Life Partner	Y	N
RELATIONSHIP	ND	1/1/1900 0:00	Domestic Partner Daughter	38	Collateral Dependent	Y	N
RELATIONSHIP	NE	1/1/1900 0:00	Nephew	07	Nephew or Niece	Y	N
RELATIONSHIP	NI	1/1/1900 0:00	Niece	07	Nephew or Niece	Y	N
RELATIONSHIP	NS	1/1/1900 0:00	Domestic Partner Son	38	Collateral Dependent	Y	N
RELATIONSHIP	O	1/1/1900 0:00	Other	38	Collateral Dependent	Y	N
RELATIONSHIP	R	1/1/1900 0:00	Other Relative	38	Collateral Dependent	Y	N
RELATIONSHIP	RO	1/1/1900 0:00	Roommate	38	Collateral Dependent	Y	N
RELATIONSHIP	S	1/1/1900 0:00	Son	19	Child	Y	N
RELATIONSHIP	SI	1/1/1900 0:00	Sister	14	Brother or Sister	Y	N
RELATIONSHIP	SP	1/1/1900 0:00	Spouse	01	Spouse	Y	N
RELATIONSHIP	T	1/1/1900 0:00	Estate	31	Court Appointed Guardian	Y	N
RELATIONSHIP	U	1/1/1900 0:00	Uncle	06	Uncle or Aunt	Y	N
RELATIONSHIP	X	1/1/1900 0:00	ExSpouse	25	Ex-spouse	Y	N
RELATIONSHIP	XC	1/1/1900 0:00	Recognized Child	19	Child	Y	N
RELATIONSHIP	XD	1/1/1900 0:00	Foster Daughter	10	Foster Child	Y	N
RELATIONSHIP	XS	1/1/1900 0:00	Foster Son	10	Foster Child	Y	N
RELATIONSHIP	CT	1/1/1901 0:00	Child claimed on income tax	38	Child	N	N
RELATIONSHIP	CG	1/1/1901 0:00	Grandchild	05	Grandson or Granddaughter	N	N
RELATIONSHIP	CL	1/1/1901 0:00	Legal Guardian	19	Child	N	N

RELATIONSHIP	SD	1/1/1901 0:00	Special Decision	19	Child	N	N
SMOKER	Y	1/1/1900 0:00	Smoker - Yes	T	Tobacco Use	Y	N
SMOKER	N	1/1/1900 0:00	Smoker - No	U	Unknown	Y	N
TIMEZONE	ADT	1/1/1900 0:00	DST Atlantic Time (Canada)	TD	Atlantic Daylight Time	Y	N
TIMEZONE	WEST	1/1/1900 0:00	West Europe Time, Berlin, Rome, Paris	01	Equivalent to ISO P01	Y	N
TIMEZONE	AKDT	1/1/1900 0:00	DST Alaska Time	AD	Alaska Daylight Time	Y	N
TIMEZONE	AKST	1/1/1900 0:00	Alaska Time	AS	Alaska Standard Time	Y	N
TIMEZONE	ARST	1/1/1900 0:00	Arabian Time, Abu Dhabi, Muscat	04	Equivalent to ISO P04	Y	N
TIMEZONE	AST	1/1/1900 0:00	Atlantic Time (Canada)	TS	Atlantic Standard Time	Y	N
TIMEZONE	AZDT	1/1/1900 0:00	DST Azores Time, Cape Verde Is.	UT	Universal Time Coordinate	Y	N
TIMEZONE	AZST	1/1/1900 0:00	Azores Time, Cape Verde Is.	24	Equivalent to ISO M01	Y	N
TIMEZONE	BST	1/1/1900 0:00	Bangkok Time, Hanoi, Jakarta	07	Equivalent to ISO P07	Y	N
TIMEZONE	CASST	1/1/1900 0:00	Central Asia Time, Almaty, Dhaka	06	Equivalent to ISO P06	Y	N
TIMEZONE	CAUDT	1/1/1900 0:00	DST Central Australia, Adelaide	10	Equivalent to ISO P10	Y	N
TIMEZONE	CAUST	1/1/1900 0:00	Central Australia, Adelaide	09	Equivalent to ISO P09	Y	N
TIMEZONE	CDT	1/1/1900 0:00	DST Central Time	CD	Central Daylight Time	Y	N
TIMEZONE	CPST	1/1/1900 0:00	Central Pacific, Magadan, Solomon Is.	11	Equivalent to ISO P11	Y	N
TIMEZONE	CST	1/1/1900	Central Time	CS	Central	Y	N

		0:00			Standard Time		
TIMEZONE	DST	1/1/1900 0:00	Dateline Time, Eniwetok, Kwajalein	13	Equivalent to ISO M12	Y	N
TIMEZONE	EDT	1/1/1900 0:00	DST Eastern Time	ED	Eastern Daylight Time	Y	N
TIMEZONE	EKDT	1/1/1900 0:00	DST Ekaterinburg Time	06	Equivalent to ISO P06	Y	N
TIMEZONE	EKST	1/1/1900 0:00	Ekaterinburg Time	05	Equivalent to ISO P05	Y	N
TIMEZONE	EST	1/1/1900 0:00	Eastern Time	ES	Eastern Standard Time	Y	N
TIMEZONE	GFTDT	1/1/1900 0:00	DST GFT Time, Athens, Istanbul, Minsk	03	Equivalent to ISO P03	Y	N
TIMEZONE	GFTST	1/1/1900 0:00	GFT Time, Athens, Istanbul, Minsk	02	Equivalent to ISO P02	Y	N
TIMEZONE	GMDT	1/1/1900 0:00	DST GMT, London, Dublin, Lisbon, Edinburgh	01	Equivalent to ISO P01	Y	N
TIMEZONE	GMT	1/1/1900 0:00	GMT, London, Dublin, Lisbon, Edinburgh	GM	Greenwich Mean Time	Y	N
TIMEZONE	HST	1/1/1900 0:00	Hawaiian Time	HT	Hawaii-Aleutian Time	Y	N
TIMEZONE	IRDT	1/1/1900 0:00	DST Iran Time, Tehran	04	Equivalent to ISO P04	Y	N
TIMEZONE	IRST	1/1/1900 0:00	Iran Time, Tehran	03	Equivalent to ISO P03	Y	N
TIMEZONE	IST	1/1/1900 0:00	India Time, Bombay, Calcutta, New Delhi	05	Equivalent to ISO P05	Y	N
TIMEZONE	MADT	1/1/1900 0:00	DST Mid-Atlantic Time	24	Equivalent to ISO M01	Y	N
TIMEZONE	MAST	1/1/1900 0:00	Mid-Atlantic Time	23	Equivalent to ISO M02	Y	N

TIMEZONE	MDT	1/1/1900 0:00	DST Mountain Time	MD	Mountain Daylight Time	Y	N
TIMEZONE	MST	1/1/1900 0:00	Mountain Time	MS	Mountain Standard Time	Y	N
TIMEZONE	NDT	1/1/1900 0:00	DST Newfoundland Time	ND	Newfoundland Daylight Time	Y	N
TIMEZONE	NST	1/1/1900 0:00	Newfoundland Time	NS	Newfoundland Standard Time	Y	N
TIMEZONE	NZDT	1/1/1900 0:00	DST New Zealand Time, Auckland, Wellington	13	Equivalent to ISO M12	Y	N
TIMEZONE	NZST	1/1/1900 0:00	New Zealand Time, Auckland, Wellington	12	Equivalent to ISO P12	Y	N
TIMEZONE	PDT	1/1/1900 0:00	DST Pacific Time, Tijuana	PD	Pacific Daylight Time	Y	N
TIMEZONE	PST	1/1/1900 0:00	Pacific Time, Tijuana	PS	Pacific Standard Time	Y	N
TIMEZONE	RDT	1/1/1900 0:00	DST Russian Time, Moscow, St. Petersburg, Volgogra	04	Equivalent to ISO P04	Y	N
TIMEZONE	RST	1/1/1900 0:00	Russian Time, Moscow, St. Petersburg, Volgograd	03	Equivalent to ISO P03	Y	N
TIMEZONE	SAEST	1/1/1900 0:00	SA Eastern Time, Buenos Aires, Georgetown	22	Equivalent to ISO M03	Y	N
TIMEZONE	SDT	1/1/1900 0:00	DST Sydney Time, Canberra, Melbourne	11	Equivalent to ISO P11	Y	N
TIMEZONE	SMST	1/1/1900 0:00	Samoa Time, Midway Island	14	Equivalent to ISO M11	Y	N
TIMEZONE	SST	1/1/1900 0:00	Sydney Time, Canberra, Melbourne	10	Equivalent to ISO P10	Y	N
TIMEZONE	TST	1/1/1900	Tokyo Time	09	Equivalent to	Y	N

		0:00			ISO P09				
TIMEZONE	WAUST	1/1/1900 0:00	West Australia Time, Perth	08	Equivalent to ISO P08	Y	N		
TIMEZONE	WEDT	1/1/1900 0:00	DST West Europe Time, Berlin, Rome, Paris	02	Equivalent to ISO P02	Y	N		
TIMEZONE	AFST	1/1/1900 0:00	Afghanistan Time, Kabul	04	Equivalent to ISO P04	Y	N		
	CSA	1/1/1901	Central State Active	CSA Central State Active	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	FIR	1/1/1901	Full Time Irregular Officer Cd	FIR Full Time Irregular Officer Cd	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	FML	1/1/1901	FML Benefits Billing	FML FML Benefits Billing	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	GA1	1/1/1901	Local Gov Active Prem Level 1	GA1 Local Gov Active Prem Level 1	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	GA2	1/1/1901	Local Gov Active Prem Level 2	GA2 Local Gov Active Prem Level 2	Edison Benefit Program Code and Description	Y	2000	REF	REF03

	GA3	1/1/1901	Local Gov Active Prem Level 3	GA3 Local Gov Active Prem Level 3	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	HED	1/1/1901	Higher Education	HED Higher Education	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	OLA	1/1/1901	Offline Actives	OLA Offline Actives	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	OLC	1/1/1901	Offline Closed	OLC Offline Closed	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	PAR	1/1/1901	Part Time Non-1450 Hours	PAR Part Time Non-1450 Hours	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	PTN	1/1/1901	Local Education 25 Hours	PTN Local Education 25 Hours	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	PTP	1/1/1901	Part Time 1450 Hours	PTP Part Time 1450 Hours	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RCS	1/1/1901	Retiree Central State	RCS Retiree Central State	Edison Benefit Program Code and Description	Y	2000	REF	REF03

	RG1	1/1/1901	Local Gov Retiree Prem Level 1	RG1 Local Gov Retiree Prem Level 1	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RG2	1/1/1901	Local Gov Retiree Prem Level 2	RG2 Local Gov Retiree Prem Level 2	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RG3	1/1/1901	Local Gov Retiree Prem Level 3	RG3 Local Gov Retiree Prem Level 3	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RGF	1/1/1901	Retiree Grandfathered	RGF Retiree Grandfathered	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RSS	1/1/1901	Loc Ed Retiree Support Staff	RSS Loc Ed Retiree Support Staff	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RTE	1/1/1901	Loc Ed Retiree Teacher	RTE Loc Ed Retiree Teacher	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	SUR	1/2/1901	Survivor Benefit Program	SUR Survivor Benefit Program	Edison Benefit Program Code and Description	Y	2000	REF	REF03

	TEA	1/1/1901	Local Education	TEA Local Education	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	WCP	1/1/1901	Worker's Compensation	WCP Worker's Compens ation	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	Y	1/1/1901	Payment Indicator	Y	Payment Indicator	Y	2300	HD	HD11
	N	1/1/1901	Payment Indicator	N	Payment Indicator	Y	2300	HD	HD11
	Range 01000 thru 99929	1/1/1901	Budget Code	Range 01000 thru 99929	Budget Code	Y	2000	REF	REF04

CONTRACT SUMMARY SHEET

8-8-05

RFS #	Contract #
317.86-032 Revision	FA-06-16533-
State Agency	**State Agency Division**
Finance & Administration	Insurance Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Connecticut General Life Insurance Company	☐ C- or ☒ V- 06-0303370

Service Description

Self Insured POS (health insurance) – Middle contract

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
January 1, 2006	December 31, 2008	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
317.86	CP	896	51,52,53, 55, 56, 58		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			$19,000,000		$19,000,000
2007			2,000,000		2,000,000
2008			2,000,000		2,000,000
2009			2,000,000		2,000,000
TOTAL:			$25,000,000		$25,000,000

OCR RELEASED NOV 13 2007 TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
2006	$19,000,000	
2007	2,000,000	
2008	2,000,000	
2009	2,000,000	
TOTAL:	$25,000,000	
End Date:	12-31-08	12-31-08

State Agency Fiscal Contact & Telephone #

John G.Anderson
13th Floor, Tennessee Tower
615-741-8642

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

NOV 09 2007

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2008

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	896	55				$1,000,000
317.86	CP	896	55				($240,000)
317.86	CP	896	56				750,000
317.86	CP	896	56				($120,000)
317.86	CP	896	58				250,000
317.86	CP	896	58				($24,000)
317.86	CP	896	51				$240,000
317.86	CP	896	52				$120,000
317.86	CP	896	53				$24,000
TOTAL							$2,000,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2009

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	896	55				$1,000,000
317.86	CP	896	55				($240,000)
317.86	CP	896	56				750,000
317.86	CP	896	56				($120,000)
317.86	CP	896	58				250,000
317.86	CP	896	58				($24,000)
317.86	CP	896	51				$240,000
317.86	CP	896	52				$120,000
317.86	CP	896	53				$24,000
TOTAL							$2,000,000

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
Curtiss 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 CC
Bill Ketron, Chairman, Contract Services Subcommittee BK

DATE: March 3, 2007

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meeting 2/26/07)

RFS#'s: 317.86-034; 317.86-030; 317.86-032; 317.86-020
Department: Finance & Administration/ Insurance Administration
Contractors: Union Security Insurance (pre-paid dental); Connecticut General Life (HMO/Nashville area); Connecticut General Life (HMO/Memphis area); Connecticut General Life (POS/Middle region); Connecticut General Life (POS/West region); Connecticut General Life (POS/East region); and MedAmerica Insurance Company (long term care insurance).
Summary: These amendments require the vendors to participate in meetings and take other necessary actions for a smooth transition to the Edison program (ERP). No additional costs to the State and no extensions of the contract terms.

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

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

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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: John G. Anderson, Director of Public Sector Plans

Date: February 15, 2007

RE: Amendment to Transition Contractors from TIS system to ERP system

Please find attached a Non-Competitive Amendment request to add language to the existing contract with Connecticut General Life Insurance Company for Self Insured POS Health Insurance - Middle Region signed by Commissioner M. D. Goetz, Jr. The base contract is included as is a draft of the amendment created to address the transition from the Tennessee Insurance System (TIS) targeted for replacement by the State's Enterprise Resource Planning (ERP) system, operating under the name of Edison on December 31, 2007. Start up time is required for the Contractor to attend meetings on this project and to become acquainted with the requirements of the new data interface in order to be able to continue to receive health plan enrollment information from the state.

As the TIS system will no longer by available, the transition to Edison is required. The Division of Insurance Administration is seeking to amend this contract to ensure a smooth transition from the existing system to the new system with sufficient time to work through any potential barriers prior to the implementation date of December 31, 2007. This amendment does not require an extension of the contract term or additional cost to the State.

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 #	317.86-032
2) State Agency Name :	Finance & Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	Self Insured POS Health Insurance Middle contract
4) Contractor :	Connecticut General Life Insurance Company
5) Contract #	FA-06-16533-00
6) Contract Start Date :	January 1, 2006
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2008
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$25,000,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	01
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	May 1, 2008
11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2008
12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$25,000,000
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 :

To revise the data interface from the Tennessee Insurance System (TIS) to the State's Enterprise Resource Planning (ERP) system, operating under the name Edison and to be HIPAA compliant.

15) Explanation of Need for the Proposed Amendment :

The TIS system is targeted to be phased out of use by December 31, 2007.

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

CIGNA, 1000 Corporate Center Drive, Franklin, TN 37067

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 :

There is not a need to procure another vendor, rather the State is seeking through this amendment to ensure all data interface requirements are met by the vendor.

21) Justification for the Proposed Non-Competitive Amendment :

This amendment is necessary in order for the data interface to be current with the new system and to be HIPAA compliant.

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 Goetz	2/19/07
Agency Head Signature	**Date**

CONTRACT SUMMARY SHEET

8-8-05

RFS #	Contract #
317.86-032	FA-06-16533-01
State Agency	**State Agency Division**
Finance & Administration	Insurance Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Connecticut General Life Insurance Company	☐ C- or ☒ V- 06-0303370

Service Description

Self Insured POS (health insurance) – Middle contract

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
January 1, 2006	December 31, 2008	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
317.86	CP	896	55, 56, 58		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			$19,000,000		$19,000,000
2007			2,000,000		2,000,000
2008			2,000,000		2,000,000
2009			2,000,000		2,000,000
TOTAL:			$25,000,000		$25,000,000

OCR RELEASED
RECEIVED APR 10 2007
AUG 30 2007 TO ACCOUNTS
FISCAL REVIEW

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
2006	$19,000,000	
2007	2,000,000	
2008	2,000,000	
2009	2,000,000	
TOTAL:	$25,000,000	
End Date:	12-31-08	12-31-08

State Agency Fiscal Contact & Telephone #

John G.Anderson
13th Floor, Tennessee Tower
615-741-8642

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

AMENDMENT ONE
TO CONTRACT NUMBER FA-06-16533-00

This contract, by and between the State of Tennessee, State, Local Education and Local Government Insurance Committees, hereinafter referred to as the State, and Connecticut General Life Insurance Company, hereinafter referred to as the Contractor, is hereby amended as follows:

1. Delete Section E.2 in its entirety and insert the following in its place:

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 Contractor:

Tim Cullen, Account Executive
CIGNA
1000 Corporate Center Drive
Franklin, TN 37067
Phone #: 615-595-3382
Fax #: 615-595-3287
Email Address: timothy.cullen@cigna.com

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
Telephone # : 615-253-8358
Fax # : 615-253-8556
Email Address: marlene.alvarez@state.tn.us

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.

2. Add the following as Section A.8.7 and renumber any subsequent sections as necessary.

A.8.7 The Tennessee Insurance System (TIS) is targeted for replacement by the State's Enterprise Resource Planning (ERP) system (operating under the name Edison) on December 31, 2007. This date is subject to change at the State's discretion. The Contractor, in support of this transition, will be required to:

- participate in meetings (phone or on-site), if any, intended for the purpose of planning for the transition and
- convert its electronic data interface with TIS, the Weekly Enrollment Update (Section A.8.2.1), the Quarterly Enrollment Data Reconciliation (Section A.8.2.2), and the State of Tennessee Enrollment Data Match (Section A.8.2.3), to the new Edison HIPAA compliant formats and procedures prior to the Edison "go-live" date.

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

IN WITNESS WHEREOF:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY:

3/26/07

MICHAEL W. TRIPLETT, SR. PRESIDENT, SOUTHEAST REGION **DATE**

Michael W. Triplett, Sr. President

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY

STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
LOCAL GOVERNMENT INSURANCE COMMITTEE:

3-30-07

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

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

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

COMPTROLLER OF THE TREASURY:

4-9-07

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

CONTRACT SUMMARY SHEET

8-8-05

RFS #	Contract #
317.86-032 REVISION	FA06-16533
State Agency	**State Agency Division**
Finance & Administration	Insurance Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Connecticut General Life Insurance Company	☐ C- or ☒ V- 06-0303370

Service Description

Self Insured POS (health insurance) – Middle contract

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
January 1, 2006	December 31, 2008	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
317.86	CP	~~891~~ 896	55, 56, 58		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			$19,000,000		$19,000,000
2007			2,000,000		2,000,000
2008			2,000,000		2,000,000
2009			2,000,000		2,000,000
TOTAL:			$25,000,000		$25,000,000

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
2006	$19,000,000	
2007	2,000,000	
2008	2,000,000	
2009	2,000,000	
TOTAL:	$25,000,000	
End Date:	12-31-08	

State Agency Fiscal Contact & Telephone #

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)

DIRECTOR OF

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

JAN 2 2006

CONTRACT UMMARY SHEET UPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2006

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	~~891~~ 896	55				$10,000,000
317.86	CP	~~891~~ 896	56				6,000,000
317.86	CP	~~891~~ 896	58				3,000,000
TOTAL							$19,000,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2007

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	~~891~~ 896	55				$1,000,000
317.86	CP	~~891~~ 896	56				750,000
317.86	CP	~~891~~ 896	58				250,000
TOTAL							$2,000,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2008

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	~~891~~ 896	55				$1,000,000
317.86	CP	~~891~~ 896	56				750,000
317.86	CP	~~891~~ 896	58				250,000
TOTAL							$2,000,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2009

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	~~891~~ 896	55				$1,000,000
317.86	CP	~~891~~ 896	56				750,000
317.86	CP	~~891~~ 896	58				250,000
TOTAL							$2,000,000

CONTRACT SUMMARY SHEET

8-8-05

RFS #	Contract #
317.86-032	FA06-16533
State Agency	**State Agency Division**
Finance & Administration	Insurance Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Connecticut General Life Insurance Company	☐ C- or ☒ V- 06-0303370

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2009			2,000,000		2,000,000
TOTAL:			$25,000,000		$25,000,000

OGR RELEASED
NOV 17 2005
TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
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End Date:	12-31-08	

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☐ Non-Competitive Negotiation ☐ Government ☐ Other

Procurement Process Summary

PROCESS
NOV 18 2005
DIRECTOR OF ACCOUNTS

CONTRACT UMMARY SHEET UPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2006

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	891	55				$10,000,000
317.86	CP	891	56				6,000,000
317.86	CP	891	58				3,000,000
TOTAL							$19,000,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2007

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	891	55				$1,000,000
317.86	CP	891	56				750,000
317.86	CP	891	58				250,000
TOTAL							$2,000,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2008

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	891	55				$1,000,000
317.86	CP	891	56				750,000
317.86	CP	891	58				250,000
TOTAL							$2,000,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA06-16533
Fiscal Year	2009

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
317.86	CP	891	55				$1,000,000
317.86	CP	891	56				750,000
317.86	CP	891	58				250,000
TOTAL							$2,000,000

CONTRACT #FA06-16533
BETWEEN THE STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
LOCAL GOVERNMENT INSURANCE COMMITTEE,
AND
CONNECTICUT GENERAL LIFE INSURANCE COMPANY

This Contract, by and between the State of Tennessee, State, Local Education, and Local Government Insurance Committees, hereinafter referred to as the "State" and Connecticut General Life Insurance Company, hereinafter referred to as ~~the~~ "Contractor," is for the delivery of Self Insured Point of Service (POS) services, including administrative services, claims adjudication, utilization management services, and development and maintenance of a provider network for the POS Middle geographic service area in Tennessee; and as further defined in the "SCOPE OF SERVICES."

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

Connecticut General Life Insurance Company
900 Cottage Grove Rd.
Hartford, CT 06152

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

The Contractor's Federal Employee Tax Identification Number is 06-0303370.

A SCOPE OF SERVICES

The Contractor agrees to provide administrative services for the State's self-insured POS option for employees, retirees and their survivors, as well as eligible dependents, who elect to participate in the POS offered by the Contractor, hereinafter referred to as "subscribers", "participants", or "members", in accordance with RFP #317.86-032 and its clarifications; the Contractor's Technical proposal in response to RFP #317.86-032; the Contractor's Cost Proposal in response to RFP #317.86-032; and this agreement (Collectively referred to as the "Contract").

Definitions:

- **"Subscribers"** are defined as eligible employees, retirees, and individuals qualified under The Federal Consolidated Omnibus Budget Reconciliation Act (COBRA), who are enrolled in the POS option sponsored by the State, Local Education, and Local Government Insurance Committees. This definition specifically excludes eligible subscribers who: a) elect not to be covered under the benefit options; or b) are enrolled in either the Preferred Provider Organization (PPO) option; one of the HMO options; or another POS option, each of which is contracted separately by the State; or c) are dependents of covered employees under (a) or (b) above.
- **"Members"** are defined as eligible employees and their dependents; retirees and their dependents and survivors; and individuals qualified under The Federal Consolidated Omnibus Budget Reconciliation Act (COBRA) and their dependents; who are enrolled in the POS sponsored by the State, Local Education, and Local Government Insurance Committees. This definition specifically excludes eligible subscribers who: a) elect not to be covered under the benefit options; or b) are enrolled in either the Preferred Provider Organization (PPO) option; one of the (HMO) options; or another POS option, each of which is contracted separately by the State; or c) are dependents of covered employees under (a) or (b) above.
- **"Participant"** refers to any individual accessing services under the POS option.

A.1 POINT OF SERVICE PLAN NETWORK

A.1.1 The Contractor shall maintain and administer a POS Plan network for the Middle service area, as defined in A.1.2 below, for members, in accordance with this contract. The Contractor further agrees to maintain under contract, participation by health care providers including but not limited to primary care physicians, specialist physicians, nurse practitioners/physician assistants, hospitals (all levels primary, secondary and tertiary), Centers of Excellence for high risk cost procedures, nursing homes, laboratories, pharmacies and all other health care facilities, services and providers necessary to provide high quality, cost effective services, adequate distribution, and reasonable access from a geographic and service standpoint throughout the service area(s).

A.1.1.1 As required by Contract Attachment A, **Performance Guarantee #8** (Provider/Facility Network Accessibility), the State shall monitor network access. The Contractor shall, in writing, report to the State any actions it intends to take to correct any deficiencies highlighted by annual network reports.

A.1.2 The Middle Service Area shall be defined as consisting of the following counties: Bedford, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, Dickson, Dekalb, Fentress, Franklin, Giles, Grundy, Hickman, Houston, Humphreys, Jackson, Lawrence, Lincoln, Lewis, Macon, Marshall, Maury, Montgomery, Moore, Overton, Perry, Pickett, Putnam, Robertson, Rutherford, Smith, Stewart, Sumner, Trousdale, Van Buren, Warren, Wayne, White, Williamson, and Wilson.

A.1.3 The Contractor shall maintain a network of Centers of Excellence for the provision of high cost/high risk and specialized procedures. Centers of Excellence criteria shall be based on price, quantity, quality, and outcome, for the network as described in the Contractor's Proposal. The Contractor shall also develop specific criteria for Centers of Excellence referrals and follow-up.

A.1.4 The Contractor shall report to the State within five working days of the end of each contract quarter any changes in the designation of network hospitals, physicians, and other health care providers, but no less than thirty (30) calendar days prior to the removal of a hospital, clinic or ambulatory surgery center from the network. See also **Section A.9**.

A.1.5 The Contractor cannot take action to disenroll network primary care providers or hospital providers for one (1) year beginning each January 1, following the State's annual transfer period, except for good reason, which may include: inability to negotiate continuance of its provider agreement; provider failure in the credentialing/re-credentialing process; non-compliance with contract requirements; provider request for disenrollment; member complaints; suspicion of provider impairment; loss of license or exclusion from participation in Medicare or Medicaid pursuant to Sections 1128 or 1156 of the Social Security Act.

A.1.6 The Contractor, following review and approval by the State, shall annually update, print, and distribute to subscribers' homes benefits information and provider directories. This booklet must be State-specific and shall describe and outline POS benefits and exclusions, and the Contractor's network of providers. Distribution shall be made to every subscriber. The number of booklets printed shall be for 125% of the number of subscribers. At the discretion of the State, the directory may include provider name, specialty, address and phone number and can be organized in geographic areas as small as counties. Said booklets shall be updated and distributed to subscribers' homes at least annually. The costs associated with printing and distribution of said booklets are the sole responsibility of the Contractor. Upon mutual agreement of the State and the Contractor, electronic means may be utilized to inform members of the network of providers.

A.1.7 The Contractor shall maintain the capability to respond to inquiries from participants concerning participation by providers in the network, by specialty and by county. Such capabilities shall be by toll-free telephone and up-to-date web based directory of providers including provider search capability.

A.1.8 The Contractor shall ensure that the State and its health benefits participants financially benefit from any contracts maintained between the Contractor and health care providers. All special pricing considerations and financial incentives shall accrue to the State and participants.

A.1.9 The Contractor shall contract only with providers who are duly licensed to provide such medical services. In addition, the Contractor shall require that all providers maintain all licenses and accreditations in existence at the time of selection as a network provider in order to continue their status as a network provider. The Contractor shall perform on a continuous basis, appropriate provider credentialing as

described in the Contractor's Proposal that assures the quality of network providers. Re-credentialing of network providers must be performed at least every three years.

A.1.10 The Contractor shall maintain communication with providers to ensure a high degree of continuity in the provider base and ensure that the providers are familiar with the program requirements. There must be provisions for face-to-face contact in addition to telephone and written contact. Additionally the Contractor must review and assess the practice patterns of network providers, share its findings with network providers and take measures to maintain an efficient and effective network.

A.1.11 The Contractor shall notify all network providers of and enforce compliance with all provisions relating to utilization management procedures.

A.1.12 The Contractor shall require all network providers to file claims associated with their services directly with the Contractor on behalf of participants.

A.1.13 The Contractor shall maintain a written procedure to identify providers who participate in the network and who establish a pattern of referral to non-network providers.

A.1.14 The Contractor will quarterly notify the State in writing prior to any adjustments to provider fee schedules, facility per diems, capitated arrangements, or other provider payment arrangements, and the manner in which such adjustments will impact the cost of claims payments for the POS plan. As part of any changes in future provider reimbursement methods, the State would be willing to explore the use of any Contractor proposed methods of payment that include provider incentives based on valid and reliable performance measures in areas such as clinical performance, patient satisfaction, and use of information technology.

A.1.15 The Contractor shall allow for periodic review to be performed by the Division of State Audit, Office of the Comptroller of the Treasury, or other qualified entity(ies) designated by the State, to ensure that all pharmacy rebates, discounts, special pricing considerations and financial incentives have accrued to the State and participants and that all costs incurred are in accordance with the Contract. The Contractor shall provide the auditor access to all information necessary to perform the examination, and the State will work with the Contractor in defining the scope of the audit, requirements and time frame for conducting the audit. To the extent allowed by applicable law, the State agrees that persons or organizations conducting audits of the Contractor shall be prohibited from disclosing confidential patient records or proprietary or confidential information reasonably designated as such by the Contractor. The State will work with the Contractor in defining the scope of the audit, requirements and time frame for conducting the audit.

A.1.16 The Contractor shall cooperate fully with audits the State may conduct of care management to include clinical processes and programs, internal audits, provider networks, and other aspects of the program the State deems appropriate (at the State's expense). The State may select any qualified person(s) or organization(s) to conduct the audits. To the extent allowed by applicable law, the State agrees that persons or organizations conducting audits of the Contractor shall be prohibited from disclosing confidential patient records or proprietary or confidential information reasonably designated as such by the Contractor. The State will work with the Contractor in defining the scope of the audit, requirements and time frame for conducting the audit (s).

A.2 MEDICAL AND CARE MANAGEMENT SERVICES

A.2.1 The Contractor shall provide a medical and care management system designed to help individual plan members secure the most appropriate level of care consistent with their health status. In carrying out this function, the Contractor must provide a system for reviewing the appropriateness of hospital inpatient care, skilled nursing, inpatient rehabilitative care and other levels of care as necessary. The Contractor must have in place an effective process that identifies and manages those members in need of inpatient care. The following services must be provided:

- Identification of those patients in need of inpatient care for the purpose of reviewing the level of care requested and determining extent of care required, and the identification of appropriate additional or alternative services as needed. Process must include admission review, or the pre-certification/ authorization of inpatient stay,
- Concurrent review during the course of a patient's hospital inpatient stay, where qualified medical management personnel coordinate care with the hospital staff and patient's physician(s). Process will review the continued hospitalization of the patient and identify medical necessity for the stay as well as available alternatives,

- Discharge planning providing a process where medial management staff work with the hospital, patient's physician(s), family, and appropriate community resources to coordinate discharge and post-discharge needs of the patient. Prevention of readmission is also a goal of the discharge planning process, and
- Review of urgent and/or emergency admissions, on a retroactive basis when necessary, in order to determine medical necessity for the service.

The Contractor shall provide a written report to the State on a semiannual basis regarding the utilization of services and the demonstrated effectiveness of the programs.

A.2.2 The aforementioned services should be included as required and appropriate for hospital admissions. Pre-admission certification should not be employed for admissions for the normal delivery of children. Prospective review procedures may also include pre admission testing criteria and criteria for same day surgery procedures. If inpatient hospital pre-admission certification is utilized, authorization or denial must occur within one business day for urgent requests upon receipt by the Contractor of all necessary information regarding the admission. Any appeals of requests for continued hospitalization denials must be promptly processed and involve physician-to-physician contact.

A.2.3 The Contractor shall maintain a case management/care management program for Plan members (see **Contract Section A.2.4**), utilizing procedures and criteria to prospectively and retrospectively identify members that would benefit from case management/ care management services. The process of care management shall be capable of identifying the level of a patient's health status through stratification of risk in order for patients to receive the proper level of management appropriate to their condition. Care coordination/care management should consist of a full continuum of services designed to meet the level of need of the plan member (wellness information through catastrophic case management). Contractor shall provide a written report to the State on a semiannual basis regarding the utilization of care management services and the demonstrated effectiveness of the programs. The Contractor shall utilize a system of Evidence Based Medicine in the development and use of clinical practice guidelines, protocols or pathways incorporating national criteria and local physician input as appropriate. The Contractor shall also develop specialty care and outpatient case management/care management protocols when appropriate.

A.2.4 The Contractor shall submit to the State, at contract implementation, two (2) written copies describing its medical management/case management/care management procedures. Additionally, the Contractor shall notify the State, in writing, within thirty (30) days of any significant changes to these programs during the course of the contract.

A.2.5 The Contractor shall maintain an internal quality assurance program. The Contractor shall submit to the State, at contract implementation, a summary of the plan indicating areas addressed and methodology employed.

A.2.6 The Contractor's POS Plan must be accredited by either the National Committee for Quality Assurance (NCQA) or the Joint Commission on Accreditation of Health Care Organizations (JCAHO) or URAC. If such accreditation is through NCQA, the Contractor shall annually submit to the State its HEDIS report card.

A.2.7 The Contractor, in consultation with the State, must have in place or implement within ninety (90) days or earlier of contract effective date at least two (2) of the disease management programs for the following chronic conditions: congestive heart failure, coronary artery disease, chronic obstructive pulmonary disease. In addition, a program for diabetes mellitus should be offered. The Contractor shall develop and implement these disease management programs for high cost, high prevalence diseases in the State-sponsored population, designed to optimize the health status of members therefore reducing the need for high cost medical intervention. The programs shall include a statistically valid methodology designed to measure the impact on health status, utilization of medical services and claims cost of participating members. The Contractor shall provide a written report at least semiannually detailing plan member participation in the disease management program, and a written report at least annually to the State with the results of the analysis of the program's impact on the health status, utilization and cost of medical services of those participating in the program. The State reserves the right to review and comment on the programs. Failure to provide programs acceptable to the State will result in an assessment against the Contractor for payment to the State in the amount of $20,000 for each program of each year of the contract term in which the Contractor fails to establish such disease management programs. The State reserves the right during the term of the Contract to add, based on mutually agreeable terms and

conditions, additional disease management or other care management programs that have proven to improve the health status of plan members and effectiveness and quality of care delivered.

A.3 **PHARMACY**

The Contractor shall provide the following required programs and service components for the retail and mail order pharmacy benefits.

A.3.1 Administrative and Account Management Support – the Contractor shall:

- Provide qualified licensed pharmacy personnel and actuarial input to assist the State in the analysis of the impact of pharmacy program, and policy and plan design changes.
- Collaborate with the State in proactively identifying opportunities to improve the quality of service, cost effectiveness and operational efficiency of the pharmacy benefits.
- Provide quarterly reviews of pharmacy network adequacy, Plan performance, service levels and other factors that focus on managing pharmacy benefit cost.

A.3.2 Retail and Mail Order Claims Adjudication – the Contractor shall:

- Adjudicate and process all electronic point of sale and paper retail and mail order pharmacy claims incurred during the term of the contract in strict accordance with the State Pharmacy Benefits as contained in the State Plan Document **(Appendix 7.3 [of RFP #317.86-032])**.
- Maintain an integrated retail and mail order electronic point-of-sale claims system that shall have edits to verify eligibility, covered drug benefits, and claim accuracy. Mail order facilities shall have the capacity to process the volume of member subscriptions.
- Make efforts to recover overpayments and reimburse underpayments to the State in accordance with applicable law and any applicable State polices regarding the collection of overpayment and reimbursement of underpayment.
- Have the ability to refill mail order prescriptions online through the website, by telephone, or by mail, subject to compliance with all applicable federal and state laws and regulations.

A.3.3 Mail Order Customer Service – the Contractor shall:

- Provide a toll-free telephone number dedicated to the pharmacy mail-order program.
- Provide special telephone services for member consultations with a registered pharmacist.
- Provide a pharmacy claims appeal process consistent with the State appeals process.
- Provide a web site for plan members providing access to pharmacy plan benefits, retail pharmacy network, Preferred Drug List (PDL), drugs requiring Prior Authorization, drugs dispensed with limitations, link to mail-order, and, if available, a secure site for members to access their pharmacy claims.

A.3.4 Retail Network – the Contractor shall:

- Provide a comprehensive network with member access to retail pharmacies, which contractually agree through point-of-sale electronic transmission to verify eligibility, submit member claims electronically, agree not to waive co-payments or deductibles, and agree to accept the Contractor's reimbursement as payment in full for covered prescription drugs allowing no balance billing.
- Provide participating pharmacies with a toll-free telephone service number.
- Maintain a pharmacy audit program in order to ensure pharmacy compliance with the program.
- Require its network retail pharmacies, who have agreed with the Contractor's terms and conditions for mail order pharmacy to provide three month drug supplies via US Postal service, upon request by members, as required by the State's mail order pharmacy policy.

A.3.5 Formulary/Preferred Drug List (PDL) and Utilization Review – the Contractor shall:

- Implement and maintain a Formulary/ PDL for the retail and mail order program that is designed to maximize the prescribing and dispensing of safe and clinically and cost effective drugs within each therapeutic class. Changes in the PDL shall be approved and communicated to the State and affected plan members no less than 30 days prior to change implementation date, unless the Contractor and State mutually agree to a shorter notification time.
- Provide a Prospective Utilization Review program for the retail and mail order programs allowing pharmacists access to patient prescription drug profile and history in order to identify potentially adverse events, including but not limited to the following:
  - Drug to drug interaction
  - Duplicate therapy
  - Known drug sensitivity
  - Over utilization

  - Maximum daily dosage
  - Early refill indicators.
  - Suspected fraud
- Provide for clinical pharmacist follow-up to dispensers and prescribers in order to share relevant information from the drug utilization review analysis.
- Provide a Retrospective Utilization Review program to track provider prescribing habits and identify those who practice outside of their peer norms as well as identify patients who may be abusing prescription drugs or visiting multiple providers.
- Provide a specialty pharmacy program to address the introduction of new biological drugs and drugs to treat plan members with conditions such as hepatitis C, multiple sclerosis, arthritis and hemophilia. Such a program should provide for significant discounts off the Average Wholesale Price (AWP), delivery to the member, and pharmacist and nursing support.
- Have the ability to lock a member suspected of abusing the system into just one network pharmacy.

A.3.6 Therapeutic Substitution and Generic Dispensing Program – the Contractor shall:

- Provide a Therapeutic Substitution program with provisions for appropriate contact to prescribing physician in order to advise them of the potential saving resulting from substituting a costlier drug with a lower cost medically appropriate alternative drug. Results of the program should be reported to the State on annual basis.
- Provide a Generic Dispensing program designed to maximize the acceptance and use of medically appropriate generic drugs under the retail and mail service program. The program shall target physicians, pharmacists and plan members. Results of the program should be reported to the State on annual basis.

A.3.7 Pharmacy Rebates and Audits – the Contractor shall:

- Remit to the State no less than quarterly a check for all pharmacy rebates obtained on behalf of the State due to the use of pharmaceuticals by members of the State-sponsored Plans for the rebates accrued during the claim period ending seven (7) months prior to the rebate payment date.
- With provision by the State of 30 days notice, and with execution of any applicable third party confidentiality agreements, submit to examination and audit of applicable pharmacy benefit data by the State, including manufacturer rebate contracts and rebate payments, by the State's authorized independent auditor (experienced in conducting pharmacy rebate audits) during the term of this contract and for three years after final contract payment (longer if required by law). For the purpose of this requirement, Contractor shall include its parents, affiliates, subsidiaries and subcontractors. Such audits shall include third party confidentiality agreements between the auditor and the party being audited.
- With provision by the State of 30 day notice, and with the execution of any applicable third party confidentiality agreements, provide full disclosure of rebates received by the Contractor, its affiliates, subsidiaries, or subcontractors on behalf of the State, including line item detail by National Drug Code number and line item detail by pharmaceutical manufacturer showing actual cost remitted and other related claim and financial information as needed to satisfy the scope of the audit. The Contractor will, upon request by the State, disclose to the State's authorized independent auditor (experienced in conducting pharmacy rebate audits) any administrative fees or other reimbursements received in connection with any rebates, discounts, fee reductions, incentive programs, or the like received by Contractor as a result of the drug manufacturer payments which include volume of pharmaceutical use by or on behalf of the State. In addition, Contractor will, upon request by the State, disclose fees or other reimbursements received in connection with any grants, educational programs or other incentive programs received by the Contractor on behalf of the State.

  With the execution of any applicable third party confidentiality agreements provide at any time, upon 30 day notice from the State, access to audit the pharmacy rebate program, including but not limited to rebate contracts, special discounts, fee reductions, incentive programs or the like with pharmacy manufactures and program financial records as necessary to perform accurate and complete audit of rebates received by the State. At the State's discretion, the State's authorized independent auditor (experienced in conducting rebate audits) may perform such audit. The State is responsible for the cost of it's authorized third party representative for such audits. If the outcome of the audit results in an amount due to the State, payment of such settlement will be made within 30 days of the Contractor's receipt of the final audit report.

A.3.8 Pharmacy Benefit Carve Out: The State reserves the authority to "carve out" the pharmacy benefit during the term of the contract upon a 120-day notice to the Contractor. If the State notifies the Contractor of its

intention to exercise this option, the Contractor shall remain responsible for the payment of incurred pharmacy claims up to the effective date of the carve out of the pharmacy benefit.

A.4 BEHAVIORAL HEALTH

A.4.1 The Contractor is responsible for working directly with the State's "carve-out" Employee Assistance Program (EAP)/Mental Health and Substance Abuse (MHSA) program contractor. The Contractor **is not** responsible for providing benefits or paying claims for mental health and substance abuse services. Coordination by the Contractor shall include the following:

- Assistance in the co-management of medical/psychiatric disorders to include co-funding arrangements and consultations when necessary between medical staff.
- Assistance in the identification of claims appropriate for medical and MHSA.
- Payment of claims for all prescriptions for psychotropic medications written by EAP/MHSA contractor network physicians.
- Inclusion of EAP/MHSA summary plan document information in POS summary plan information including MHSA benefits and how to access benefits by the toll free number.
- Other activities necessary for the appropriate coordination of benefits and claims payment of medical and MHSA benefits.

A.5 CLAIMS PROCESSING

A.5.1 The Contractor shall process all medical claims in strict accordance with the State of Tennessee, Standard Point of Service Plan Benefits (see **Appendix 7.3 [of RFP #317.86-032]**), its clarifications and revisions. The Contractor may not modify these benefits during the term of this contract without the approval of the State.

A.5.2 The Contractor shall ensure that the majority of all claims will be paperless for the members. Providers will have the responsibility through their contract with the Contractor to submit claims directly to the Contractor.

A.5.3 Ensure that the electronic data processing (EDP) environment (hardware and software), data security, and internal controls meet all present standards, and will meet all future standards, required by the Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), Public Law 104-191. Said standards shall include the requirements specified under each of the following HIPAA subsections:

- Electronic Transactions and Code Sets
- Privacy
- Security
- National Provider Identifier
- National Employer Identifier
- National Individual Identifier
- Claims attachments
- National Health Plan Identifier
- Enforcement

The Contractor shall maintain an EDP and electronic data interface (EDI) environment that meets the requirements of RFP #317.86-032 and meets the privacy and security requirements of the Health Insurance Portability and Accountability Act of 1996. The Contractor must have a disaster recovery plan for restoring the application software and current master files and for hardware backup if the production systems are destroyed.

A.5.3.1 To maintain the privacy of personal health information, the Contractor shall provide to the State a method of securing email for daily communications between the State and the Contractor.

A.5.4 The Contractor shall confirm eligibility of each participant as claims are submitted, on the basis of the enrollment information provided by the State, which applies to the period during which the charges were incurred. The Contractor shall process said claims, in an accurate manner, either filed directly by Participants and/or the provider(s), in accordance with the Performance Guarantees contained in Contract Attachment A. The Contractor shall provide services to participants who elect POS coverage. Participation shall be for twelve (12) months, unless the participant's coverage has been terminated, or the participant's place of residence AND place of work are relocated outside the service area.

A.5.5 The State shall determine all Plan policies and benefits (see **Appendix 7.3 [of RFP #317.86-032]**) . Should the Contractor have a question on policy determinations, benefits, or operating guidelines required for proper performance of the Contractor's responsibilities, the Contractor shall request a determination in

writing. The State will then respond in writing making a determination within thirty (30) days. The Contractor shall then act in accordance with such policy determinations and/or operating guidelines.

A.5.5.1 The State shall have the sole responsibility for and authority to clarify and/or revise the benefits available under this program. It is understood between the parties that the program cannot and does not cover all medical situations. In a case where the benefits are not referenced or are not clear, the Contractor shall utilize their polices in adjudicating claims, and the Contractor shall advise the Division of Insurance Administration in writing, as to the difference along with the Contractor's recommendation. Such matters as determined by the State to have a significant impact on administration of plan benefits shall be resolved by the State.

A.5.6 To ensure the efficient and timely processing of claims and the adequate capture of data, the Contractor shall provide participants with identification cards. Identification cards shall contain unique identifiers for each member; such identifier shall NOT be the member's Federal Social Security Number. The cost of these items shall be borne by the Contractor. The State reserves the authority to review any claim forms and identification cards prior to issuance for use. Contractor shall update enrollment and shall mail participant I.D. cards no later than 14 days from receipt of the new enrollment or change in enrollment.

A.5.7 The Contractor shall produce coordination of benefits (COB) savings (excluding Medicare COB) within a reasonable amount (defined as between 1.5 and 2%) of incurred claims per calendar year.

A.5.8 The Contractor shall institute subrogation based on a mutually agreeable process between the Contractor and the State. Such process shall include:

- A defined process for the recovery of monies received through subrogation;
- Notification, upon request by the State, of the status of cases under review for subrogation; and
- Identification to the State of all subrogation subcontractors and, upon request by the State, copies of said subcontracts.

The State authorizes the Contractor to retain administrative fees, on a per patient basis, of no more than 5% of the gross recoveries received. The Contractor may retain an additional 20% of the gross recoveries, when such recoveries are made by subrogation subcontractor(s). The Contractor shall understand that recovery of subrogation claims includes claims paid as a result of work related illnesses or injuries relative to worker's compensation claims.

A.5.9 To ensure coordination between the State and Contractor regarding Medicare Secondary Payer (MSP) claims issues, the Contractor shall resolve within 31 days issues communicated by the State to the Contractor.

A.5.10 The Contractor shall determine eligible expenses which are medically necessary. The Contractor must have on staff medically trained personnel whose primary duties are to assist in evaluating claims for medical necessity.

A.5.11 The Contractor shall have a process in place based on the most appropriate up to date clinical and pharmacological information for determining those procedures and services that are considered experimental/investigative. The Contractor shall provide to the State within 15 days of contract implementation detailed information on the Contractor's process for determining experimental/investigational procedures and services.

A.5.12 The Contractor shall notify the State within sixty (60) days of a retroactive termination of all claims paid on behalf of the affected plan member during the period covering the retroactivity. The State will notify the Contractor to initiate the recovery of claims.

A.5.13 Upon conclusion of this contract, or in the event of its termination or cancellation for any reason, the Contractor shall be responsible for the processing of all claims incurred for medical services rendered or medical supplies purchased during the period of this contract – for a period of 13 (thirteen) months following termination – with no additional administrative cost to the State.

A.5.14 The Contractor is expected to assist the State in identifying fraud and perform fraud investigations of members and providers, in consultation with the State, for the purpose of recovery of overpayments due to fraud. Reviews must include all possible actions necessary to locate and investigate cases of potential, suspected, or known fraud and abuse. In the event the Contractor discovers evidence that an unusual transaction has occurred that merits further investigation, the Contractor shall simultaneously inform the

Division of Insurance Administration and the Division of State Audit, in the Office of the Comptroller of the Treasury. The State will review the information and inform the Contractor whether it wishes the Contractor to:

- discontinue further investigation if there is insufficient justification; or
- continue the investigation and report back to the Division of Insurance Administration and the Division of State Audit; or
- continue the investigation with the assistance of the Division of State Audit; or
- discontinue the investigation and turn the Contractor's findings over to the Division of State Audit for its investigation.

A.6 CLAIMS PAYMENT AND RECONCILIATION PROCESS

A.6.1 For the payment of all claims under this contract, the Contractor shall issue payments in the form of checks and/or Automated Clearing House (ACH) electronic funds transfer against the Contractor's own bank account. Unless otherwise mutually agreed to in writing by the parties, the check mailing/delivery process, including the location and timing for the printing and mailing of the checks shall be in the manner described in the Contractor's Proposal. The Contractor shall maintain security and quality controls over the design, printing and mailing of checks, as well as any fraud prevention feature of check stock in the manner described in the Contractor's Proposal.

A.6.2 The State shall fund the Contractor for the total issue amount of the payments, net of cancellations, voids or other payment credit adjustments, daily or at the time of each issuance of checks or ACH, provided the Contractor's payment process includes timely delivery of checks and settlement of ACH transactions. Unless otherwise mutually agreed to in writing by the parties, the Contractor shall notify the State of the day's funding requirement amount in the manner described in the Contractor's Proposal. The funding option for the State shall include either receiving an ACH debit from the Contractor to a designated State bank account, or wire transfer of funds to the Contractor's designated bank account. The parties shall mutually agree upon the funding option. The Contractor acknowledges and agrees that since the State intends to fund payments at the time of issuance, the State shall not maintain a separate bank account or an escrow account with the Contractor or to otherwise pre-fund an account.

A.6.3 The Contractor further acknowledges the State will monitor and age the outstanding check balance and the Contractor agrees, upon request of the State, to conduct a review and/or cancel-reissue of stale dated outstanding items. In a format mutually agreed to, the Contractor on a daily basis, shall provide a detailed listing of the payment activity, including check serial numbers and ACH payment identifiers, payee names, payment amounts, plan group (State, Local Education and Local Government) and associated claim numbers, balancing to the required funding amount for that day. Said listing shall enable the State to reconcile the payment detail to the required funding amount, while providing related payment information needed to record the necessary accounting entries by expense classifications. The Contractor shall further provide monthly check Reconciliation Reports that provide detail (check number, issue date, payee name, claim numbers, check amount, paid or cancel date) of all checks issued or cancelled during the month, and detailed listing of outstanding checks at each month-end.

A.6.4 The Contractor shall issue all related Internal Revenue Service (IRS) Form 1099 reports, submit required 1099 information directly to the IRS and maintain responsibility in matters relating to such information provided to payees and to the IRS, including the payment of any penalties or fees related to such 1099 reporting.

A.6.5 Overpayments resulting from the negligent, reckless, or willful acts or omissions of the Contractor, its officers, agents or employees shall be the responsibility of the Contractor, regardless of whether or not such overpayments can be recovered by the Contractor. The Contractor shall repay the State the amount of any such overpayment within thirty (30) calendar days of discovery of the overpayment. Overpayments due to provider fraud or fraud of any other type, other than fraud by employees or agents of the Contractor, will not be considered overpayments for purposes of this Section. The Contractor agrees to assist in identifying fraud and make reasonable efforts, in consultation with the State, to recover overpayments due to fraud. The State will not hold the Contractor responsible for overpayments caused by the State's errors or errors caused by any other agency or department of the State of Tennessee; however, the Contractor shall assist the State in recovery of such overpayments. The requirement that the Contractor assist the State in identifying or recovering overpayments as provided in this Section does not require the Contractor to become a party to any legal proceeding as a result thereof.

A.7 CUSTOMER AND ADMINISTRATIVE SERVICES

A.7.1 The Contractor shall maintain a full service staff to respond to inquiries, correspondence, complaints, and problems, and to assist with State employee meetings. The Contractor shall answer, in writing, within ten (10) business days ninety percent (90%) of all written inquiries from participants concerning requested information, including the status of claims submitted and benefits available through the option, its clarifications and revisions.

A.7.2 The Contractor, upon request by the State, shall review and comment on proposed revisions to the POS option benefits. When so requested, the Contractor shall comment in regard to:

- Industry practices; and
- The overall cost impact to the program; and
- Any cost impact to the Contractor's fee; and
- Impact upon utilization management performance standards; and
- Necessary changes in the Contractor's reporting requirements; and
- System changes.

A.7.3 The Contractor shall maintain a formal grievance procedure, by which participants and providers may appeal: decisions regarding benefits administration; medical necessity determinations; and disputes arising from the utilization management program. At contract implementation, the Contractor shall provide to the State two (2) written copies describing in detail the Contractor's grievance procedures. The State reserves the right to review the procedure and make recommendations, where appropriate. The State sponsors an appeal process available to member participants of self-insured plan options.

A.7.4 The Contractor shall have the appropriate qualified professionals available to participate in the State appeal process and to be available to attend the State appeals meetings when requested by the State. The State appeals process is available to plan members after the Contractor's appeal process has been exhausted. The Contractor shall have a qualified individual available to provide support to the State Appeals Coordinator in the research and development of appeals.

A.7.5 The Contractor shall respond to all inquiries in writing from the Division of Insurance Administration within one (1) week after receipt of said inquiry. In cases where additional information to answer the State's inquiry is required, the Contractor shall notify the State immediately as to when the response can be furnished to the State.

A.7.6 The Contractor shall maintain statewide, toll-free phone lines manned by qualified benefit specialists and for the exclusive purpose of participant inquiries. These phone lines shall be operated in accordance with details provided in the Contractor's proposal, and perform consistent with the Performance Guarantees in Contract Attachment A.

A.7.7 The Contractor shall designate an individual with overall responsibility for administration of this contract. This person shall be at the Contractor's executive level and shall designate the following positions to interface directly with the State: (1) Program Director (external and marketing operations); and (2) Program Director (internal and administrative functions). Said designees shall be responsible for the coordination and operation for all aspects of the contract.

A.7.8 The Contractor, at the request of either party, shall meet with representatives of the State periodically, but no less than quarterly, to discuss any problems and/or progress on matters outlined by the State. The Contractor shall have in attendance, when requested by the State, a Program Director and representatives from its organizational units required to respond to topics indicated by the State's agenda. The Contractor shall provide information to the State concerning its efforts to develop cost containment mechanisms and improve administrative activities, as well as trends in the provision of group health care benefits. The Contractor shall provide advice, assistance and information to the State regarding applicable existing and proposed Federal and State laws and regulations affecting managed care entities. The Contractor shall also provide information to the State administrative personnel regarding the administration of the benefit, internal procedures for billing and reconciliation of transactions and the provision of health care treatment and other administrative matters.

A.7.9 The Contractor shall assist the State, if requested, in the education and dissemination of information regarding the POS Plan option. This assistance may include but not be limited to:

- written information;
- audio/video presentations;

- attendance at meetings, workshops, and conferences; and
- training of State Insurance Benefit Analysts and Insurance Preparers on Contractor's administrative and benefits procedures.

Any on-site visits shall require the prior approval of the State.

A.7.10 The Contractor shall, in consultation with and following approval by the State, print and distribute all plan descriptive booklets, identification cards, primary care physician selection cards, letters, administrative forms and manuals pertaining to or sent to the State's members. Additionally the Contractor must develop and print annual employee benefit booklets detailing the benefits, procedures for accessing services, and other information helpful to the State's members. The number to be printed shall be in sufficient quantities for the State's members and shall be mailed to members' homes with the provider directory.

Failure to have any of the above communications materials approved by the State before release shall result in an assessment of $1000 per occurrence. The State shall notify the Contractor of any such occurrence. Any amounts due for the contractor's noncompliance with this pre-approval provision shall be paid annually upon request by the State. The cost of printing and distributing descriptive booklets, identification cards, and administrative forms and manuals shall be the responsibility of the Contractor. This provision excludes enrollment forms, which are the State's responsibility.

A.7.11 With regard to the above, exemption of incidental pieces such as newsletters and health promotional pieces will be considered by the State if the Contractor guarantees that pieces will be generic in nature and do not address State Plan eligibility issues or specific coverage issues.

A.7.12 The Contractor shall provide advice and assistance with regard to questions regarding effective dates, benefit levels, premiums and cessation of coverage as requested by the State, individual participants, and providers.

A.7.13 The Contractor shall perform, following review and approval by the State, customer satisfaction surveys. The survey shall be conducted no more frequently than once during each calendar year at a time mutually agreed upon by the State and the Contractor and shall involve a statistically valid random sample of participants. The State reserves the right to review and mandate changes in the survey it feels are necessary to obtain valid, reliable, unbiased results. Those changes may include, but are not limited to, changes in the research design, units of analysis or observation, study dimension, sample size, sample frame, sample method, coding, or evaluation method. Based upon the results of the survey, the Contractor and the State shall jointly develop an action plan to correct problems or deficiencies identified through this activity.

A.7.14 The Contractor shall not modify the POS services or benefits provided to members during the term of this contract without the consent of the State.

A.7.15 The Contractor shall annually verify eligibility of dependents 19 to 24 years of age according to State eligibility guidelines, and report the results to the State. The Contractor is responsible for sending a follow-up letter if no response is received from the initial verification letter.

A.7.16 The Contractor shall determine medical eligibility of incapacitated dependents according to State eligibility guidelines, and report the results to the State.

A.8 **DATA AND SPECIFIC REPORTING REQUIREMENTS**
The Contractor shall:

A.8.1 Maintain an electronic data interface with the State's Tennessee Insurance System (TIS), for the purpose of accessing State member enrollment information. The Contractor is responsible for equipping itself with the hardware and software necessary for achieving and maintaining access via the Internet, using IBM's Host on Demand software, provided by the State.

A.8.1.1 Notwithstanding the requirement to maintain enrollment data, the Contractor is not authorized to initiate data changes to the system without the State's approval, as detailed below. This prohibition shall include, but not necessarily be limited to: initiation, termination, and/or changes of coverage.

A.8.2 Maintain, in its computer system, in-force enrollment records of all State plan participants. Specific additional obligations, relative to this requirement, are the following:

A.8.2.1 **Weekly Enrollment Update:** To ensure that State plan participants' enrollment records remain accurate and complete, the Contractor commits to the following:

- to accept, via secure medium [FTP-to-FTP Server Connections via a site to site Virtual Private Network (VPN) tunnel, or other secured means approved by the State] weekly enrollment data electronic transfer files from the State, in the State's proprietary transaction formats, for participants who are maintained in the State's TIS system (files will include recent adds, changes, and terminations; see **Appendix 7.6 [of RFP #317.86-032]**);
- to complete each of the following tasks by the indicated deadline:

Required Task	Deadline	Penalty for missed deadline
1. systematically process and update, via computer programs, the Contractor's database, utilizing the State's weekly enrollment file records	within three (3) working days of receipt of the files from the State	$100.00 per day for the first (1st) and second (2nd) working days out of compliance; $500.00 per working day thereafter
2. resolve all mismatches identified by the processing of the weekly files; "mismatches" are defined as: Any difference of values between the State's and the Contractor's databases	within six (6) working days of receipt of the files from the State	$100.00 per day for the first (1st) and second (2nd) working days out of compliance; $500.00 per working day thereafter

- and to complete and submit to the State, the *Weekly Enrollment Update Report* (sample provided in **Appendix 7.6 [of RFP #317.86-032]**), within seven (7) working days of receipt of the weekly files.

The Contractor shall also require of its subcontractors, as applicable, to maintain Weekly Enrollment Updates on a timely basis.

NOTE: Section A.8.2.1 shall be monitored by the State as Performance Guarantee #7.a (see Contract Attachment A).

A.8.2.2 **Quarterly Enrollment Data Reconciliation:** To ensure that State plan participants' enrollment records remain accurate and complete, the Contractor commits to the following:

- to accept, via secure medium [FTP-to-FTP Server Connections via a site to site Virtual Private Network (VPN) tunnel, or other secured means approved by the State] quarterly enrollment data electronic transfer files from the State, in the State's proprietary transaction formats, for participants maintained in the State's TIS system (see **Appendix 7.6 [of RFP #317.86-032]**);
- to complete each of the following tasks by the indicated deadline:

Required Task	Deadline	Penalty for missed deadline
1. systematically compare, via computer programs, the State's full file of State enrollees quarterly to the Contractor's database of State members	within five (5) working days of receipt of the file from the State	$100.00 per day for the first (1st) and second (2nd) working days out of compliance; $500.00 per working day thereafter
2. resolve all mismatches identified by the reconciliation processing of the quarterly files; "mismatches" are defined as: Any difference of values between the State's and the Contractor's databases.	within ten (10) working days of receipt of the files from the State	$100.00 per day for the first (1st) and second (2nd) working days out of compliance; $500.00 per working day thereafter

- and to complete and submit to the State the *Quarterly Enrollment Data Reconciliation Report* (sample provided in **Appendix 7.6 [of RFP #317.86-032]**), within eleven (11) working days of receipt of the quarterly files.

The Contractor shall also require of its subcontractors, as applicable, to maintain Quarterly Enrollment Updates on a timely basis.

NOTE: Section A.8.2.2 shall be monitored by the State as Performance Guarantee #7.b (see Contract Attachment A).

A.8.2.3 **State of Tennessee Enrollment Data Match**: Upon request by the State, not to exceed two (2) times annually, the Contractor shall submit to the State its full file of State enrollees, by which the

State will conduct a data match against the State's TIS database. The purpose of this data match will be to determine the extent to which the Contractor is maintaining its data base of State members, as required by **Sections A.8.2.1 and A.8.2.2.**

Data will be sent by the Contractor to the State with a FTP-to-FTP Server Connection via a site-to-site Virtual Private Network (VPN) tunnel or other secure means approved by the State. Failure by the Contractor to submit records, and in the proper format, within fourteen (14) calendar days of the request from the State, shall result in a penalty of $10,000 per request.

Results of this match will be communicated to the Contractor, including any requirements – and associated timeframes – for resolving the discrepancies identified by the data match. Failure by the Contractor to resolve the discrepancies, within the specified timeframe(s) will result in a penalty to the Contractor of $10,000.

For the purpose of the requirements of this section, "mismatches" are defined as: Any difference of values between the State's and the Contractor's databases.

A.8.2.4 **CMS Quarterly Data Match:** The Contractor shall enter into an agreement with the Centers for Medicare and Medicaid Services (CMS) providing for a quarterly data match of Contractor's full file of State enrollees against CMS Medicare files for purpose of determining primary payers. The contractor shall also incorporate all regulatory requirements. Furthermore, the data match shall generate a report of all Medicare enrollees identified. Such report shall be submitted to the State within two weeks of the end of each contract quarter. Report format shall be mutually agreed at contract implementation, and will include: name of the head of contract and SSN (or if a dependent, the dependent name and SSN), and the effective dates of Medicare Part A & B.

A.8.3 Maintain a duplicate set of all records relating to the benefit payments in electronic medium, usable by the State and Contractor for the purpose of disaster recovery. Such duplicate records are to be stored at a secure fire, flood, and theft- protected facility located away from the storage location of the originals. The duplicate data processing records shall be updated, at a minimum, on a daily basis and retained for a period of 60 days from the date of creation. Upon notice of termination or cancellation of this contract, the original and the duplicate data processing records medium, and the information they contain shall be conveyed to the State on or before the effective date of termination or cancellation.

A.8.4 Reconcile, within ten (10) working days of receipt, payment information provided by the State. Upon identification of any discrepancies, the Contractor shall immediately advise the State.

A.8.5 Annually provide the State with a GeoNetworks® report showing service and geographic access (see **Contract Attachment A: Performance Guarantee #8).** The State shall review the network structure and shall inform the Contractor in writing of any deficiencies the State considers to deny reasonable access to health care. The State and Contractor shall then mutually develop a plan of action to correct said deficiencies within sixty (60) days from the date the Contractor was first notified of the problem.

A.8.6 The Contractor is required to transmit medical and prescription drug claims to the State's healthcare decision support system (DSS) vendor (currently MedStat) until all claims incurred during the term of this contract have been paid. Data shall be submitted in the format detailed in Appendix 7.7 [of RFP #317.86-032]. The Contractor shall ensure that all claims processed for payment have complete ICD-9 and CPT4 codes and valid provider identifications.

For each quarter of the contract term, and any extensions thereof, claims data must meet the quality standards detailed in **Contract Attachment A, Performance Guarantee #9**, as determined by the State's healthcare claims data management vendor (currently Medstat).

The Contractor will work with the State's DSS vendor to identify a mutually-agreeable data format similar to the format detailed in Appendix 7.7 [of RFP #317.86-032] for these transmissions, and is responsible for the cost incurred by the DSS vendor to develop, test and implement conversion programs for the Contractor's claims data. The State's DSS vendor currently charges a maximum of $30,000 per new contractor. Furthermore, the Contractor will pay during the full term of this contract all applicable fees as assessed by the State's DSS vendor related to any data formats changes, which are Contractor-initiated or are due to meeting compliance with new regulations. The Contractor will also pay all applicable fees

related to any DSS vendor efforts to correct Contractor data quality errors that occur during the term of this contract.

Claims data are to be submitted to the State's data management vendor no later than the last day of the month following the end of each calendar quarter. Failure to submit data by the deadline will result in an assessment against the Contractor in the amount of $100 per day for the first and second working days past the compliance date, and $500.00 for each working day thereafter, to a maximum of $10,000 per quarter.

A.9 **SUBMIT MANAGEMENT REPORTS**

The Contractor shall submit Management Reports electronically, of the type, at the frequency, and containing the detail described in Contract Attachment B. Reporting shall continue for the twelve (12) month period following termination of the contract. If agreed between the Contractor and the State, these reports shall also be submitted in an electronic format. Where available, the Contractor shall provide identical reports in the aggregate for comparable employer groups to enable the State's comparison of its program utilization and claim costs with other employer groups.

Generate and deliver to the State, within five working days of the end of each contract quarter, a Quarterly Network Changes Report (see Section A.1.4).

A.10 **SERVICES PROVIDED BY THE STATE**

A.10.1 The State shall provide enrollment records. These records shall include changes in participants' status and information concerning covered dependents. The Contractor's computer system shall be compatible or have the capability to utilize the enrollment information provided by the State, in the State's proprietary transaction formats.

A.10.2 The State shall provide on-line access, or other access deemed mutually acceptable, to all enrollment information maintained by the State and instructions required to interpret such information. The Contractor, at its expense, will provide and maintain the necessary software, phone lines, modems, CRTs and other equipment required for this purpose.

B CONTRACT TERM

B.1 This Contract shall be in effect commencing on January 1, 2006 and ending on December 31, 2008. The State shall have no obligation for services rendered by the Contractor, which are not performed within the specified term.

B.2 Term Extension. The State reserves the right to extend this 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 the State notifies the Contractor in writing of its intention to do so at least Two Hundred Seventy (270) days prior to the Contract expiration date. An extension of the term of this Contract will be effected through an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract, and shall be based upon rates provided for in the original contract.

C PAYMENT TERMS AND CONDITIONS

C.1 Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed **Twenty-five Million Dollars ($25,000,000)**. The per member per month (PMPM) Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The PMPM Rates include, but are not limited to, all applicable taxes, fees, overheads, profit, 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 PMPM 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 PMPM Rates in Section C.3 and the maximum liability of the State under this Contract are firm for the duration of the Contract and are not subject to increase for any reason unless amended.

C.3 Payment Methodology. The Contractor shall be compensated based on the PMPM 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 State shall compensate the Contractor monthly for the services outlined in this contract, at the per member per month (PMPM) rates indicated in the following table, based upon the number of members certified by the State to the Contractor. Monthly payments will be made for each month extending from and including January 2006 to December 2008.

PMPM Administrative Fee

	PMPM 2006	PMPM 2007	PMPM 2008
State Plan	$9.59	$9.59	$14.00
Local Education Plan	$9.59	$9.59	$14.00
Local Government Plan	$9.59	$9.59	$14.00

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.3.1 Payment under Term Extension. If this Contract is extended per Section B.2, the increase in Per Member Per Month payment to the Contractor, for each additional year, if requested by the Contractor, may increase by the Consumer Price Index, up to Three and One-Half percent (3.5%) for the calendar year prior to the termination year.

C.4 Risk Free Corridor will mean a range between Five percent (5%) above and Five percent (5%) below the targeted POS PMPM cost level. Within this range the Contractor is neither penalized nor rewarded for Plan financial performance. Calculation of the Risk Free Corridor will be determined by calculating the figures 5% below and 5% above the Target Claims Cost (see Section C.4.1 following).

C.4.1 Target Claims Cost: The Contractor agrees to the Target Claims/Trend Cost contained in the Cost Proposal (Attachment 6.4, Part B, incorporated by reference). Calculation of the Target Claims Cost, for use in determining Risk Sharing Percentages (Section C.4.3 below), will be as follows:

- The State, Local Education, and Local Government weighted POS Cost PMPM claims will be totaled, for each year as indicated below.

Year	Claims, by plan	For claims incurred during...	And paid during...
2006	State, Local Education, and Local Government weighted POS Cost Per Member Per Month (PMPM) claims	January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008
2008		January 1, 2008 through December 31, 2008	January 1, 2008 through June 30, 2009

- The POS PMPM cost for each year will be adjusted to arrive at the Target Year PMPM cost by multiplying that cost by the Contractor's Guaranteed Trend Factor contained in the following table.

Contract Year	Contractor's Guaranteed Claims Trend Adjustment
2006	-60.01%
2007	30.0%
2008	30.0%

C.4.2 Guaranteed Trend under Contract Extension. If this Contract is extended, per Section B.2, the Guaranteed Claims Trend Percentage Adjustment (reference Section C.4.1) shall be no greater than the Guaranteed Claims Trend Percentage Adjustment for the calendar year prior to the termination year.

C.4.3 Risk Sharing Percentages

- The State will pay the Contractor additional Administrative fees of 40% of the difference between Actual incurred PMPM claims cost and Administrative fees and (the Target incurred PMPM **claims** cost minus Five percent (5%) plus Administrative fees), multiplied by the sum of the number of members enrolled during each month of the calendar year. **Payments by the State to the Contractor under this provision shall not exceed $3.00 Per Member Per Month (PMPM) per year during the term of the contract.**
- The Contractor will refund to the State Administrative fees of 60% of the excess of the Actual incurred PMPM claims cost and Administrative fees and (the Target incurred PMPM claims cost plus Five percent (5%) plus Administrative fees) multiplied by the sum of the number of members enrolled during each month of the calendar year. **Payments by the Contractor to the State under this provision shall not exceed $5.00 Per Member Per Month (PMPM) per year during the term of the contract.**

C.4.4 The settlement date for the risk sharing agreement will be no later than Nine (9) months from the end of EACH contract year. For example, year one (calendar year 2006) will be settled no later than September 30, 2007.

C.5 Performance Guarantees. The Contractor agrees to be bound by the provisions contained in Contract Attachment A, Performance Guarantees, and to pay amounts due upon notification and demonstration of Contractor non-compliance by the State.

C.5.1 Performance Guarantees under Contract Extension. If this Contract is extended, per Section B.2, the Performance Guarantees shall remain unchanged for the years extended.

C.6 Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.

C.7 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.8 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.9 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.10 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, with the following notification requirements: the Contractor shall give written notice to the State at least Two Hundred

Seventy (270) days before the effective date of termination; the State shall give written notice to the Contractor at least Ninety (90) 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 fulfill its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.

D.5 Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract 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 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.9 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.10 Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.

D.11 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.12 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 taxes incident to this Contract.

D.13 State Liability. The State shall have no liability except as specifically provided in this contract.

D.14 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.15 State and Federal Compliance. The Contractor shall comply with all applicable State and Federal Laws and regulations in the performance of this contract.

D.16 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.17 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.18 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.19 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 Contractor:

Tim Cullen, Account Executive	
CIGNA	Phone: 615-595-3382
1000 Corporate Center Drive	Fax: 615-595-3287
Franklin, TN 37067	Email: timothy.cullen@cigna.com

The State:

Paul Hauser	
Tennessee Department of Finance & Administration	
Division of Insurance Administration	Phone: 615-741-9896
312 Eighth Ave. No., 13th Floor WRS Tennessee Tower	Fax: 615-741-8196
Nashville, TN 37243-0295	Email: paul.c.hauser@state.tn.us

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) 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 Department 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 Performance Guarantee penalties as applicable, against the Contractor for any failure to perform which ultimately results in a Partial Default with said Performance Guarantee penalties 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.

(3) 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 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. In the event of Breach by the State, the Contractor may 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 Incorporation of Additional Documents. Included in this Contract by reference are the following documents:

a. The Contract document and its attachments and any authorized amendments
b. All Clarifications and addenda made to the Contractor's Proposal
c. Request for Proposal #317.86-032 and its associated amendments
d. Technical Specifications provided to the Contractor
e. The Contractor's Proposal, submitted in response to RFP #317.86-032

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.7 Confidentiality of Records. Strict standards of confidentiality of records and information shall be maintained in accordance with applicable state and federal 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 applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards. Such confidential information 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 applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards.

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. Nothing in this paragraph shall permit Contractor to disclose any information that is confidential under federal or state law or regulations, regardless of whether it has been disclosed or made available to the Contractor due to intentional or negligent actions or inactions of agents of the State or third parties.

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

E.8 HIPAA Compliance. The State and the Contractor shall comply with obligations under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its accompanying regulations.

a. The 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. The Contractor warrants that it will cooperate with the State, including cooperation and coordination with State privacy and security 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 the 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.

E.9 Date/Time Hold Harmless. As required by *Tennessee Code Annotated*, Section 12-4-118, the contractor shall hold harmless and indemnify the State of Tennessee; its officers and employees; and any agency or political subdivision of the State for any breach of contract caused directly or indirectly by the failure of computer software or any device containing a computer processor to accurately or properly recognize, calculate, display, sort or otherwise process dates or times.

E.10 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, provides that if a retired member returns to 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 the Tennessee Consolidated Retirement System the amount of retirement benefits the Contractor received from the Retirement System during the period of this Contract.

E.11 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.

IN WITNESS WHEREOF:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY:

Michael W. Triplett, Sr., President, Southeast Region — Date 10/18/05

STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
LOCAL GOVERNMENT INSURANCE COMMITTEE:

M. D. Goetz, Jr., Chairman — Date 10-26-05

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

NOV 1 4 2005

M. D. Goetz, Jr., Commissioner — Date NOV 1 4 2005

COMPTROLLER OF THE TREASURY:

John G. Morgan, Comptroller of the Treasury — Date 11/15/05

Contract Attachment A
Performance Guarantees

The Contractor shall pay to the State the indicated total dollar penalty upon notification by the State that an amount is due, through the life of the contract.

1. Claims Payment Dollar Accuracy	
Guarantee	Average quarterly financial accuracy will be 95% or higher.
Definition	Absolute value of financial errors divided by the total paid value of audited dollars paid.
Penalty	**$5000** for each full percentage point below 95% for each contracted quarter.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured and reported quarterly; reconciled annually.
2. Claims Processing Accuracy	
Guarantee	Average quarterly processing accuracy will be 92% or higher.
Definition	Absolute number of claims with no errors in processing divided by the total number of claims within the audit sample. This includes all financial and coding errors.
Penalty	**$5000** for each full percentage point below 92%, for each contracted quarter.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured and reported quarterly; reconciled annually.
3. Claims Turnaround Time	
Guarantee	The average quarterly claims payment turnaround time will not be greater than: - 14 calendar days for 90% of **non-investigated (clean)** claims; and - 30 calendar days for 96% of **all** claims.
Definition	Measured from the date the claim is received in the office to the date processed, including weekends and holidays. Any claims that include COB and subrogation will be excluded when calculating compliance with the "investigated claims" performance standard.
Penalty	**Non-Investigated Claims (clean)**: **$1000** for each full percentage point below the required minimum standard of 90% within 14 days. Quarterly Guarantee. **All Claims**: **$1000** for each full percentage point below the required minimum standard of 96% within 30 days. Quarterly Guarantee.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured quarterly; reported and reconciled annually.
4. Telephone Response Time	
Guarantee	Member services calls will be answered by a member services representative in an average of 30 seconds or less.
Definition	Response time is defined as the amount of time elapsing between the time a call is received into the phone system and when a live member services representative answers the phone.
Penalty	**$1000** for each full second over the 30 second benchmark. Quarterly guarantee.
Measurement	Based on Contractor's internal telephone support system reports. Measured quarterly; reported and reconciled annually.
5. Member Satisfaction	
Guarantee	The level of overall customer satisfaction, as measured annually by a State approved Member Satisfaction survey(s), will be equal to or greater than 85% in the first year of the Contract, and 90% in all subsequent year(s) within the contract term.
Definition	Member Satisfaction will be measured utilizing the NCQA CAHPS 2.0 Adult Member Satisfaction Survey, Question # 47, or other State approved survey question.
Penalty	**$50,000**. Annual guarantee.
Measurement	The Contractor will be determined to have achieved compliance in the first year of the contract if 85% of all responses are positive. The compliance benchmark for subsequent years shall be 90%. Measured, reported, and reconciled annually.
6. Member Handbooks and Provider Network Directories Distributed	
Guarantee	Member Handbooks and Provider Network Directories will be distributed prior to annual transfer period.
Definition	(See above)
Penalty	Should either of the above listed documents not be distributed as required, the total penalty shall be **$10,000** per year in which the standard is not met.
Measurement	Annual guarantee; measured, reported, and reconciled annually.

7.a. Weekly Enrollment Update (see Contract Section A.8.2.1)	
Guarantee	All Weekly Enrollment file processing and mismatch deadlines will be met as detailed at A.8.2.1.
Definition	See A.8.2.1
Penalty	See A.8.2.1
Measurement	Measured and reported weekly; reconciled annually.
7.b. Quarterly Enrollment Data Reconciliation (see Contract Section A.8.2.2)	
Guarantee	All Quarterly Enrollment data processing and file mismatch resolution deadlines will be met as detailed at A.8.2.2.
Definition	See A.8.2.2
Penalty	See A.8.2.2
Measurement	Measured and reported quarterly; reconciled annually.
8. Provider/Facility Network Accessibility	
Guarantee	As measured by the GeoNetworks® Provider & Facility Network Accessibility Analysis, the Contractor's provider and facility network will assure that 95% of all State, Local Education, and Local Government Plan members will have the Access Standard indicated.
Definition	**Provider Group** / **Access Standard** PCPs (Internal Medicine, General or Family Practitioners) / 2 physicians within 30 miles Obstetricians/Gynecologists / 1 physician within 30 miles Pediatricians / 1 physician within 30 miles Hospitals / 1 facility within 45 miles
Penalty	**$25,000** if ANY of the above listed standards is not met, either individually or in combination.
Measurement	Annual guarantee: Measured, reported and reconciled annually.
9. Claims Data Quality	
Guarantee	As measured by the State's Claims Data Management vendor (Medstat), the Contractor's data submission to Medstat must meet the following Data Quality measures.
Definition	*Measure* / *Benchmark* Gender / Data missing for </= (less than or equal to) 3% of claims Date of birth / Data missing for </= 3% of claims Outpatient diagnosis coding / Data invalid or missing for </= 5% of outpatient claims Outpatient provider type missing / Data missing for </= 1.5% of outpatient claims
Penalty	**$2500** if ANY of the above listed standards is not met, either individually or in combination. Quarterly Guarantee.
Measurement	Measured and reported (by Medstat) quarterly; reconciled annually.
10. Tennessee Insurance System Interface	
Guarantee	Contractor's interface with the Tennessee Insurance System (TIS) will be fully operational by January 31, 2006.
Definition	Fully operational with the TIS interface shall mean that electronic files received by the Contractor from the State of Tennessee via 3490 cartridge tape, email, Internet web posting, compact disc, or any other acceptable electronic medium will be processed and the data loaded directly into the Contractor's production database. The production database will be the source of reference for the Contractor's business processes, including but not limited to claims processing and customer service.
Penalty	Should the TIS interface not be fully operational – as defined above – within the allotted time, the Contractor shall pay to the State of Tennessee a penalty of **$500** per day, for every day out of compliance, until the interface is fully operational.
Measurement	Measured and reported beginning February 1, 2006, and continuing – as necessary – until the interface is fully operational. Reconciled upon final recognition of operational status.
11. Member ID Card Distribution	
Guarantee	Member ID cards must be distributed (defined as "mailed") to a minimum of 90% of plan members, by December 20, for those members whose enrollment information is received from the State by December 1, preceding the January 1 start date, for each contract year.
Definition	(see above)
Penalty	Should the above standard not be met, the total amount shall be **$15,000** per year in which the standard is not met.
Measurement	Measured, reported, and reconciled annually.

Contract Attachment B
Management Reporting Requirements

As required by Contract Section A.9, the Contractor shall submit Management Reports by which the State can assess the POS program's general activity and usage, as well as treatment and success tendencies. Reports shall be submitted electronically, and shall be of the type and at the frequency indicated below. Management Reports shall include:

1) **Performance Guarantee Tracking**, as detailed at Contract Attachment A (each component to be submitted at the frequency indicated), shall include:
   - Status report narrative
   - Detail report on each performance measure by appropriate time period

2) **Paid Claims Data by Quarter**, including 30 day run-out, and demonstrating Year-to-Date totals. All data should be broken out by Plan (State, Local Education, and Local Government).
   - Number of Employee Months
   - Number of Member Months
   - Total Paid Medical Expenses
   - Inpatient data:

o Admissions per 1000 members, for:	▪ Medical/Surgical ▪ Maternity ▪ Other ▪ Total
o Days per 1,000 Members, for:	▪ Medical/Surgical ▪ Maternity ▪ Other ▪ Total
o Average Length of Stay	

   - Outpatient data:

o Distribution of Dollars paid for Outpatient Services (expressed as percentages), for:	▪ Medical ▪ Surgery/Diagnostic/Therapeutic ▪ Anesthesia ▪ Other ▪ Total

   - Enrollment analysis, indicating:

o Month 1, Month 2, Month 3 of the current quarter, and YTD, for:	▪ Number of Employees ▪ Number of Members ▪ Members per Employee ▪ Number of Patients ▪ Average Age of Employee ▪ Average Age of Member

   - Prescription drug utilization – Retail and Mail Order:
     - o Number of Prescriptions
     - o Total Cost
     - o Average Cost per Prescription
     - o Average Cost per member per month
   - Top 10 Drugs by Number of Claims, demonstrating:
     - o Drug Name
     - o Number of Prescriptions
     - o Brand Name or Generic
     - o Allowed Ingredient Change
     - o Allowed Quantity
     - o Cost per Unit
   - Top 10 Drugs by Cost, demonstrating:
     - o Drug Name
     - o Number of Prescriptions
     - o Brand Name or Generic
     - o Allowed Ingredient Change
     - o Allowed Quantity
     - o Cost per Unit

3) **Quarterly Network Changes Update Report**, submitted electronically.