

**CONTRACT #3**  
**RFS # 318.65-186**  
**FA # 05-16216-00**

**Finance & Administration**  
**Bureau of TennCare**

**VENDOR:**  
**Thomson Reuters (Healthcare)**  
**Inc. (formerly Medstat Group,**  
**Inc.)**



STATE OF TENNESSEE  
**BUREAU OF TENNCARE**  
310 Great Circle Road  
NASHVILLE, TENNESSEE 37243

January 27, 2009

**RECEIVED**

JAN 30 2009

**FISCAL REVIEW**

Mr. Jim White, Director  
Fiscal Review Committee  
8<sup>th</sup> Floor, Rachel Jackson Bldg.  
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: Bureau of TennCare Contract Amendments  
Thomson Reuters (Healthcare), Inc. (formerly The Medstat Group, Inc.) – Amendment #3  
Electronic Data Systems, LLC – Amendment #8  
Volunteer State Health Plan, Inc. (TennCare Select) Amendment #19

Dear Mr. White:

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee, amendment #3 to Thomson Reuters (Healthcare), Inc. (formerly The Medstat Group, Inc.), the contractor identified to provide decision support services for the TennCare Program including Fraud and Abuse Detection and Investigation services. In an effort to reduce contractual obligations due to statewide revenue shortfalls in FY '09, TennCare is amending the contract to implement reduction in scope of services as well as renegotiated rates at a cost savings to the state.

The Bureau of TennCare is also submitting amendment #8 to Electronic Data Systems, LLC (EDS). EDS is a competitively bid contract that developed, implemented and replaced the TennCare Management Information System (TCMIS) and is currently working to transition a new contractor in place to assume TCMIS management. TennCare needs EDS to continue in their transition role for an additional three months to totally allow for complete transition, ensuring that claims management service is not interrupted. This amendment extends the term for three months to allow the new contractor to assume all duties associated with TCMIS services, as well as provides funding to support this extension. TennCare will not experience a period where the incumbent vendor and the winning bidder are simultaneously paid to operate the MMIS.

Also submitted for review by TennCare is amendment #19 to Volunteer State Health Plan, Inc. (TennCare Select.) This contractor is the managed care organization that provides TennCare covered services to children in state custody as well as other high risk enrollees and provides a safety net should other MCOs fail. This amendment provides for shared risk for the contractor, payment for performance measures, including EPSDT, Case Manager assignment, and also establishes a bonus pool for shared risk initiative. The establishment of partial risk arrangements with managed care entities allows the state to claim a more favorable federal matching rate as well as properly align incentives between the State and the managed care entity.

January 27, 2009  
Mr. Jim White  
Fiscal Review Committee  
Page 2

The Bureau of TennCare would greatly appreciate the consideration and approval of these amendments by the Fiscal Review Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Pierce", with a long horizontal flourish extending to the right.

Scott Pierce  
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner  
Alma Chilton, Contract Coordinator

# REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration  
Date:

**EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.**

1) RFS #	318.65-186	<b>RECEIVED</b>
2) State Agency Name :	Department of Finance and Administration Bureau of TennCare	JAN 30 2009
<b>EXISTING CONTRACT INFORMATION</b>		<b>FISCAL REVIEW</b>
3) Service Caption :	TennCare Decision Support (TCDS) Services	
4) Contractor :	Thomson Reuters (Healthcare) Inc. (formerly Medstat Group, Inc.)	
5) Contract #	FA-05-16216-00	
6) Contract Start Date :	December 1, 2004	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	November 30, 2009	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$12,032,175.00	
<b>PROPOSED AMENDMENT INFORMATION</b>		
9) <u>Proposed</u> Amendment #	#3	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	<u>March 1, 2009</u>	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	November 30, 2009	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$11,532,175.00	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state	
	<input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
This amendment alters the scope of service for fraud and abuse services, modifies payment methodology, reduces the rates and maximum liability for which the contractor will be reimbursed, adds Finance and Administration required Voluntary Buy-Out language, and updates name change for Contractor.		
15) Explanation of Need for the Proposed Amendment :		

Due to shortfalls in revenue for state budget, TennCare has renegotiated the term and rates for this contractor to provide revised scope of services at a cost savings to the state.

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

Larry Hagerty, Chief Executive Officer  
Thomson Reuters (Healthcare), Inc.  
777 East Eisenhower Parkway  
Ann Arbor, MI 48109

**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 :**

This contract was originally awarded by OIR to Medstat on the basis of a Request for Proposal. Four proposers responded to the procurement document, however, Medstat was the best-evaluated, lowest-cost proposer.

**21) Justification for the Proposed Non-Competitive Amendment :**

As referenced in Item #20 above, the State did originally procure the services through a competitive process. An award was made to Medstat as the best-evaluated, lowest-cost alternative. Due to financial considerations and unexpected revenue shortfalls, TennCare believes that it is in the State's best interest to reduce the payment rates as well as maximum liability associated with this contract for Fraud and Abuse Detection and Investigation.

**REQUESTING AGENCY HEAD SIGNATURE & DATE :**

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

Agency Head Signature

Date

Supplemental Documentation Required for  
Fiscal Review Committee

*Contact Name:	Scott Pierce	*Contact Phone:	507-6415		
*Contract Number:	FA-05-16216-00	*RFS Number:	318.65-186		
*Original Contract Begin Date:	12/01/2004	*Current End Date:	11/30/2009		
Current Request Amendment Number: <i>(if applicable)</i>	3				
Proposed Amendment Effective Date: <i>(if applicable)</i>	March 1, 2009				
*Department Submitting:	Department of Finance & Administration				
*Division:	Bureau of TennCare				
*Date Submitted:	January 28, 2009				
*Submitted Within Sixty (60) days:	No				
<i>If not, explain:</i>	Immediate Need to Reduce Contract with re-negotiated rate due to State Funding Cutbacks				
*Contract Vendor Name:	Thomson Reuters (Healthcare), Inc. (formerly The Medstat Group, Inc.)				
*Current Maximum Liability:	\$12,032,175.00				
<b>*Current Contract Allocation by Fiscal Year:</b> <i>(as Shown on Most Current Fully Executed Contract Summary Sheet)</i>					
FY: 2005	FY: 2006	FY: 2007	FY: 2008	FY: 2009	FY: 2010
\$ \$2,831,239	\$ \$3,571,094	\$ 2,554,760	\$ 1,341,082	\$ 1,224,000	\$ 510,000
<b>*Current Total Expenditures by Fiscal Year of Contract:</b> <i>(attach backup documentation from STARS or FDAS report)</i>					
FY: 2005	FY: 2006	FY: 2007	FY: 2008	FY: 2009	FY: 2010
\$ 0	\$ 5,677,167	\$2,695,633	\$1,851,806	\$ 704,627	\$
<b>IF</b> Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:		N/A			
<b>IF</b> surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:		Funds were carried forward to provide payments that coincided with completion of specific tasks assigned to contractor. Additionally, the fraud and abuse component provided to TennCare and the Office of Inspector General by the Contractor is based on a per member per month rate determined by number of current enrollees.			
<b>IF</b> Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:		N/A			
*Contract Funding Source/Amount:	State:	\$3,794,994.00	Federal:	\$8,237,181.00	

## Supplemental Documentation Required for Fiscal Review Committee

Interdepartmental:		<i>Other:</i>	
If "other" please define:			
Dates of All Previous Amendments or Revisions: <i>(if applicable)</i>	Brief Description of Actions in Previous Amendments or Revisions: <i>(if applicable)</i>		
Amendment #1 - November 17, 2006	Inserted Service Rate for fraud and abuse component for year 3 of the contract and increased maximum liability to support this function.		
Amendment #2 - December 1, 2007	Modified language and extended term of contract as approved in Request for Proposal, as well as increased maximum liability to support the term extension.		
Method of Original Award: <i>(if applicable)</i>		Request for Proposal	

# FA0516216

## MEDSTAT

REPORT FILTER:

(Department = 318:TENNCARE) And ({Effective Year} = 2007,2006,2004,2005,2008 or 2009) And ({Reference Document} ({Reference Number}) = "FA0516216")

Invoice Date	Trans Code	Effective Year	Batch Date	Batch Number	Reference Document	Expenditures
					1/11/2006	FA0516216 00 96,086.06
					1/11/2006	FA0516216 00 94,691.08
			1/11/2006	CO1	1/11/2006	FA0516216 00 89,584.05
					1/11/2006	FA0516216 00 90,246.12
					1/11/2006	FA0516216 00 91,160.76
					1/11/2006	FA0516216 00 87,960.22
				CO2	1/11/2006	FA0516216 00 1,475,500.00
			1/26/2006	CO4	1/26/2006	FA0516216 00 87,196.28
			2/10/2006	CO2	2/10/2006	FA0516216 01 2,175,000.00
			2/21/2006	CO1	2/21/2006	FA0516216 00 85,333.10
	103	2006			3/21/2006	FA0516216 00 85,240.17
			3/21/2006	CO2	3/21/2006	FA0516216 00 141,494.27
					3/21/2006	FA0516216 00 140,265.38
					3/21/2006	FA0516216 00 137,268.25
					3/21/2006	FA0516216 00 137,118.75
			4/24/2006	CO2	4/24/2006	FA0516216 02 85,067.73
					4/24/2006	FA0516216 02 136,879.67
			5/26/2006	CO1	5/26/2006	FA0516216 02 135,653.54
					5/26/2006	FA0516216 02 8,373.82
					5/26/2006	FA0516216 01 75,955.49
			6/20/2006	CO3	6/20/2006	FA0516216 01 136,337.67
					6/20/2006	FA0516216 01 84,754.61
						5,677,167.02
7/19/2006	103	2007	8/11/2006	CO1	8/11/2006	FA0516216 02 85,222.08
					8/11/2006	FA0516216 02 137,089.66
8/17/2006	103	2007	8/22/2006	CO1	8/22/2006	FA0516216 02 84,954.85
					8/22/2006	FA0516216 02 136,659.79
9/20/2006	103	2007	9/21/2006	CO1	9/21/2006	FA0516216 02 137,329.78
					9/21/2006	FA0516216 02 85,371.35
10/17/2006	103	2007	10/23/2006	CO1	10/23/2006	FA0516216 02 137,136.92
			10/27/2006	CO2	10/27/2006	FA0516216 02 85,251.46
11/17/2006	103	2007	12/14/2006	CO2	12/14/2006	FA0516216 02 85,271.77
					12/14/2006	FA0516216 02 137,169.58
12/14/2006	103	2007	12/27/2006	CO1	12/27/2006	FA0516216 02 84,583.46
					12/27/2006	FA0516216 02 141,978.12
1/12/2007	103	2007	1/19/2007	CO2	1/19/2007	FA0516216 02 84,476.65
					1/19/2007	FA0516216 02 141,798.84

2/22/2007	103	2007	3/9/2007	CO1	FA0516216	02	84,641.44
3/19/2007	103	2007	3/30/2007	CO2	FA0516216	03	84,500.10
4/24/2007	103	2007	4/24/2007	CO2	FA0516216	04	141,838.20
5/16/2007	103	2007	6/11/2007	CO1	FA0516216	05	141,567.84
5/31/2007	103	2007	6/25/2007	CO1	FA0516216	04	84,339.04
6/15/2007	103	2007	6/25/2007	CO1	FA0516216	04	141,342.96
							84,205.07
7/19/2007	103	2008	7/26/2007	CO1	FA0516216	01	84,342.18
8/19/2007	103	2008	9/5/2007	CO1	FA0516216	01	84,817.52
9/17/2007	103	2008	9/20/2007	CO2	FA0516216	01	142,972.92
							31,005.26
							54,170.85
							85,553.16
							94,369.11
							49,236.69
							85,641.16
11/16/2007	103	2008	12/4/2007	CO2	FA0516216	04	136,427.47
							7,326.05
12/18/2007	103	2008	1/9/2008	CO2	FA0516216	06	101,749.85
1/19/2008	103	2008	2/11/2008	CO5	FA0516216	06	101,631.10
2/20/2008	103	2008	3/13/2008	CO2	FA0516216	06	102,084.92
3/18/2008	103	2008	4/7/2008	CO1	FA0516216	06	102,182.41
4/16/2008	103	2008	4/21/2008	CO1	FA0516216	06	102,001.96
5/16/2008	103	2008	5/21/2008	CO2	FA0516216	06	101,473.17
6/17/2008	103	2008	6/20/2008	CO1	FA0516216	06	100,876.90
7/16/2008	103	2009	7/25/2008	CO1	FA0516216	06	100,415.52
8/16/2008	103	2009	8/29/2008	CO1	FA0516216	06	100,382.71
9/16/2008	103	2009	9/26/2008	CO2	FA0516216	07	73,567.68
							26,485.82
10/16/2008	103	2009	10/20/2008	CO1	FA0516216	06	100,564.94
11/17/2008	103	2009	11/18/2008	CO1	FA0516216	06	100,853.78
12/16/2008	103	2009	12/18/2008	CO1	FA0516216	06	101,054.80
1/22/2009	103	2009	1/22/2009	CO1	FA0516216	06	101,301.90

Total

10,929,234.47

704,627.15

1,851,806.80

2,695,633.50

# CONTRACT SUMMARY SHEET

070407

RFS # Contract #

**318.65 - 186**

**FA-05-16216-03**

State Agency State Agency Division

Department of Finance and Administration

Bureau of TennCare

Contractor Name Contractor ID # (FEIN or SSN)

Thomson Reuters (Healthcare), Inc.

C- or X V- 061467923 00

**Service Description**

Provide Decision Support Services for the TennCare Program

Contract Begin Date Contract End Date SUBRECIPIENT or VENDOR? CFDA #

12/01/2004

11/30/2009

Vendor

93.778 Department of Health & Human Services/Title XIX

**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

318.65

195

083

11

FY State Federal Interdepartmental Other TOTAL Contract Amount

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2005	\$323,360.00	\$2,507,879.00			\$2,831,239.00
2006	\$1,071,330.00	\$2,499,764.00			\$3,571,094.00
2007	\$862,763.00	\$1,691,997.00			\$2,554,760.00
2008	\$670,541.00	\$670,541.00			\$1,341,082.00
2009	\$487,000.00	\$487,000.00			\$974,000.00
2010	\$130,000.00	\$130,000.00			\$260,000.00
<b>TOTAL:</b>	<b>\$3,544,994.00</b>	<b>\$7,987,181.00</b>			<b>\$11,532,175.00</b>

— COMPLETE FOR AMENDMENTS ONLY — State Agency Fiscal Contact & Telephone #

FY	Base Contract & Prior Amendments	THIS Amendment ONLY	State Agency Fiscal Contact & Telephone #
			Scott Pierce 615-507-6415

2005 \$2,831,239.00 State Agency Budget Officer Approval

2006 \$3,571,094.00

2007 \$2,554,760.00

2008 \$1,341,082.00

2009 \$1,224,000.00 ( \$250,000.00 )

2010 \$510,000.00 ( \$250,000.00 )

**TOTAL:** **\$12,032,175.00** **( \$500,000.00 )**

End Date: 11/30/2009 11/30/2009

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

**Contractor Ownership** (complete only for base contracts with contract # prefix FA or GR)

- |   |   |  |   |
|---|---|--|---|
| <input type="checkbox"/> African American | <input type="checkbox"/> Person w/ Disability | <input type="checkbox"/> Hispanic        | <input type="checkbox"/> Small Business             |
| <input type="checkbox"/> Asian            | <input type="checkbox"/> Female               | <input type="checkbox"/> Native American | <input type="checkbox"/> NOT Minority/Disadvantaged |

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

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> RFP                           | <input type="checkbox"/> Competitive Negotiation *              | <input type="checkbox"/> Alternative Competitive Method * |
| <input type="checkbox"/> Non-Competitive Negotiation * | <input type="checkbox"/> Negotiation w/ Government (ID, GG, GU) |   |

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

**AMENDMENT #3 TO  
FA-05-16216-00  
BETWEEN THE STATE OF TENNESSEE,  
DEPARTMENT OF FINANCE AND ADMINISTRATION,  
BUREAU OF TENNCARE  
AND  
THOMSON REUTERS (HEALTHCARE) INC.**

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the "State" or "TennCare" and Thomson Reuters (Healthcare) Inc., hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

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

A.6.a.v. Contractor DataProbe software licenses for up to ten (10) OIG staff users for fraud detection and investigation purposes. This includes training and ongoing support of these State users. It also includes ongoing software updates and enhancement of the software as those become general available:
2. The text of Contract Section A.6.b. is deleted in its entirety and replaced with the following:

A.6.b. On-site Contractor Consultant – to provide additional training, algorithm application, provider and recipient data analysis, and case information development (0.5 FTEs), to reside at Finance and Administration, Office of Inspector General. The onsite position shall be knowledgeable of the system and shall not be an entry level position. At its sole discretion, the State reserves the right to refuse approval of any employee assigned to this contract.
3. The text of Contract Sections A.6.d. and A.6.e. are deleted in their entirety.
4. The text of Contract Section A.6.c is deleted in its entirety and replaced with the following:

A.6.c. Enhanced claims and encounter data validation and quality assurance – with each database update, a comprehensive data quality analysis will be performed to test database integrity. This will include testing the data for completeness, validity, and reasonableness. Beginning with receipt of data, the automated edit checking validates that the input records are the right size and the data are in the correct formats. Upon the data being loaded into DataProbe, Data Quality scripts are run, integrating traditional field analysis with the Thomson Reuters data quality investigation guidelines.
5. Delete Section C.1 in its entirety and replace with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Eleven Million Five Hundred Thirty Two Thousand One Hundred Seventy-Five Dollars (\$11,532,175.00). The Service 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 Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred

or to be incurred by the Contractor.

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

6. Delete Section C.3.c. in its entirety and replace with the following:

C.3.c. FADI Operations Payment Methodology. The Contractor shall be compensated for ongoing FADI operations based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service defined in Section A, Scope of Service. The Contractor shall be compensated based upon the following Service Rates:

<u>SERVICE RATE</u>	<u>AMOUNT</u>
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 7 through 24.	\$0.07149 per member
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 25 through 36.	\$0.07149 per member
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 37 through 51.	\$0.085 per member
Monthly Cost in Effect During Contract Months 52 through 60.	\$45,000.00 per month

For the first Fifty-One (51) months, the Contractor shall derive the monthly invoice amount by multiplying the applicable Monthly Cost Per Member on the TennCare Rolls, from the table above, by the total number of recipients on the TennCare membership rolls as of the fifteenth day of the billing month in question (the "population basis"). Therefore, billing shall always occur after the services have been provided. The Contractor shall not be paid for FADI operations until the Contractor has loaded the initial 30 months of TennCare data, as described in Contract Section A.6.a.vi. The State shall compensate the vendor for FADI Operations as follows: The formula at the end of each month of FADI Operations services shall be: Monthly Operations Invoice Amount = Monthly Cost Per Member on the TennCare Rolls X the population basis [as of the 15<sup>th</sup> day of the month in question]. The Contractor shall invoice the State on a monthly basis for Operations and the same formula shall be applied at the end of each succeeding month. Effective March 1, 2009, months Fifty-Two (52) through Sixty (60) shall be compensated on agreed upon fixed monthly rate as stated in Service Rates above.

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.

7. 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:

Scott Pierce, Chief Financial Officer  
Department of Finance and Administration  
Bureau of TennCare  
310 Great Circle Road  
Nashville, TN 37243  
Telephone # (615) 507-6415  
FAX # (615) 253-8562  
[Scott.pierce@state.tn.us](mailto:Scott.pierce@state.tn.us)

The Contractor:

Pate L. McCartney, GM/VP  
Thomson Reuters (Healthcare) Inc.  
777 East Eisenhower Parkway  
Ann Arbor, MI 48108  
[pate.mccartney@thomsonreuters.com](mailto:pate.mccartney@thomsonreuters.com)  
(734) 913-3195 Phone

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

8. The following provision is added as Contract Section E.19.:

E.19. 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](http://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.

9. The following is added as Contract Section E.20.:

- E.20. Contractor Name. All references to "The MEDSTAT Group, Inc." shall be deleted and replaced with "Thomson Reuters (Healthcare) Inc."

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

**IN WITNESS WHEREOF:**

**THOMSON REUTERS (HEALTHCARE) INC.:**

---

Jonathan S. Newpol, Executive Vice President

Date

**DEPARTMENT OF FINANCE AND ADMINISTRATION, BUREAU OF TENNCARE:**

---

M. D. Goetz, Jr., Commissioner

Date

**APPROVED:**

**DEPARTMENT OF FINANCE AND ADMINISTRATION:**

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M. D. Goetz, Jr., Commissioner

Date

**COMPTROLLER OF THE TREASURY:**

---

**Comptroller of the Treasury**

**Date**



**GENERAL ASSEMBLY OF THE STATE OF TENNESSEE  
FISCAL REVIEW COMMITTEE**

320 Sixth Avenue, North - 8<sup>th</sup> Floor  
NASHVILLE, TENNESSEE 37243-0057  
615-741-2564

**Rep. Charles Curtiss, Chairman**  
Representatives

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

**Sen. Douglas Henry, Vice-Chairman**  
Senators

Doug Jackson  
Bill Ketron  
Paul Stanley  
Randy McNally, *ex officio*  
Lt. Governor Ron Ramsey, *ex officio*  
Reginald Tate  
Jamie Woodson

**MEMORANDUM**

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

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

DATE: October 24, 2007

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

cc  
BK

RFS# 318.65-186

Department: Finance & Administration/Bureau of TennCare

Contractor: The MEDSTAT Group, Inc.

Summary: The vendor currently provides TennCare Decision Support (TCDS) and Fraud and Abuse Detection and Investigation (FADI) services. The proposed amendment extends the current contract for two additional years, through November 30, 2009, and increases the maximum liability by \$2,488,000.

Maximum liability: \$9,584,175

Maximum liability with amendment: \$12,032,175

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

cc: Mr. Darin Gordon, Deputy Commissioner  
Mr. Robert Barlow, Director, Office of Contracts Review

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OCT 15 2007

FISCAL REVIEW



STATE OF TENNESSEE  
BUREAU OF TENNCARE  
310 Great Circle Road  
NASHVILLE, TENNESSEE 37243

October 15, 2007

Mr. Jim White, Director  
Fiscal Review Committee  
8<sup>th</sup> Floor, Rachel Jackson Bldg.  
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: Bureau of TennCare  
Contracts Submitted for Fiscal Review

Dear Mr. White:

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee amendment #2 to The Medstat Group, Inc., RFS 318.65-186. This competitively bid contract was originally awarded to the Department of Finance and Administration, Office of Information Resources, but has since been moved to the Bureau of TennCare for monitoring and oversight. Per language in the Request for Proposal and the original contract, TennCare is exercising the option to extend the term of this competitively awarded contract through November 30, 2009. Due to changes programmatically, there is no longer a need to continue with the entire original scope of services, however, the Fraud and Abuse Detection and Investigation (FADI) services are required and are included in this extension amendment.

Additionally, the three Behavioral Health Organizations (BHOs) listed below are being amended to establish rates that will be in effect for the remainder of Fiscal Year 2008. These amendments reflect an overall maximum liability decrease of \$70 million from the current contract amounts, and align with the projected membership/capitation that will be in force for the contracts.

Mr. Jim White  
October 15, 2007  
Page 2

Premier Behavioral Health Systems of TN, LLC  
Tennessee Behavioral Health, Inc.  
Tennessee Behavioral Health, Inc.

FA-01-14662-20  
FA-05-16089-10  
FA-01-14661-19

The Bureau of TennCare would greatly appreciate the consideration and approval of these amendments by the Fiscal Review Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Pierce", with a long horizontal line extending to the right.

Scott Pierce  
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner  
Alma Chilton, Contract Coordinator

# REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

## RECEIVED

### OCT 15 2007

Commissioner of Finance &amp; Administration

Date:

## FISCAL REVIEW

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	318.65-186	
2) State Agency Name :	Department of Finance and Administration Bureau of TennCare	
<b>EXISTING CONTRACT INFORMATION</b>		
3) Service Caption :	TennCare Decision Support (TCDS) Services	
4) Contractor :	Medstat Group, Inc.	
5) Contract #	FA-05-16216-00	
6) Contract Start Date :	December 1, 2004	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	November 30, 2007	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$9,584,175.00	
<b>PROPOSED AMENDMENT INFORMATION</b>		
9) <u>Proposed</u> Amendment #	#2	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	December 1, 2007	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	November 30, 2009	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$12,032,175.00	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state	
	<input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
<p>Per language in the Request for Proposal and original contract, TennCare is exercising the option to extend the term of this competitively awarded contract through November 30, 2009. Due to changes programmatically, there is no longer a need for the entire original scope of services to continue, however, the Fraud and Abuse Detection and Investigation (FADI) services are needed and are included in the extension amendment.</p>		

**15) Explanation of Need for the Proposed Amendment :**

This contract ends November 30, 2007 and the reason for this amendment is to extend the term, provide funding to support this term extension, and modify the language to include only those services that need to continue.

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

Larry Hagerty, Chief Executive Officer  
The Medstat Group, Inc.  
777 East Eisenhower Parkway  
Ann Arbor, MI 48109

**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 :**

This contract was originally awarded by OIR to Medstat on the basis of a Request for Proposal. Four proposers responded to the procurement document, however, Medstat was the best-evaluated, lowest-cost proposer. This amendment extending the term and deleting specific scopes of service that are not longer required changes the classification from competitive to non-competitive.

**21) Justification for the Proposed Non-Competitive Amendment :**

As referenced in Item #20 above, the State did originally procure the services through a competitive process. An award was made to Medstat as the best-evaluated, lowest-cost alternative. TennCare believes that it is in the State's best interest to extend the term of this contract to include only the Fraud and Abuse Detection and Investigation requirements and resulting funding to coincide with the current term extension.

**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

10/10/07

Date

# C O N T R A C T S U M M A R Y S H E E T

070407

<b>RFS #</b>		<b>Contract #</b>	
<b>318 . 65 — 186 — 08</b>		<b>FA-05-16216-02</b>	
<b>State Agency</b>		<b>State Agency Division</b>	
Department of Finance and Administration		Bureau of TennCare	
<b>Contractor Name</b>		<b>Contractor ID # (FEIN or SSN)</b>	
The Medstat Group, Inc.		<input checked="" type="checkbox"/> <b>C-</b> or <input type="checkbox"/> <b>V-</b> 061467923 00	
<b>Service Description</b>			
Provide Decision Support Services for the TennCare Program			
<b>Contract Begin Date</b>	<b>Contract End Date</b>	<b>SUBRECIPIENT or VENDOR?</b>	<b>CFDA #</b>
12/01/2004	11/30/2009	Vendor	93.778 Department of Health & Human Services/Title XIX

<b>Mark Each TRUE Statement</b>					
<input type="checkbox"/> Contractor is on STARS			<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts		
<b>Allotment Code</b>	<b>Cost Center</b>	<b>Object Code</b>	<b>Fund</b>	<b>Funding Grant Code</b>	<b>Funding Subgrant Code</b>
318.65	See Attached	083	11		
<b>FY</b>	<b>State</b>	<b>Federal</b>	<b>Interdepartmental</b>	<b>Other</b>	<b>TOTAL Contract Amount</b>
2005	\$323,360.00	\$2,507,879.00			\$2,831,239.00
2006	\$1,071,330.00	\$2,499,764.00			\$3,571,094.00
2007	\$862,763.00	\$1,691,997.00			\$2,554,760.00
2008	\$670,541.00	\$670,541.00			\$1,341,082.00
2009	\$612,000.00	\$612,000.00			\$1,224,000.00
2010	\$255,000.00	\$255,000.00			\$510,000.00
<b>TOTAL</b>	3,794,994.00	8,237,181.00			<b>\$12,032,175.00</b>

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FISCAL REVIEW

<b>— COMPLETE FOR AMENDMENTS ONLY —</b>			<b>State Agency Fiscal Contact &amp; Telephone #</b>
<b>FY</b>	<b>Base Contract &amp; Prior Amendments</b>	<b>THIS Amendment ONLY</b>	Scott Pierce 615-507-6415
2005	\$2,831,239.00		<b>State Agency Budget Officer Approval</b>  
2006	\$3,571,094.00		
2007	\$2,554,760.00		
2008	\$627,082.00	\$714,000.00	<b>Funding Certification</b> (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)
2009		\$1,224,000.00	
2010		\$510,000.00	
<b>TOTAL</b>	<b>\$9,584,175.00</b>	<b>\$2,448,000.00</b>	
<b>End Date:</b>	11/30/2007	11/30/2009	

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 TOLLERS'S OFFICE  
 OF THE OFFICE OF  
 MANAGEMENT SERVICES

**Contractor Ownership** (complete only for base contracts with contract # prefix FA or GR)

<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> NOT Minority/Disadvantaged

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

<input type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation *	<input type="checkbox"/> Alternative Competitive Method *
<input type="checkbox"/> Non-Competitive Negotiation *	<input type="checkbox"/> Negotiation w/ Government (ID, GG, GU)	

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







**AMENDMENT #2 TO  
FA-05-16216-00  
BETWEEN THE STATE OF TENNESSEE,  
DEPARTMENT OF FINANCE AND ADMINISTRATION,  
BUREAU OF TENNCARE  
AND  
THE MEDSTAT GROUP, INC.**

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the "State" or "TennCare" and The MEDSTAT Group, Inc., hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. Delete Section A.6. in its entirety and replace with the following:

- A.6. Fraud and Abuse Detection and Investigation. The Contract shall provide Fraud and Abuse Detection and Investigation services, as described below:
- a. Core fraud and abuse detection and investigation – products and services to support the Tennessee OIG and TennCare HCI provider fraud efforts. These capabilities include advanced fraud detection algorithms and data investigation tools that the Contractor currently uses to support other state Medicaid fraud detection and federal Medicare fraud detection. Key elements of the core products and services include:
    - i. Full system implementation completed and operations beginning within 6 months of project start.
    - ii. During months 1-6, early opportunity evaluation and data analysis for target areas with substantial recovery or cost containment potential. This includes application of four (4) fraud algorithms to identify lists of suspects and detailed profiles of the top 10 providers/recipients from each algorithm.
    - iii. Effective 12/1/2004 to 11/30/2007, Medstat fraud practice leader expertise and assistance (0.5 FTE) during implementation and ongoing operations. Part of this individual's time will leverage and apply experience and insights from Medstat's other State and Federal fraud detection projects.
    - iv. Ongoing access to Contractor's fraud detection algorithms, including maintenance of existing algorithms, development of additional algorithms, and the initial application of the algorithms by Contractor staff;
    - v. Contractor DataProbe software licenses for up to ten (10) OIG staff users for fraud detection and investigation purposes and four (4) TennCare staff. This includes training and ongoing support of these State users. It also includes ongoing software updates and enhancement of the software as those become generally available;
    - vi. Creation of, and updates to, the DataProbe database with an initial 30 months of TennCare data for early analyses during implementation and

subsequently building to a full 72 months of data by the end of month 12. Database updates will be performed monthly, and

- vii. ASP operation of the DataProbe system.
- b. Two on-site Contractor consultants – to provide additional training, algorithm application, provider and recipient data analysis, and case information development (2.0 FTEs), one to reside at Finance and Administration, Office of Inspector General and one on-site at Bureau of TennCare. Both onsite positions shall be knowledgeable of the system and shall not be entry level positions. At its sole discretion, the State reserves the right to refuse approval of any employee assigned to this contract.
- c. Enhanced claims and encounter data validation and quality assurance - with each database update, a comprehensive data quality analysis will be performed to test database integrity. This will include testing the data for completeness, validity, and reasonableness. Beginning with receipt of data, the automated edit checking validates that the input records are the right size and the data are in the correct formats. Upon the data being loaded into Data Probe, Data Quality scripts are run, integrating traditional field analysis with the Thomson Healthcare data quality investigation guidelines. Standard Data Quality reports will be generated to display the results of the field and quality analyses. These Data Quality reports will be made available for TennCare for review upon completion of the run.
- d. Medstat's Medical Episodes Grouper – (MEG) applied quarterly to the DataProbe system to create episodes of care aggregates used for fraud analyses.
- e. Case management software – for fraud detection and investigation.

The State shall compensate the Contractor for Fraud and Abuse operations as described in Contract Section C.3.c.

3. Delete Sections B.1. and B.2 in their entirety and replace with the following:
  - B.1. Contract Term. This Contract shall be effective for the period commencing on December 1, 2004 and ending on November 30, 2009. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.
4. Delete Section C.1 in its entirety and replace with the following:
  - C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Twelve Million Thirty-two Thousand One Hundred Seventy-Five Dollars (\$12,032,175.00). The Service 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 Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs

said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

5. Delete Section C.3.c. in its entirety and replace with the following:

C.3.c. FADI Operations Payment Methodology. The Contractor shall be compensated for ongoing FADI operations based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service defined in Section A.6. The Contractor shall be compensated based upon the following Service Rates:

<u>SERVICE RATE</u>	<u>AMOUNT</u>
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 7 through 24.	\$0.07149 per member
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 25 through 36.	\$0.07149 per member
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 37 through 60.	\$0.085 per member

The Contractor shall derive the monthly invoice amount by multiplying the applicable Monthly Cost Per Member on the TennCare Rolls, from the table above, by the total number of recipients on the TennCare membership rolls as of the fifteenth day of the billing month in question (the "population basis"). Therefore, billing shall always occur after the services have been provided.

The Contractor shall not invoice the State for FADI operations until the Contractor has loaded the initial 30 months of TennCare data, as described in Contract Section A.6.a.vi. The State shall compensate the vendor for FADI Operations as follows: The formula at the end of each month of FADI Operations services shall be: Monthly Operations Invoice Amount = Monthly Cost Per Member on the TennCare Rolls X the population basis [as of the 15<sup>th</sup> day of the month in question]). The Contractor shall invoice the State on a monthly basis for Operations and the same formula shall be applied at the end of each succeeding month.

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. Documentation submitted with invoices shall include, but not be limited to, the population basis on which the calculation was made and the Cost Per Member figure that was used. Such invoices shall be submitted for completed units of service for the amount stipulated.

7. Add the following language to Section D:

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 E, 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.

8. Delete Section E.2 in its entirety and replace 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:

Scott Pierce, Chief Financial Officer  
Department of Finance and Administration  
Bureau of TennCare  
310 Great Circle Road  
Nashville, TN 37243  
Telephone # (615) 507-6415  
FAX # (615) 253-8562  
Scott.pierce@state.tn.us

The Contractor:

Pate L. McCartney, GM/VP  
The MEDSTAT Group, Inc.  
777 East Eisenhower Parkway  
Ann Arbor, MI 48108  
pate.mccartney@thomson.com  
(734) 913-3195 Phone

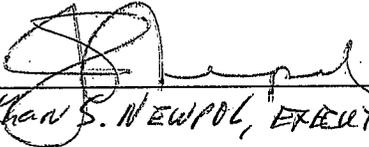
All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

9. Add Attachment E, Attestation RE Personnel Used in Contract Performance.

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

IN WITNESS WHEREOF:

The MEDSTAT Group, Inc.:

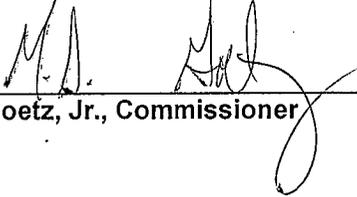
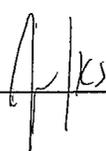
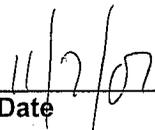
  
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Jonathan S. Newport, EXECUTIVE VICE PRESIDENT Date 11/1/07

DEPARTMENT OF FINANCE AND ADMINISTRATION, BUREAU OF TENNCARE:

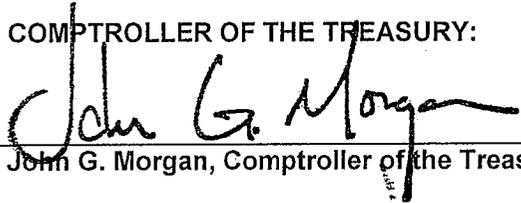
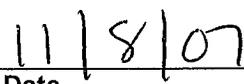
  
\_\_\_\_\_  
M. D. Goetz, Jr., Commissioner Date 11/1/07

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

    
M. D. Goetz, Jr., Commissioner Date

COMPTROLLER OF THE TREASURY:

  
John G. Morgan, Comptroller of the Treasury  Date

**ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE**

<b>SUBJECT CONTRACT NUMBER:</b>	FA-05-16216-00
<b>CONTRACTOR LEGAL ENTITY NAME:</b>	The MEDSTAT Group, Inc.
<b>FEDERAL EMPLOYER IDENTIFICATION NUMBER:</b> (or Social Security Number)	061467923

**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.**

<p><b>CONTRACTOR SIGNATURE</b></p> <p><small>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.</small></p>
<p><b>PRINTED NAME AND TITLE OF SIGNATORY</b></p>
<p><b>DATE OF ATTESTATION</b></p>



**GENERAL ASSEMBLY OF THE STATE OF TENNESSEE  
FISCAL REVIEW COMMITTEE**

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

**Rep. Charles Curtiss, Chairman**  
Representatives

Harry Brooks  
Curt Cobb  
Dennis Ferguson  
Frank Niceley  
Craig Fitzhugh, *ex officio*  
Speaker Jimmy Naifeh, *ex officio*

Mary Pruitt  
Donna Rowland  
David Shepard  
Curry Todd

**Sen. Don McLeary, Vice-Chairman**  
Senators

Mae Beavers  
Jim Bryson  
Steve Cohen  
Douglas Henry, *ex officio*  
Lt. Governor John S. Wilder, *ex officio*

David Fowler  
Steve Southerland

**M E M O R A N D U M**

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

**FROM:** Charles Curtiss, Chairman *CC*  
Don McLeary, Vice-Chairman *DM*

**DATE:** October 17, 2006

**SUBJECT:** Contract Comments  
(Joint Meeting 10/10/06)

**RFS# 318.65-186**

**Department: Finance and Administration**

**Division: Bureau of TennCare**

**Contractor: Medstat Group, Inc.**

**Summary: The vendor is currently responsible for the TennCare Decision Support (TCDS) services for the Bureau. This amendment increases the maximum liability by \$800,000 and extends the Fraud and Abuse Detection and Investigation (FADI) services and corresponding payment rates for the remainder of the original contract which ends November 30, 2007.**

**Maximum liability: \$8,784,175**

**Maximum liability with amendment: \$9,584,175**

Although the Committee did not take formal action on this amendment due to a lack of a quorum, the members present expressed no concerns about the amendment and the Chairman stated that in his opinion the amendment would have been approved had a quorum been present.

**cc:** The Honorable Darin Gordon, Deputy Commissioner  
Mr. Robert Barlow, Director, Office of Contracts Review

# REQUEST: NON-COMPETITIVE AMENDMENT

<b>APPROVED</b>
Commissioner of Finance & Administration Date:

**EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.**

<b>1) RFS #</b>	318.65-186
<b>2) State Agency Name :</b>	Department of Finance and Administration Bureau of TennCare
<b>EXISTING CONTRACT INFORMATON</b>	
<b>3) Service Caption :</b>	TennCare Decision Support (TCDS) Services
<b>4) Contractor :</b>	Medstat Group, Inc.
<b>5) Contract #</b>	FA-05-16216-00
<b>6) Contract Start Date :</b>	December 1, 2004
<b>7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :</b>	November 30, 2007
<b>8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :</b>	\$8,784,175.00
<b>PROPOSED AMENDMENT INFORMATON</b>	
<b>9) <u>Proposed</u> Amendment #</b>	#1
<b>10) <u>Proposed</u> Amendment Effective Date :</b> <small>(attached explanation required if date is &lt; 60 days after F&amp;A receipt)</small>	December 1, 2006
<b>11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :</b>	November 30, 2007.
<b>12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :</b>	\$9,584,175.00
<b>13) Approval Criteria :</b> <small>(select one)</small>	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state  <input type="checkbox"/> only one uniquely qualified service provider able to provide the service
<b>14) Description of the Proposed Amendment Effects &amp; Any Additional Service :</b>	
This amendment extends Fraud and Abuse Detection and Investigation (FADI) services and payment rates for an additional 12 months to coincide with current end date of contract, as well as increases maximum liability to provide funding to support the extended FADI functions. Additionally, the contract was originally awarded and monitored by OIR, however, this amendment changes state contact information from Office of Information Resources (OIR) to the Bureau of TennCare.	

**15) Explanation of Need for the Proposed Amendment :**

The FADI Operations is a critical component of the TennCare Decision Support Services (TCDS). The original contract provided this function for the first two years of the contract however these services need to be extended to coincide with the actual term of the contract.

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

Larry Hagerty, Chief Executive Officer  
The Medstat Group, Inc.  
777 East Eisenhower Parkway  
Ann Arbor, MI 48109

**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 :**

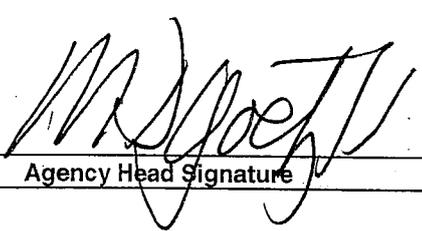
This contract was originally awarded by OIR to Medstat on the basis of an Alternative Competitive Procurement. Four proposers responded to the procurement document, however, Medstat was the best-evaluated, lowest-cost proposer. This amendment extending FADI requirements changes the classification from competitive to non-competitive.

**21) Justification for the Proposed Non-Competitive Amendment :**

As referenced in Item #20 above, the State did originally procure the services through a competitive process. An award was made to Medstat as the best-evaluated, lowest-cost alternative. TennCare believes that it is in the State's best interest to extend the FADI requirements and resulting funding to coincide with the current term of the original contract.

**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

9/28/06

Date







AMENDMENT #1  
TO FA-05-16216-00  
BETWEEN  
THE DEPARTMENT OF FINANCE AND ADMINISTRATION  
BUREAU OF TENNCARE  
AND  
THE MEDSTAT GROUP, INC.

This Contract, by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the State, and the Medstat Group, Inc., hereinafter referred to as the Contractor, is hereby amended as follows:

1. Delete C.1 in its entirety and replace with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Nine Million Five Hundred Eighty-Four Thousand One Hundred Seventy-Five Dollars (\$9,584,175.00). The Service 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 Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

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

2. Add the following service rates to Section C.3.c.:

<u>SERVICE RATE</u>	<u>AMOUNT</u>
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 25 through 36.	\$0.07149

3. Delete E.2 in its entirety and replace 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 facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other

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

The State:  
Deputy Commissioner  
Department of Finance and Administration  
Bureau of TennCare  
310 Great Circle Road  
Nashville, TN 37243  
615) 507-6362  
(615) 532-5236

The Contractor:

Glenn Cole, Chief Financial Officer  
The MEDSTAT Group, Inc.  
777 East Eisenhower Parkway  
Ann Arbor, MI 48108  
(734) 913-3298 Phone  
(734) 913-3333 fax

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.

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

THE MEDSTAT GROUP, INC.



Glenn R. Cole, Chief Financial Officer

10-23-06

DATE

DEPARTMENT OF FINANCE AND ADMINISTRATION  
BUREAU OF TENNCARE:



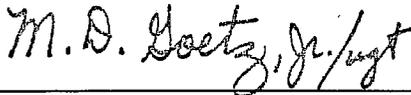
M. D. Goetz, Jr., Commissioner

11-9-06

DATE

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

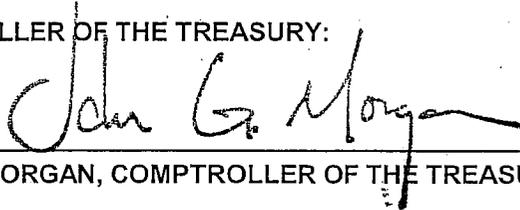


M. D. GOETZ, JR., COMMISSIONER

NOV 16 2006

DATE

COMPTROLLER OF THE TREASURY:



JOHN G. MORGAN, COMPTROLLER OF THE TREASURY

DATE

11/17/06