

CONTRACT #6
RFS # 317.01-50008
FA # 07-20600-00

Finance & Administration
Benefits Administration

VENDOR:
BlueCross BlueShield of
Tennessee (CoverKids)



RECEIVED

MAR 09 2009

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
Phone: 615.741.3590
Fax: 615.253.8556

FISCAL REVIEW

Dave Goetz
COMMISSIONER

Laurie Lee
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Laurie Lee *LL*

Date: March 6, 2009

RE: Amendment # 4 to CoverKids contract

Please find attached a Non-Competitive Amendment request to amend the existing contract with BlueCross BlueShield of Tennessee (BCBST) for CoverKids signed by Commissioner Goetz. This amendment addresses actions taken on February 4, 2009, when President Obama signed into law H.R. 2, the "Children's Health Insurance Program Reauthorization Act of 2009" which has been assigned Public Law Number 111-3 (PL 111-3). The legislation states that the general effective date "shall take effect on April 1, 2009, and shall apply to child health assistance and medical assistance provided on or after that date."

This amendment seeks to bring premium rates for children and for unborn children enrolled in CoverKids into line with the medical loss ratio of the Contractor. The initial premiums are decreased in this amendment for children while the rates for unborn children are increased. State projections for enrollment capacity are taken into account for federal allocation of funds. It is in the best interest of the state to enact cost sharing steps that may allow additional enrollment which will be reflected in the projections presented to the federal government for maximum allocation of federal funds. Such projections are due by March 31, 2009. In addition, the new rates accommodate the requirement in PL 111-3 that SCHIP programs implement provisions of mental health parity by April 1, 2009.

The base contract and amendments # 1-3 with BCBST are included for review as is the proposed amendment to each document.

While we recognize that this amendment is presented to the Fiscal Review Committee with less than 60 days for review, the final negotiations with the Contractor were dependent on the final reauthorization of the SCHIP legislation and that legislation also requires certain action steps to be in effect by April 1, 2009. Thank you for your consideration of this request to amend this contract with an amendment start date of April 1, 2009.

**Supplemental Documentation Required for
Fiscal Review Committee**

*Contact Name:	Marlene Alvarez	*Contact Phone:	615.253.8358		
*Contract Number:	FA - 07 - 17170-00	*RFS Number:	31701 - 50008		
*Original Contract Begin Date:	February 13, 2007	*Current End Date:	December 31, 2009		
Current Request Amendment Number: <i>(if applicable)</i>	# 4				
Proposed Amendment Effective Date: <i>(if applicable)</i>	April 1, 2009				
*Department Submitting:	Finance and Administration				
*Division:	Benefits Administration				
*Date Submitted:	March 9, 2009				
*Submitted Within Sixty (60) days:	No				
<i>If not, explain:</i>	Pending the final SCHIP re-authorization at the federal level and the associated negotiation in terms of the final draft of the amendment to the CoverKids contract, Benefits Administration was unable to provide the Fiscal Review Committee the documents 60 days in advance. The SCHIP legislation requires an effective date of April 1, 2009 for the required revisions of the legislation.				
*Contract Vendor Name:	BlueCross BlueShield of Tennessee, Inc.				
*Current Maximum Liability:	\$500,000,000.00				
*Current Contract Allocation by Fiscal Year: <i>(as Shown on Most Current Contract Summary Sheet)</i>					
FY: 2007	FY: 2008	FY: 2009	FY: 2010	FY: 2011	FY: 2012
\$5,054,547.00	\$67,940,895.00	\$103,639,114.00	\$128,333,443.00	\$134,567,144.00	\$60,464,857.00
*Current Total Expenditures by Fiscal Year of Contract: <i>(attach backup documentation from STARS or FDAS report)</i>					
FY: 2007	FY: 2008	FY: 2009	FY:	FY:	FY:
\$938,374.84	\$47,111,068.87	\$48,340,459.23			
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:			Contract expenditures are based on estimates of annual plan membership for the term of the contract. Actual membership may vary from the original estimates during the term of each contract, and therefore funding needs may vary. Surplus funds were not spent.		
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:			Surplus funds for the CoverKids program were carried forward to ensure adequate funding to sustain program growth. Carry forward authority is PC 1203, Section 35, item 11.		
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:			N/A		
*Contract Funding Source/Amount:	State:	\$127,200,001.00	Federal:	\$372,799,999.00	
Interdepartmental:	N/A		Other:	N/A	
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 # 3 - June 1, 2008			Adds out of pocket accumulator responsibilities for the dental benefit of CoverKids plan.		
Amendment # 2 - December 1, 2007			Adds vision benefit to CoverKids plan.		
Amendment # 1 - August 2007			Addresses the exemption from all cost sharing for American Indian and Alaska Native individuals as defined by the Indian Health Care Improvement Act of 1976 under SCHIP		
Method of Original Award: <i>(if applicable)</i>			RFP		

BCBST CoverKids Payments

REPORT FILTER:

Allotment (Code) = "350.50"

Vendor Name	Effective Month	Total Expenditures
BLUE CROSS- BLUE SHIELD	APRIL 2007	76,134.86
	JUNE 2007	862,239.98
	JULY 2007	812,525.16
	AUGUST 2007	1,050,898.71
	SEPTEMBER 2007	2,197,094.49
	OCTOBER 2007	3,414,639.07
	NOVEMBER 2007	3,607,520.83
	DECEMBER 2007	4,694,214.89
	FEBRUARY 2008	9,639,395.21
	APRIL 2008	5,158,788.32
	MAY 2008	5,430,551.46
	JUNE 2008	11,105,440.73
	JULY 2008	5,636,174.59
	SEPTEMBER 2008	6,141,501.25
	OCTOBER 2008	6,857,730.79
	NOVEMBER 2008	6,722,334.01
	DECEMBER 2008	14,926,279.41
	JANUARY 2009	0.00
	FEBRUARY 2009	8,056,439.18

Total FY 07 \$ 938,374.84

Total FY 08 \$ 47,111,068.87

YTD FY 09 \$ 48,340,459.23

GRAND TOTAL: \$ 96,389,902.94

CoverKids Contract, BCBST Contract Number FA – 07 – 20600, Amendment # 4

A detailed breakdown of the actual expenditures anticipated in each year of the contract, including specific line items, the source of funds (federal, state, or other--if other, please specify source), and the disposition of any excess funds.

Please see attached financial forecast in response to this item. The source of funding for this contract is a combination of state dollars matched by Federal funding at a match rate of \$3 Federal to \$1 State dollar of funding.

A detailed breakdown in dollars of any savings that the department anticipates will result from this contract, including but not limited to, reduction in positions, reduced equipment costs, travel, or any other item related to the contract.

This amendment revises the existing contract to adjust the premium levels to those consistent with the claims experience for the populations served. The amendment also accelerates the "gain share" payouts from the Contractor to the State. The combined effect of these changes is to allow CoverKids to enroll additional targeted low-income children and pregnant women under the same continuation appropriation amount.

Further, the amendment adds the responsibility to the Contractor for the development, implementation and maintenance of the systems and reports necessary to coordinate and report the claims and enrollment data necessary for federal reporting and other program management requirements. Such reporting will also allow the program to more accurately monitor program claims expenditures and utilization going forward. The amendment also allows for the development and implementation of the data match and report provided by the Contractor to ensure program integrity.

A detailed analysis in dollars of the cost of obtaining this service through the proposed contract as compared to other options.

This contract is in the third year of the original term of the contract. The actual expenditures anticipated in each year of the contract going forward are included above in the response to question number one. The vendor is reducing the fees that were competitively bid under this procurement for the per member per month (pmpm) fee for children in all categories and has requested an increase for covering unborn children that is closer to their actual medical loss ratio. The vendor's pricing was procured through a competitive procurement process where they were the only respondent to the RFP.

The programming fees for eligibility checks and the monthly reporting package positions the State to respond effectively and efficiently to continuing reporting requirements at the federal level and to be in compliance with those federal requirements for continuation of funding.

NON-COMPETITIVE AMENDMENT REQUEST:

APPROVED

Commissioner of Finance & Administration

1) RFS #	31701 - 50008	
2) Procuring Agency :	Finance and Administration; Benefits Administration	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	Adjusts premiums in CoverKids program to allow greater enrollment under same appropriation and adds reporting components to allow more extensive monitoring on the costs of care provided to participants.	
4) Contractor :	BlueCross BlueShield of Tennessee	
5) Contract #	FA-07-20600-00	
6) Contract Start Date :	February 13, 2007	
7) CURRENT Contract End Date : (if ALL options to extend the contract are exercised)	December 31, 2009	
8) CURRENT Maximum Cost : (if ALL options to extend the contract are exercised)	\$500,000,000.00	
PROPOSED AMENDMENT INFORMATION		
9) Amendment #	4	
10) Amendment Effective Date : (attached explanation required if < 60 days after F&A receipt)	April 1, 2009	
11) PROPOSED Contract End Date : (if ALL options to extend the contract are exercised)	December 31, 2009	
12) PROPOSED Maximum Cost : (if ALL options to extend the contract are exercised)	\$500,000,000.00	
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>This amendment revises the existing contract to adjust the premium levels to those consistent with the claims experience for the populations. The amendment also accelerates the "gain share" payouts from the Contractor to the State. The combined effect of these changes is to allow CoverKids to continue to enroll additional targeted low-income children and pregnant women under the same appropriation amount.</p> <p>Further, the amendment adds the responsibility to the Contractor for the development, implementation and maintenance of the systems and reports necessary to coordinate and report the claims and enrollment data necessary for federal reporting and other program management requirements. Such reporting will also allow the program to more accurately monitor program claims expenditures and utilization going forward. The amendment also allows for the development and implementation of the data match and report provided by the Contractor to ensure program integrity.</p>	
15) Explanation of Need for the Proposed Amendment :	<p>The combined effect of these changes is to allow CoverKids to continue to enroll additional targeted low-income children and pregnant women under the same appropriation amount and to ensure program integrity.</p>	

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

BlueCross BlueShield of Tennessee, Inc.
 One Cameron Hill Circle
 Chattanooga, Tennessee 37402

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 :

The Contractor currently provides a fully-insured benefit for participants in CoverKids, and the amendment does not alter the array of benefits that the Contractor provides to enrollees in the program. Benefits Administration was able to secure concessions from the Contractor such that this amendment results in a net reduction in the average expenditures per enrollee.

21) Justification for the Proposed Non-Competitive Amendment :

This amendment results in a net reduction in the average expenditures per enrollee and an enhanced capacity to monitor utilization. The combined effect of these changes is to allow CoverKids to continue to enroll additional targeted low-income children and pregnant women under the same appropriation amount.

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

3/4/09

REQUEST FOR RULE 0620-3-3-.05 EXCEPTION TO DELETE OR REVISE REQUIRED CONTRACT LANGUAGE

NOTE : Approval of a rule exception is NOT required to delete or revise contract language as permitted by model language policy instructions.

APPROVED
Commissioner of Finance & Administration
Date:

RFS #	31701 – 50008
INFORMATION ABOUT THE EXCEPTION(S) REQUESTED	
SPECIFIC MODEL POLICY APPLICABLE TO THIS REQUEST :	
FA-type, Fee-for-Service Contract Model	
EXACT TEXT OF SUBJECT, REQUIRED CONTRACT PROVISION :	
For service performed from DATE, through DATE, the Contractor shall be compensated based upon the payment rates in Section REFERENCE (E.G., C.3.b.(1)) above but adjusted by the percentage increase, if any, between the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, ALL ITEMS /MEDICAL CARE expenditure category, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics in MONTH & YEAR (JUST BEFORE PRIOR PERIOD END MONTH) and that figure published in the same month, 12-months prior, up to a maximum of WRITTEN NUMBER percent (NUMBER%).	
EXACT TEXT OF PROPOSED, CONTRACT LANGUAGE : (proposed language to replace that detailed above)	
C.3.a.(1) thru C.3.a.(3)	
<ol style="list-style-type: none"> (1) If this Contract is extended pursuant to Section B.2., the following shall apply. For services performed from January 1, 2010, through December 31, 2010, the Contractor shall be compensated based upon mutually agreed to premium amounts; provided, however, that if the State and Contractor cannot mutually agree on such premium amounts prior to sixty (60) days of the end of the then-current term, the premium amounts fixed in Section C.3.a. for Group One Children, Group Two Children and the AI/AN Children shall be adjusted by the percentage change, if any, in the pmpm paid claim costs for children under age 19 in the State's public sector plan for state and higher education employees and their dependents for the most recent plan year then available, adjusted for any benefit changes, and (b) for the Unborn Child and Unborn AI/AN Child shall be increased five percent (5.0%) above the premium amount charged in the then-current term. (2) If this Contract is extended a second time pursuant to Section B.2., the following shall apply. For services performed from January 1, 2011, through December 31, 2011, the Contractor shall be compensated based upon mutually agreed to premium amounts; provided, however, that if the State and Contractor cannot mutually agree on such premium amounts prior to sixty (60) days of the end of the then-current term, the premium amounts fixed in Section C.3.a. for Group One Children, Group Two Children and the AI/AN Children shall be adjusted by the percentage change, if any, in the pmpm paid claim costs for children under age 19 in the State's public sector plan for state and higher education employees and their dependents for the most recent plan year period then available, adjusted for any benefit changes, and (b) for the Unborn Child and Unborn AI/AN Child shall be increased five percent (5.0%) above the premium amount charged in the then-current term. (3) For the purpose of the payment amounts detailed in this Section, the premium for children and for low income children will be payable on a monthly basis for each month of coverage (a month is defined as the first day of a month to the last day of the month) and the benefit period for a pregnant woman will be defined as the 10 days prior to the date of the application through the sixtieth (60th) day following the end of the 	

pregnancy. The Contractor shall invoice the State for, and the State shall make payment of, the benefit period for the payment of the pregnant woman upon documentation of the terminus of the pregnancy by the Contractor. The Contractor shall bill the State only for those children who have been certified by the Administrative Contractor as eligible on or before the 15th day of each month. The State shall not be billed for those children who are certified by the Administrative Contractor as disenrolled from the program on or before the 15th day of the month in which the child is disenrolled.

C.3.c.(1)

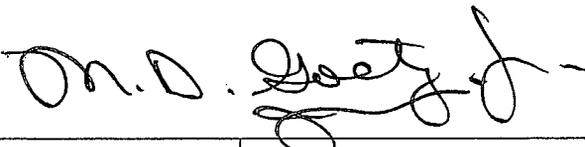
- (1) If this contract is extended pursuant to Section B.2., the Administrative Fee for the then-current term shall be adjusted for the next term by the percent increase, if any, between the Consumer Price Index (CPI): U.S. city average, All Items expenditure category, not seasonally adjusted, index base period: 1982-84=100 published by the United States Department of Labor, Bureau of Labor Statistics (or its successor index) in August of the year prior to the calendar year that the adjustment will take effect and that figure published in the same month, 12-months prior, up to a maximum of three and one-half percent (3.5%).

JUSTIFICATION : (compelling rationale for and validation of request to delete or revise required contract language)

This amendment revises the existing contract to adjust the premium levels to those consistent with the claims experience for the populations. The amendment also accelerates the "gain share" payouts from the Contractor to the State. The combined effect of these changes is to allow CoverKids to continue to enroll additional targeted low-income children and pregnant women under the same appropriation amount.

In order to secure from the Contractor the maximum possible reduction in the per member per month (pmpm) premium payment amounts for children under age 19, Benefits Administration had to agree that future premiums would be commensurate with changes in actual utilization. To this end, Benefits Administration negotiated an agreement such that the Contractor would receive an increase based on empirically-verifiable claims experience in a similar population. In the event of a conflict between the Contractor and Benefits Administration about the level of said increase, then the Contract would default to an established rate. This default rate reflects recent utilization changes in similar programs.

INFORMATION REGARDING THE APPLICABLE CONTRACT

CONTRACTOR :	BlueCross BlueShield of Tennessee, Inc.
SERVICE INVOLVED :	Provides statewide administrative services for the CoverKids program. Amendment adjusts the premiums in the CoverKids program to allow greater enrollment under the same appropriation and adds reporting components to allow more extensive monitoring on the costs of care provided to participants.
BEGIN DATE :	February 13, 2007
END DATE (including ALL options for term extension) :	December 31, 2009
MAXIMUM LIABILITY (including ALL options for term extension) :	\$500,000,000.00
AGENCY HEAD REQUEST SIGNATURE: (signed by the procuring agency head or authorized signatory)	
SIGNATURE DATE:	3-6-09

C O N T R A C T A M E N D M E N T C O V E R

RFS Tracking #		Edison Contract ID #			Amendment #	
31701-50008		000000000000000000002894			4	
Amendment Purpose				Delegated Authority Requisition ID # (ONLY if applicable)		
Provides statewide administrative services for the CoverKids program. Amendment adjusts the premiums in the CoverKids program to allow greater enrollment under the same appropriation and adds reporting components to allow more extensive monitoring on the costs of care provided to participants.						
Contractor/Grantee				Contractor/Grantee FEIN or SSN		
BlueCross BlueShield of Tennessee, Inc.				<input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 62 - 0427913		
Begin Date		End Date		Subrecipient or Vendor		CFDA #(s)
February 13, 2007		December 31, 2009		<input type="checkbox"/> Subrecipient <input checked="" type="checkbox"/> Vendor		
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount	
2007	\$1,285,877.00	\$3,768,670.00			\$5,054,547.00	
2008	\$17,284,164.00	\$50,656,731.00			\$67,940,895.00	
2009	\$26,365,791.00	\$77,273,323.00			\$103,639,114.00	
2010	\$32,648,028.00	\$95,685,415.00			\$128,333,443.00	
2011	\$34,233,881.00	\$100,333,263.00			\$134,567,144.00	
2012	\$15,382,260.00	\$45,082,597.00			\$60,464,857.00	
TOTAL:	\$127,200,001.00	\$372,799,999.00			\$500,000,000.00	
— COMPLETE FOR AMENDMENTS —				Procuring Agency Contact & Telephone #		
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Maureen Abbey, Director – Office of Business & Finance 312 Rosa L Parks Avenue, Suite 2000 Nashville, Tennessee 37243 615.741.6070			
2007	\$5,054,547.00		Procuring 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.)			
2008	\$67,940,895.00					
2009	\$103,639,114.00					
2010	\$128,333,443.00					
2011	\$134,567,144.00					
2012	\$60,464,857.00		Speed Code	Account Code		
TOTAL:	\$500,000,000.00			70804000		
— OCR Use —				Procurement Process Summary (FA or ED-type only)		
				The original contract (FA-07-20600-00) was procured through the RFP process.		

**AMENDMENT FOUR.
TO CONTRACT NUMBER FA-07-20600-00**

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

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

C.3.a. **Premiums.** The State shall remit payment to the Contractor monthly for all services under this Contract, at the premium amounts indicated below, based upon the number of Participants certified by the Administrative Contractor to the Contractor.

	2007	2008	2009 (prior to March 1, 2009)	2009 (effective March 1, 2009)
Group OneA Children (monthly) ¹	\$208.13	\$224.43	\$239.03	\$170.50
Group OneB Children (monthly) ²	---	---	---	\$239.03
Group Two Children (monthly) ³	\$226.43	\$244.23	\$261.23	\$170.50
Unborn Child (benefit period) (current enrollee) ⁴	\$5,080.00	\$5,320.00	\$5,580.00	\$8,881.00
Unborn Child (benefit period) ⁵	\$5,490.00	\$5,780.00	\$6,110.00	\$8,881.00
AI/AN Children (monthly) ⁶	\$ 232.09	\$ 250.23	\$267.65	\$170.50
Unborn AI/AN Child (benefit period) ⁷	\$ 5,385.00	\$ 5,640.00	\$5,915.00	\$8,881.00

¹ Group OneA Children are defined as covered children who are in families with incomes between 150 percent and 250% of FPL.

² Group OneB Children are defined as covered children from families with incomes greater than 250% FPL and who pay monthly premiums.

Group OneA and OneB Children are collectively referred to as "Group One."

³ Group Two Children are defined as covered children who are in families with incomes below 150 percent of FPL and therefore subject to reduced copays.

⁴ Unborn Child (current enrollee) is defined as a female Participant who is enrolled currently in the CoverKids program and who becomes pregnant while enrolled.

⁵ Unborn Child is defined as any pregnant Participant not included in Unborn Child (current enrollee).

⁶ AI/AN Children are defined as covered children who are (a) certified AI/AN and (b) members of families with incomes less than or equal to 250 percent of the FPL, as reported by the Administrative Contractor to the Contractor for the coverage period.

⁷ Unborn AI/AN Child is defined as a female Participant who is reported by the Administrative Contractor as being qualified due to (a) having met the CoverKids income standard, (b) having responsibility for an unborn child, and (c) certification as AI/AN.

- (1) If this Contract is extended pursuant to Section B.2., the following shall apply. For services performed from January 1, 2010, through December 31, 2010, the Contractor shall be compensated based upon mutually agreed to premium amounts; provided, however, that if the State and Contractor cannot mutually agree on such premium amounts prior to sixty (60) days of the end of the then-current term, the premium amounts fixed in Section C.3.a. for Group One Children, Group Two Children and the AI/AN Children shall be adjusted by the percentage change, if any, in the pmpm paid claim costs for children under age 19 in the State's public sector plan for state and higher education employees and their

dependents for the most recent plan year then available, adjusted for any benefit changes, and (b) for the Unborn Child and Unborn AI/AN Child shall be increased five percent (5.0%) above the premium amount charged in the then-current term.

- (2) If this Contract is extended a second time pursuant to Section B.2., the following shall apply. For services performed from January 1, 2011, through December 31, 2011, the Contractor shall be compensated based upon mutually agreed to premium amounts; provided, however, that if the State and Contractor cannot mutually agree on such premium amounts prior to sixty (60) days of the end of the then-current term, the premium amounts fixed in Section C.3.a. for Group One Children, Group Two Children and the AI/AN Children shall be adjusted by the percentage change, if any, in the pmpm paid claim costs for children under age 19 in the State's public sector plan for state and higher education employees and their dependents for the most recent plan year period then available, adjusted for any benefit changes, and (b) for the Unborn Child and Unborn AI/AN Child shall be increased five percent (5.0%) above the premium amount charged in the then-current term.
- (3) For the purpose of the payment amounts detailed in this Section, the premium for children and for low income children will be payable on a monthly basis for each month of coverage (a month is defined as the first day of a month to the last day of the month) and the benefit period for a pregnant woman will be defined as the 10 days prior to the date of the application through the sixtieth (60th) day following the end of the pregnancy. The Contractor shall invoice the State for, and the State shall make payment of, the benefit period for the payment of the pregnant woman upon documentation of the terminus of the pregnancy by the Contractor. The Contractor shall bill the State only for those children who have been certified by the Administrative Contractor as eligible on or before the 15th day of each month. The State shall not be billed for those children who are certified by the Administrative Contractor as disenrolled from the program on or before the 15th day of the month in which the child is disenrolled.

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

C.3.c. Administrative Fees. The administrative fees, set forth herein, shall be used to calculate plan expenses and shall constitute the amount in addition to the Contractor's portion of the excess premium (defined in section C.3.d. below) which the Contractor shall retain from total premiums remitted by the State as the full remuneration for all service under this Contract. The administrative fee amount shall be included in the calculation of the Excess Premium Distribution based on the monthly enrollment for Group One, Group Two and AI/AN Children and the monthly enrollment of Unborn Children during the calculation period.

	2007	2008	2009
Administrative Fee (per member per month & per member per benefit period)	\$14.99	\$14.99	\$14.99

- (1) If this contract is extended pursuant to Section B.2., the Administrative Fee for the then-current term shall be adjusted for the next term by the percent increase, if any, between the Consumer Price Index (CPI): U.S. city average, All Items expenditure category, not seasonally adjusted, index base period: 1982-84=100 published by the United States Department of Labor, Bureau of Labor Statistics (or its successor index) in August of the year prior to the calendar year that the adjustment will take effect and that figure published in the same month, 12-months prior, up to a maximum of three and one-half percent (3.5%).

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

C.3.d. Excess Premium Distribution. Plan expenses shall be comprised of the sum of paid benefits and the total administrative fee amount earned (the basis for which is detailed in C.3.c) during the subject period. The plan expenses will be compared to the total aggregate premium amount

payable during the same period to determine the difference. If the plan expenses are less than the total aggregate premium amount during the subject period, the amount of the difference shall be deemed the "excess premium." For purposes of the excess premium calculation, all plan expenses and premium for the Unborn Child shall be included only in the calculation for the calendar year in which the premium is paid, regardless of the year in which such plan expenses may be incurred. The excess premium shall be distributed as follows:

- (i) At the end of the 6-month period following the last day of each calendar year, the Contractor shall estimate the total excess premium for that calendar year. If the State Share of the estimated excess premium (according to the chart below) exceeds \$3 million, then the Contractor shall pay the State the amount above \$3 million.
- (ii) At the end of the 12-month period following the last day of each calendar year, the Contractor shall estimate the total excess premium for that calendar year. If the State Share of the estimated excess premium (according to the chart below) less any early distribution to the State under subsection (i) above, exceeds \$1 million, then the Contractor shall pay the State the amount above \$1 million.
- (iii) At the end of the 18-month period following the last day of each calendar year, the Contractor shall calculate the total excess premium for that calendar year. The Contractor shall pay the State the State Share (using the chart below) of the excess premium, less any early distributions to the State under subsections (i) and (ii) above. Should this final calculation of the State Share of the excess premium be less than the sum of any early distributions to the State under subsections (i) and (ii) above, the State shall repay to the Contractor the amount of any overpayment by the Contractor.

Within 15 days of the State's acceptance of each of the above-referenced calculations, the Contractor shall remit to the State the appropriate portion of the excess premium pursuant to the following schedule:

Excess Premium As Portion Of Claims Payments and Administrative Fees	Contractor Share of Excess Premium	State Share of Excess Premium
For the first 3% of plan expenses	100%	0%
Above 3% of plan expenses	0%	100%

NOTE: Refer to Attachment C of this Contract for an example of excess premium analysis pursuant to this section.

4. 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 D. Alvarez, Manager of Procurements and Contracting
Tennessee Department of Finance and Administration,
Benefits Administration Division
312 Rosa L Parks Avenue, Suite 2600
Nashville, TN 37243
marlene.alvarez@state.tn.us
Telephone: 615.253.8358

FAX: 615.253.8556

The Contractor:

Rebecca Owen, Product Manager
 BlueCross BlueShield of Tennessee, Inc.
 One Cameron Hill Circle
 Chattanooga, Tennessee 37402
Rebecca_Owen@bcbst.com
 Telephone: 423.535.8347
 FAX: 423.591.9111

with a copy to:

BlueCross BlueShield of Tennessee, Inc.
 One Cameron Hill Circle
 Chattanooga, TN 37402
 Attention: Deputy General Counsel
Tena_Roberson@bcbst.com
 Fax: 423.535.1984

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

5. The following provision is added as Contract Section A.6.6:

A.6.6. Contractor shall review the enrollment files provided by the Administrative Contractor, perform eligibility checks against such files and work with the Administrative Contractor to resolve any conflicts or inconsistencies identified. The Contractor shall provide the results of such eligibility checks to the State upon request.

6. The following provision is added as Contract Section C.3.f.:

C.3.f. **Reimbursement for Other Services.** The State shall pay Contractor \$15,608.44 per month for the continued provision of services related to eligibility checks by Contractor pursuant to Section A.6.6 over the term of this Contract. The State further agrees to pay \$4,844 per month for the provision of these additional services during any extension of the term of this Contract. The Contractor shall include the monthly amount in its standard monthly invoice to the State beginning with the first invoice issued to the State in which payment is due on or after April 1, 2009.

7. The following provision is added as Contract Section C.3.g.:

C.3.g. **Reporting Package Reimbursement.** The State shall reimburse Contractor the one-time sum of \$5,000 for a portion of the development, implementation and provision of a monthly reporting package provided by the Contractor. The Contractor shall include this one-time amount in the next invoice to the State following the execution date of this Amendment.

8. 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.

9. Contract Attachment C is deleted in its entirety and replaced with the new Contract Attachment C attached hereto.

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

IN WITNESS WHEREOF:

BLUECROSS BLUESHIELD OF TENNESSEE, INC.:

CONTRACTOR SIGNATURE

DATE

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. GOETZ, JR., COMMISSIONER

DATE

APPROVED:

COMMISSIONER OF FINANCE & ADMINISTRATION

DATE

COMPTROLLER OF THE TREASURY

DATE

**Contract Attachment C
Example of Excess Premium Analysis
FOR ILLUSTRATIVE PURPOSES ONLY**

Below are hypothetical amounts provided for this illustration only.

Illustration of CoverKids Financial Model

Plan Income	payable by	Premium amount	Number	Total
Group 1 Children	month	\$160	80,000	\$12,800,000
Group 2 Children	month	\$170	20,000	\$3,400,000
Unborn Children	benefit period	\$10,000	1,500	\$15,000,000
			Total Plan Income	\$31,200,000
Plan Expenses				
Benefits				
Administrative fees	credited by month or benefit period	\$15.75	101,500	\$1,598,625
			Total Plan Expenses	\$26,598,625
			Income minus Expenses = Excess Premium	\$4,601,375
Excess Premium Distribution	Upper Threshold	Insurer	State	
For the first 3% of plan expenses	\$797,959 (3% x \$26,598,625)	\$797,959 (100% x \$797,959)	\$0 (0% x \$797,959)	
Above 3% of plan expenses	Applies to the balance	\$0	\$3,803,416	
	Total Distribution	\$797,959	\$3,803,416	

This is an illustration of the manner in which the Excess Premium will be distributed, as provided for in Section C.3.d of the pro forma contract. The premium amounts and the administrative fee will be set out in the Contractor's proposal and in the Contract. The premium will be paid over the course of the Contract based upon plan enrollments. The administrative fee is to be utilized in the calculation of total expenses and shall constitute the amount in addition to the Contractor's portion of the excess premium which the Contractor shall retain from total premiums as the full remuneration for service under this Contract.



**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

Sen. Douglas Henry, Vice-Chairman
Senators

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

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

Reginald Tate
Jamie Woodson

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, Fiscal Review Committee
Bill Ketron, Chairman, Contract Services Subcommittee

cc
BK

DATE: May 1, 2008

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meetings 4/21 & 4/28)

RFS# 350.50-045

Department: Finance and Administration/Benefits Administration

Contractor: BlueCross/BlueShield of Tennessee, Inc.

Summary: Vendor is currently responsible for the provision of health insurance coverage, including customer service, administrative services, claims adjudication, utilization management, maintenance of an appeal process, and disease management services for the CoverKids Plan. The proposed amendment establishes the development, implementation and maintenance of systems to coordinate and report the accumulation of co-payment amounts for dental claims. The term of the contract remains the same, effective through December 31, 2008.

Maximum liability: \$500,000,000

Maximum liability with amendment: \$500,000,000

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

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

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED
Commissioner of Finance & Administration Date:

EACH REQUEST ITEM BELOW <u>MUST</u> BE DETAILED OR ADDRESSED <u>AS REQUIRED</u> .	
1) RFS #	#350.50-045-07
2) State Agency Name :	Finance and Administration
RECEIVED APR 15 2008 FISCAL REVIEW	
EXISTING CONTRACT INFORMATION	
3) Service Caption :	Adds out of pocket accumulator responsibilities for the dental benefit of CoverKids plan
4) Contractor :	BlueCross BlueShield of Tennessee
5) Contract #	FA-07-20600-00
6) Contract Start Date :	February 12, 2007
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2011
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$500,000,000
PROPOSED AMENDMENT INFORMATION	
9) <u>Proposed</u> Amendment #	# <i>3</i>
10) <u>Proposed</u> Amendment Effective Date : <small>(attached explanation required if date is < 60 days after F&A receipt)</small>	May 1, 2008
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2011
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$500,000,000
13) Approval Criteria : <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
14) Description of the Proposed Amendment Effects & Any Additional Service :	
This amendment revises the existing contract to add the responsibility to the Contractor for the development, implementation and maintenance of the systems and reports necessary to coordinate and report the accumulation of copayment amounts attributable to dental claims. This accumulation is necessary to report an aggregate out-of-pocket maximum amount for members of CoverKids.	
15) Explanation of Need for the Proposed Amendment :	

Additional one-time administrative work by the Contractor is necessary to create the inbound and outbound interface with the third party dental vendor, exchanging out-of-pocket accumulator data with the third party dental vendor and updating existing claims systems with the dental out-of-pocket applied data. The \$49,500 one-time fee is to perform the administrative work described above.

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

BlueCross BlueShield of Tennessee, Inc., 801 Pine Street - 4G, Chattanooga, TN 37402

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 vendor currently provides a set of fully insured benefits for participants in CoverKids and this amendment serves to enhance the level of benefit to individuals already eligible under Federal guidelines for SCHIP programs to include dental benefits and track out of pocket expenditures for members of CoverKids.

21) Justification for the Proposed Non-Competitive Amendment :

The Contractor is currently performing this administrative function for the medical and visual benefits under CoverKids and would take on the additional responsibilities for the interface with the third party dental vendor.

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

4/15/08
Date



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

MEMORANDUM

TO: Commissioner M. D. Goetz, Jr.

FROM: Brian Haile *BH*

DATE: April 15, 2008

RE: Amendment for CoverKids to add Responsibilities Associated with the Dental Benefit to CoverKids contract

This is to request a start date for the amendment to the BlueCross BlueShield of Tennessee contract for the addition of responsibilities to develop, implement and maintain the systems and reports necessary to coordinate and report the accumulation of copayment amounts attributable to dental claims. This accumulation is necessary to report an aggregate out-of-pocket maximum amount for members pursuant to the current CoverKids contract agreement. The dental claims amounts are to be provided by a third party dental vendor and this is a post contract benefit change that will require additional one-time administrative work. The amendment is slated to take effect May 1, 2008 with the dental benefit to be in effect as of June 1, 2008.

This request is in advance of 60 days after the receipt of the non-competitive contract amendment request provided to you for your approval.

Thank you for your consideration of this request.



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

RECEIVED

APR 15 2008

FISCAL REVIEW

Laurie Lee
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Brian Haile, Deputy Director of Benefits Administration *BH*

Date: April 15, 2008

RE: Amendment for CoverKids to add Responsibilities Associated with Dental Benefits to CoverKids Program

Please find attached a Non-Competitive Amendment request to add language to the existing contract with BlueCross BlueShield of Tennessee signed by Commissioner Goetz. The modification to the CoverKids contract through this amendment provides for the addition of responsibilities to develop, implement and maintain the systems and reports necessary to coordinate and report the accumulation of copayment amounts attributable to dental claims. This accumulation is necessary to report an aggregate out-of-pocket maximum amount for members pursuant to the current CoverKids contract agreement. The dental claims amounts are to be provided by a third party dental vendor and this is a post contract benefit change that will require additional one-time administrative work. The amendment is slated to take effect May 1, 2008 with the dental benefit to be in effect as of June 1, 2008.

The base contract and all prior amendments are included as is a draft of the amendment created to address the inclusion of responsibilities associated with implementation of the dental benefit for eligible individuals for the CoverKids program.

Thank you for your consideration of this request.

CONTRACT SUMMARY SHEET

021908

RFS #		Contract #	
350.50-045-07		FA-07-20600-03	
State Agency		State Agency Division	
Dept. of Finance and Administration		Benefits Administration	
Contractor Name		Contractor ID # (FEIN or SSN)	
Blue Cross Blue Shield of Tennessee, Inc.		<input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 62-0427913	
Service Description			
To provide administrative services for CoverKids (including the accumulator for the dental out-of-pocket expenses).			
Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
February 13, 2007	December 31, 2009	Vendor	93.767

Mark Each TRUE Statement

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
350.50	200	084	11		
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007	\$1,285,877	\$3,768,670			\$5,054,547
2008	17,284,164	50,656,731			67,940,895
2009	26,365,791	77,273,323			103,639,114
2010	32,648,028	95,685,415			128,333,443
2011	34,233,881	100,333,263			134,567,144
2012	15,382,260	45,082,597			60,464,857
TOTAL:	\$127,200,001	\$372,799,999			\$500,000,000

NOT RELEASED
RECEIVED
 JUN 1 2009
 TO: OCT 22 2008
FISCAL REVIEW

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2007	\$5,054,547	
FY: 2008	\$67,940,895	
FY: 2009	\$103,639,114	
FY: 2010	\$128,333,443	
FY: 2011	\$134,567,144	
FY: 2012	\$60,464,857	
TOTAL:	\$500,000,000.00	
End Date:	Dec. 31, 2009	Dec. 31, 2009

State Agency Fiscal Contact & Telephone #
 Maureen Abbey
 615-741-6070
 26th Floor Tennessee Tower

State Agency Budget Officer Approval

Funding Certification (certification required by T.C.A. § 9-4-51-13 that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)

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

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

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

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

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

RECEIVED

**AMENDMENT NUMBER THREE
TO CONTRACT NUMBER FA-07-20600-00**

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration, Benefits Administration, hereinafter referred to as the "State" and BlueCross BlueShield of Tennessee, 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.6.4. is deleted in its entirety and replaced with the following:

A.6.4 The Contractor shall maintain a year to date calculation of all copayments (including medical and vision services, dental services and prescription drugs) required by Participants, accumulate the amounts by family units and advise the family by letter when the covered members of the family have assumed copayments equal to 5 percent of the allowable family income. The letter will be in a form and substance approved by the State. When the family has reached this threshold, none of the Participants will be responsible for copays for the balance of the calendar year and provider payments shall be adjusted accordingly. The out of pocket limit does not apply to individuals from families with incomes in excess of 250% of the FPL.

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

C.3.c **Administrative Fees.** The administrative fees, set forth herein, shall be used to calculate plan expenses and shall constitute the amount in addition to the Contractor's portion of the excess premium (defined in section C.3.d. below) which the Contractor shall retain from total premiums remitted by the State as the full remuneration for all service under this Contract. The administrative fee amount shall be included in the calculation of the Excess Premium Distribution based on the monthly enrollment for Group One, Group Two and AI/AN Children and the number of Unborn Child premiums earned during the calculation period.

	2007	2008	2009
Administrative Fee (per member per month & per member per benefit period)	\$14.99	\$14.99	\$14.99

3. The following provision is added as Contract Section A.6.5.:

A.6.5 Once the State or the Administrative Contractor has notified the Contractor in writing that a Participant should be terminated as no longer eligible for coverage, Contractor shall update its systems to reflect that change in the Participant's coverage. Contractor shall use its standard commercial process to retroactively terminate Participants' coverage.

A.6.5.1 If Administrative Contractor notifies Contractor of a Participant's termination within three (3) months of the Participant's termination, Contractor will (i) credit the State with any premiums that were paid for that Participant for that time period or (ii) reimburse the Participant (provided that such Participant is a buy-in Participant pursuant to C.3.b. below) for any premiums that were paid by that Participant for that time period.

A.6.5.2 If Administrative Contractor does not notify Contractor of a Participant's termination within three (3) months of the Participant's termination, Contractor will (i) credit the State only for the most recent three (3) month period of premiums that were paid by the State for that Participant's coverage or (ii) reimburse the Participant only for the most recent three (3) month period of premiums that were paid by the Participant for that Participant's coverage.

A.6.5.3 A retroactive termination shall go back to the end of the last full month that the Participant was eligible for coverage, but not more than a total of ninety (90) days from the date of notice from the Administrative Contractor.

A.6.5.4 The Contractor shall use its standard commercial process to attempt to recover claim payments made to providers and/or Participants during the 3 month (or shorter) period for which a Participant was covered but ineligible; however, it is expressly agreed and acknowledged by the parties that any claims paid by Contractor for an ineligible Participant are the sole responsibility of the State.

A.6.5.5 As of September 1 of each year, the Contractor shall calculate the amount of claim payments (i) made during the previous calendar year period to providers or Participants (ii) for which a Participant was covered but ineligible and (iii) which Contractor has been unable to recover. The Contractor shall notify the State of any such unrecovered amount during the subject period on the monthly bill next following such determination, and the State shall pay this amount promptly upon receipt of such notice.

4. The following provision is added as Contract Section C.3.e.:

C.3.e **Accumulation of Co-Payment Amounts.** The parties agree and acknowledge that development, implementation and maintenance of the systems and reports necessary to coordinate and report the accumulation of copayment amounts attributable to dental claims, which accumulation is necessary to report an aggregate out-of-pocket maximum amount for members pursuant to Section A.6.4. of this Contract, and where such dental claim amounts are provided by a third party dental vendor, shall be a post-contract benefit change that requires additional one-time administrative work (the "Dental OOP Additional Administrative Work") for the Contractor. Such Dental OOP Additional Administrative Work includes, without limitation, creating an inbound and outbound interface with the third party dental vendor, exchanging out-of-pocket accumulator data with the third party dental vendor, updating existing claims systems with the dental out-of-pocket applied data, and updates to reporting packages. In exchange for Contractor's provision of the Dental OOP Additional Administrative Work, the State agrees to pay a one-time fee of Forty-nine Thousand Five Hundred and No/100 Dollars (\$49,500.00) for this post-contract benefit change, which amount will be added to the State's monthly bill next following the date of this Amendment.

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

IN WITNESS WHEREOF:

BLUECROSS BLUESHIELD OF TENNESSEE, INC.:

CONTRACTOR SIGNATURE

DATE

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. GOETZ, JR., COMMISSIONER

DATE

APPROVED:

M. D. Goetz JUN 06 2008

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

DATE

John G. Morgan

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY

DATE

6/16/08



**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

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

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, Fiscal Review Committee
Bill Ketron, Chairman, Contract Services Subcommittee

DATE: September 18, 2007

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meeting 9/18/07)

CC
BK

RFS# 350.50-045

Department: Finance & Administration/Insurance Administration

Contractor: BlueCross BlueShield of Tennessee

Summary: This vendor is currently responsible for the provision of fully insured health insurance coverage for the CoverKids Plan. Currently, CoverKids covers only vision screening. The proposed amendment would authorize a therapeutic response when vision deficiencies are identified through vision screenings and revises premium amounts for three categories for calendar year 2008 and 2009. The term of the contract remains the same, effective through December 31, 2009, with the option to extend in one-year increments for a total of five years.

Maximum liability: \$500,000,000 (five-year cost)

Maximum liability with amendment: \$500,000,000 (five-year cost)

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

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



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION

312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Richard Chapman *Richard L. Chapman*

Date: September 11, 2007

RE: Amendment for CoverKids to add Vision Benefit to CoverKids Program

Please find attached a Non-Competitive Amendment request to add language to the existing contract with BlueCross BlueShield of Tennessee signed by Commissioner Goetz. The modification to the CoverKids contract through this amendment provides for the addition of a vision benefit in addition to the vision screenings authorized under the current contract. The amendment is slated to take effect December 1, 2007 with the vision benefit to be in effect as of January 1, 2008. This amendment would authorize a therapeutic response when vision deficiencies are identified through vision screenings.

The base contract and a prior amendment are included as is a draft of the amendment created to address the inclusion of this benefit for eligible individuals for the CoverKids program.

Thank you for your consideration of this request.

RECEIVED

SEP 11 2007

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 #	#350.50-045-07	
2) State Agency Name :	Finance and Administration	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	Adds vision benefit to CoverKids plan	
4) Contractor :	BlueCross BlueShield of Tennessee	
5) Contract #	FA-07-20600-00	
6) Contract Start Date :		February 12, 2007
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :		December 31, 2011
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :		\$500,000,000
PROPOSED AMENDMENT INFORMATION		
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 :		December 31, 2011
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :		\$500,000,000
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 revises the current vision benefit of CoverKids beyond screenings for vision problems and would authorize for therapeutic responses when vision screenings identify the need for additional responses.		
15) Explanation of Need for the Proposed Amendment :		
Currently, the Contractor may provide screenings for vision but are unable to provide a therapeutic response when visual deficiencies		

are identified.

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

BlueCross BlueShield of Tennessee, Inc., 801 Pine Street - 4G, Chattanooga, TN 37402

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 :

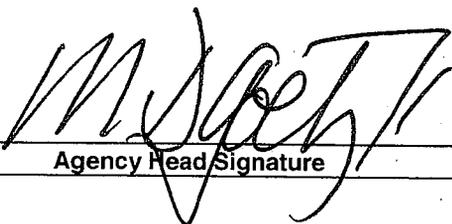
This vendor currently provides a set of fully insured benefits for participants in CoverKids and this amendment serves to enhance the level of benefit to individuals already eligible under Federal guidelines for SCHIP programs to include vision core benefits.

21) Justification for the Proposed Non-Competitive Amendment :

The SCHIP guidelines allow for the enhancement of the current vision benefit for those eligible for this program.

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

CONTRACT SUMMARY SHEET

8-8-05

RFS # 350.50-045-07		Contract # FA-07-20600-02	
State Agency Dept. of Finance and Administration		State Agency Division Division of Insurance Administration	
Contractor Name Blue Cross Blue Shield of Tennessee, Inc.		Contractor ID # (FEIN or SSN) <input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 62-0427913	
Service Description To provide statewide administrative services for the CoverKids program (including a benefit for vision).			
Contract Begin Date February 13, 2007	Contract End Date December 31, 2009	SUBRECIPIENT or VENDOR? Vendor	CFDA # 93.767

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
350.50	200	084	11		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007	\$1,285,877	\$3,768,670			\$5,054,547
2008	17,284,164	50,656,731			67,940,895
2009	26,365,791	77,273,323			103,639,114
2010	32,648,028	95,685,415			128,333,443
2011	34,233,881	100,333,263			134,567,144
2012	15,382,260	45,082,597			60,464,857
TOTAL:	\$127,200,001	\$372,799,999			\$500,000,000

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2007	\$5,054,547	
FY: 2008	\$67,940,895	
FY: 2009	\$103,639,114	
	\$128,333,443	
	\$134,567,144	
	\$60,464,857	
TOTAL:	\$500,000,000.00	
End Date:	Dec. 31, 2009	Dec. 31, 2009

State Agency Fiscal Contact & Telephone #
Maureen Abbey
 20th Floor, Tennessee Tower
 615-741-6070 *MA*

State Agency Budget Officer Approval
Maureen Abbey

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

RECEIVED

AUG 27 2008

Contractor Ownership:

African American Disabled Hispanic Small Business
 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 TWO
TO CONTRACT NUMBER FA-07-20600-00**

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

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

C.3.a. **Premiums.** The State shall remit payment to the Contractor monthly for all services under this Contract, at the premium amounts indicated below, based upon the number of Participants certified by the Administrative Contractor to the Contractor.

	2007	2008	2009
Group One Children (monthly) ¹	\$208.13	\$224.43	\$239.03
Group Two Children (monthly) ²	\$226.43	\$244.23	\$261.23
Unborn Child (benefit period) (current enrollee) ³	\$5,080.00	\$5,320.00	\$5,580.00
Unborn Child (benefit period) ⁴	\$5,490.00	\$5,780.00	\$6,110.00
AI/AN Children (monthly) ⁵	\$ 232.09	\$ 250.23	\$ 267.65
Unborn AI/AN Child (benefit period) ⁶	\$ 5,385.00	\$ 5,640.00	\$ 5,915.00

¹ Group One Children are defined as covered children who are in families with incomes at or above 150 percent of FPL.

² Group Two Children are defined as covered children who are in families with incomes below 150 percent of FPL and therefore subject to reduced copays.

³ Unborn Child (current enrollee) is defined as a female Participant who is enrolled currently in the CoverKids program and who becomes pregnant while enrolled.

⁴ Unborn Child is defined as any pregnant Participant not included in Unborn Child (current enrollee).

⁵ AI/AN Children are defined as covered children who are (a) certified AI/AN and (b) members of families with incomes less than or equal to 250 percent of the FPL, as reported by the Administrative Contractor to the Contractor for the coverage period.

⁶ Unborn AI/AN Child is defined as a female Participant who is reported by the Administrative Contractor as being qualified due to (a) having met the CoverKids income standard, (b) having responsibility for an unborn child, and (c) certification as AI/AN.

- (1) If this Contract is extended pursuant to Section B.2., the following shall apply. For services performed from January 1, 2010, through December 31, 2010, the Contractor shall be compensated based upon the premium amounts fixed in Section C.3, above but adjusted by the percentage increase, if any, between the Medical Care Cost Component of the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics (or its successor index) in December 2009 and that figure published in the same month, 12-months prior.
- (2) If this Contract is extended a second time pursuant to Section B.2., the following shall apply. For services performed from January 1, 2011, through December 31, 2011, the Contractor shall be compensated based upon the premium fixed in Section C.3, above but adjusted by the percentage increase, if any, between the Medical Care Cost Component of the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics (or its successor index) in December 2010 and that figure published in the same month, 12-months prior.

(3) For the purpose of the payment amounts detailed in this Section, the premium for children and for low income children will be payable on a monthly basis for each month of coverage (a month is defined as the first day of a month to the last day of the month) and the benefit period for a pregnant woman will be defined as the 10 days prior to the date of the application through the sixtieth (60th) day following the end of the pregnancy. The payment of the benefit period for the payment of the pregnant woman will be at the end of the pregnancy.

2. The following provision is added as Contract Section A.5.5.3.:

A.5.5.3 Pursuant to Contract Sections A.5.1. and A.5.5., the State hereby approves the addition of vision benefits to the Plan, as more fully set forth in the Member Handbook, which additional vision benefits shall be effective as of January 1, 2008.

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:

BLUECROSS BLUESHIELD OF TENNESSEE, INC.:

 _____
CONTRACTOR SIGNATURE 10/29/07
DATE

Sonya Nelson Vice President of Blue Cross Blue Shield of Tennessee
PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY

DEPARTMENT OF FINANCE AND ADMINISTRATION:

 _____
M. D. GOETZ, JR., CHAIRMAN ^{MOA} _{gc} 11-6-07
DATE

APPROVED:

 _____
M. D. GOETZ, JR., COMMISSIONER NOV 9 2007
DEPARTMENT OF FINANCE AND ADMINISTRATION DATE

 _____
JOHN G. MORGAN, COMPTROLLER OF THE TREASURY 11/14/07
DATE



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

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

Rep. Charles Curtiss, Chairman
Representatives

Curt Cobb 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

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

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, Fiscal Review Committee
Bill Ketron, Chairman, Contract Services Subcommittee

DATE: July 31, 2007

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meeting 7/31/07)

cc
BK

RFS# 350.50-045

Department: Finance & Administration/Insurance Administration

Contractor: BlueCross BlueShield of Tennessee, Inc.

Summary: This vendor is responsible for the provision of health insurance coverage, including customer service, administrative services, claims adjudication, utilization management, maintenance of an appeal process, and disease management services for the CoverKids Plan. The proposed amendment provides for the addition of a category of eligible individuals who are American Indian or Alaska Native. These individuals, already eligible under federal guidelines for SCHIP programs, will be exempt from all cost-sharing requirements.

Maximum liability: \$500,000,000

Maximum liability w/amendment: \$500,000,000

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

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

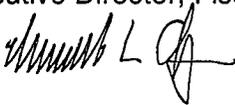
RECEIVED

JUL 13 2007

FISCAL REVIEW

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Richard Chapman 

Date: July 12, 2007

RE: Amendment for CoverKids to add American Indian/Alaska Native Category

Please find attached a Non-Competitive Amendment request to add language to the existing contract with BlueCross BlueShield of Tennessee signed by Commissioner Goetz. The modification to the CoverKids contract through this amendment provides for the addition of a category of eligible individuals who are American Indian or Alaska Native individually or collectively, "AI/AN". Pursuant to the CoverKids State Plan and as required by Federal law, individuals who are AI/AN, as defined by the Indian Health Care Improvement Act of 1976 and certified by the Administrative Contractor, will be exempt from all cost sharing to the extent that such children are covered by SCHIP. The amendment adds this group and details the applicable premium payments for the provision of this service. This amendment is required in order to be in compliance with SCHIP federal regulations.

The base contract is included as is a draft of the amendment created to address the inclusion of this category of eligible individuals for the CoverKids program.

Thank you for your consideration of this request.



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION

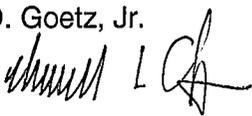
312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

TO: Commissioner M. D. Goetz, Jr.

FROM: Richard Chapman 

DATE: July 11, 2007

RE: Amendment for CoverKids to add American Indian/Alaska Native Category

This is to request a start date for the amendment to the BlueCross BlueShield of Tennessee contract for administration of the CoverKids plan to add a category of eligible individuals who are American Indian or Alaska Native individually or collectively, "AI/AN". Pursuant to the CoverKids State Plan and as required by Federal law, individuals who are AI/AN, as defined by the Indian Health Care Improvement Act of 1976 and certified by the Administrative Contractor, will be exempt from all cost sharing to the extent that such children are covered by SCHIP. The amendment adds this group and details the applicable premium payments. This amendment is required in order to be in compliance with SCHIP federal regulations.

This request is in advance of 60 days after the receipt of the non-competitive contract amendment request provided to you for your approval.

Thank you for your consideration of this request.

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration

Date:

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

1) RFS #	#350.50-045-07	
2) State Agency Name :	Finance and Administration	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	Adds American Indian and Alaska Native to CoverKids plan	
4) Contractor :	BlueCross BlueShield of Tennessee	
5) Contract #	FA-07-20600-00	
6) Contract Start Date :	February 12, 2007	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2011	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$500,000,000	
PROPOSED AMENDMENT INFORMATION		
9) <u>Proposed</u> Amendment #	# 1	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	June 1, 2007	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2011	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$500,000,000	
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 :		
Pursuant to the CoverKids State Plan and as required by Federal law, this amendment addresses the exemption from all cost sharing for American Indian and Alaska Native individuals as defined by the Indian Health Care Improvement Act of 1976 under SCHIP.		
15) Explanation of Need for the Proposed Amendment :		
This amendment is necessary to bring the CoverKids program into complete compliance with Federal requirements regarding this		

group of individuals and SCHIP cost sharing exemptions.

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

BlueCross BlueShield of Tennessee, Inc., 801 Pine Street - 4G, Chattanooga, TN 37402

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 vendor currently provides the services for CoverKids and this amendment serves to add a category of individuals already eligible under Federal guidelines for SCHIP programs.

21) Justification for the Proposed Non-Competitive Amendment :

The SCHIP guidelines mandate this exemption regarding cost sharing in order for the state to be eligible for Federal financial assistance.

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

2/9/07

Date

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

8-8-05

RFS # 350.50-045-07	Contract # FA-07-20600-01
State Agency Dept. of Finance and Administration	State Agency Division Division of Insurance Administration
Contractor Name Blue Cross Blue Shield of Tennessee, Inc.	Contractor ID # (FEIN or SSN) <input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 62-0427913

Service Description
To provide statewide administrative services for the CoverKids program.

Contract Begin Date February 13, 2007	Contract End Date December 31, 2009	SUBRECIPIENT or VENDOR? Vendor	CFDA # 93.767
---	---	--	-------------------------

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
350.50	200	084	11		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007	\$1,285,877	\$3,768,670			\$5,054,547
2008	17,284,164	50,656,731	RELEASED TO ACCOUNTS DIVISION		67,940,895
2009	26,365,791	77,273,323	AUG 20 2007		103,639,114
2010	32,648,028	95,685,415	BY OFFICE OF CONTRACTS REVIEW		128,333,443
2011	34,233,881	100,333,263			134,567,144
2012	15,382,260	45,082,597			60,464,857
TOTAL	\$127,200,001	\$372,799,999			\$500,000,000

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2007	\$5,054,547	
FY: 2008	\$67,940,895	
FY: 2009	\$103,639,114	
	\$128,333,443	
	\$134,567,144	
	\$60,464,857	
TOTAL:	\$500,000,000.00	
End Date:	Dec. 31, 2009	Dec. 31, 2009

State Agency Fiscal Contact & Telephone #
Maureen Abbey
20th Floor, Tennessee Tower
615-741-6070 *MA*

State Agency Budget Officer Approval
[Signature]

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

RECEIVED

AUG 30 2007

FISCAL REVIEW

**AMENDMENT ONE
TO CONTRACT NUMBER FA-07-20600-00**

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

1. Delete Section A., first five un-numbered paragraphs of the Scope of Services only, in its entirety and insert the following in its place:

A SCOPE OF SERVICES

The Contractor agrees to provide fully insured coverage, based upon the benefits provided for in the CoverKids Member Handbook, and the Contractor's medical necessity, utilization management and case management criteria to Participants. Contractor shall adhere to its standard administrative policies and procedures, including without limitation medical policies, claims administration procedures, provider reimbursement practices and grievance procedures, in administering its fully insured coverage. The State shall be the Contract holder, and the persons covered through the CoverKids program shall be Participants, who receive descriptions of the coverage in a Member Handbook (MH). When used in this Contract, the term "Member" shall have the same meaning as the term "Participant."

Participants are defined as:

Group One Children: Enrollees who are members of families with incomes between 150 percent and 250 percent of the Federal Poverty Level (FPL) as reported by the Administrative Contractor to the Contractor for the coverage period. Also included in this group are children from families with incomes greater than 250% of FPL and who pay monthly premiums.

Group Two Children: Enrollees who are members of families below 150 percent of FPL as reported by the Administrative Contractor to the Contractor for the coverage period.

Pregnant women for unborn children: Enrollees reported by the Administrative Contractor as being qualified due to having met the CoverKids income standard and having responsibility for an unborn child. Also included in this category are female enrollees, regardless of income, in the State's CoverTN program who become pregnant while enrolled in such coverage. Further included in this category are pregnant women who access coverage for their unborn children through the payment of a one-time premium (from CoverKids' families with incomes in excess of 250% of FPL).

AI/AN¹ Children: Enrollees who are (a) certified AI/AN and (b) members of families with incomes less than or equal to 250 percent of the FPL, as reported by the Administrative Contractor to the Contractor for the coverage period.

Pregnant AI/AN women for unborn children: Enrollees reported by the Administrative Contractor as being qualified due to (a) having met the CoverKids income standard, (b) having responsibility for an unborn child, and (c) certification as AI/AN.

¹ Pursuant to the CoverKids State Plan and as required by Federal law, American Indian and Alaska Native individuals (individually or collectively, "AI/AN"), as defined by the Indian Health Care Improvement Act of 1976 and certified by the Administrative Contractor, will be exempt from all cost sharing to the extent that such children are covered by SCHIP.

2. Delete Section C.3.a. in its entirety and insert the following in its place:

C.3.a. **Premiums.** The State shall remit payment to the Contractor monthly for all services under this Contract, at the premium amounts indicated below, based upon the number of Participants certified by the Administrative Contractor to the Contractor.

	2007	2008	2009
Group One Children (monthly) ¹	\$208.13	\$220.23	\$234.73
Group Two Children (monthly) ²	\$226.43	\$240.03	\$256.93
Unborn Child (benefit period) (current enrollee) ³	\$5,080.00	\$5,320.00	\$5,580.00
Unborn Child (benefit period) ⁴	\$5,490.00	\$5,780.00	\$6,110.00
AI/AN Children (monthly) ⁵	\$ 232.09	\$ 246.03	\$ 263.35
Unborn AI/AN Child (benefit period) ⁶	\$ 5,385.00	\$ 5,640.00	\$ 5,915.00

¹ Group One Children are defined as covered children who are in families with incomes at or above 150 percent of FPL.

² Group Two Children are defined as covered children who are in families with incomes below 150 percent of FPL and therefore subject to reduced copays.

³ Unborn Child (current enrollee) is defined as a female Participant who is enrolled currently in the CoverKids program and who becomes pregnant while enrolled.

⁴ Unborn Child is defined as any pregnant Participant not included in Unborn Child (current enrollee).

⁵ AI/AN Children are defined as covered children who are (a) certified AI/AN and (b) members of families with incomes less than or equal to 250 percent of the FPL, as reported by the Administrative Contractor to the Contractor for the coverage period.

⁶ Unborn AI/AN Child is defined as a female Participant who is reported by the Administrative Contractor as being qualified due to (a) having met the CoverKids income standard, (b) having responsibility for an unborn child, and (c) certification as AI/AN.

- (1) If this Contract is extended pursuant to Section B.2., the following shall apply. For services performed from January 1, 2010, through December 31, 2010, the Contractor shall be compensated based upon the premium amounts fixed in Section C.3, above but adjusted by the percentage increase, if any, between the Medical Care Cost Component of the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics (or its successor index) in December 2009 and that figure published in the same month, 12-months prior.
- (2) If this Contract is extended a second time pursuant to Section B.2., the following shall apply. For services performed from January 1, 2011, through December 31, 2011, the Contractor shall be compensated based upon the premium fixed in Section C.3, above but adjusted by the percentage increase, if any, between the Medical Care Cost Component of the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics (or its successor index) in December 2010 and that figure published in the same month, 12-months prior.
- (3) For the purpose of the payment amounts detailed in this Section, the premium for children and for low income children will be payable on a monthly basis for each month of coverage (a month is defined as the first day of a month to the last day of the month) and the benefit period for a pregnant woman will be defined as the 10 days prior to the date of the application through the sixtieth (60th) day following the delivery. The payment of the benefit period for the payment of the pregnant woman will be triggered by the birth of the child.

The parties agree and acknowledge that the addition of the AI/AN benefit plans shall be a post-contract benefit change that requires additional one-time administrative work (the "Additional Administrative Work") for the Contractor. Such Additional Administrative Work includes, without limitation, a new configuration plan, the creation of new benefit plans on the system, the drafting of a new Benefit Schedule for AI/AN to be included in the Member Handbook, development and issuance of new member ID cards, development of a new premium, updates to the billing system and updates to reporting packages. In exchange for Contract's provision of the Additional Administrative Work, the State agrees to pay a one-time fee of Fourteen Thousand Dollars (\$14,000.00), which amount will be added to the State's monthly bill next following the date of this Amendment.

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

IN WITNESS WHEREOF:

BLUECROSS BLUESHIELD OF TENNESSEE, INC.:

Ronald E. Harr 8-8-07
RONALD E. HARR, SENIOR VICE PRESIDENT DATE

Ronald E. Harr, Sr. Vice President
PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. Goetz Jr. 8-10-07
M. D. GOETZ, JR., COMMISSIONER ^{MDA} DATE

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

PER AUTHORIZED SIGNATURE ABOVE AUG 16 2007
M. D. Goetz Jr.
M. D. GOETZ, JR., COMMISSIONER DATE

COMPTROLLER OF THE TREASURY:

John G. Morgan 8-17-07
JOHN G. MORGAN, COMPTROLLER OF THE TREASURY DATE

CONTRACT SUMMARY SHEET

RFS # **350.40-044-07** ² **350.50-045-07** ^{APR} Contract # **FA-07-20600-00**

State Agency **DEPT. OF FINANCE AND ADMINISTRATION** State Agency Division **DIVISION OF INSURANCE ADMINISTRATION**

Contractor Name **Blue Cross Blue Shield of Tennessee, Inc.** Contractor ID # (FEIN or SSN) **62-0427913-01**

Service Description **To provide statewide administrative services for the CoverKids program.**

C- or V-

Contract Begin Date **February 13, 2007** Contract End Date **December 31, 2009** SUBRECIPIENT or VENDOR? **Vendor** CFDA # **93.767**

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
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2012	15,382,260	45,082,597			60,464,857
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— COMPLETE FOR AMENDMENTS ONLY —

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

State Agency Fiscal Contact & Telephone #

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

State Agency Budget Officer Approval

Maureen Abbey

Funding Certification (certification required by T.C.A., §9-4-5-13, 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)

M. S. Gentry

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

4-18-07

**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION
AND
BLUECROSS BLUESHIELD OF TENNESSEE, INC.**

This Contract, by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the "State" and BlueCross BlueShield of Tennessee, Inc., its successors and permitted assigns, hereinafter referred to as the "Contractor," is for the provision of fully insured health insurance coverage, including customer service, administrative services, claims adjudication, utilization management, case management, care management, maintain an appeal process, disease management services, and development and maintenance of a statewide provider network for the Tennessee CoverKids Plan; and as further defined in the "SCOPE OF SERVICES."

The Contractor is a not for profit corporation.

The Contractor's address is:

BlueCross BlueShield of Tennessee, Inc.
801 Pine Street – 4G
Chattanooga, TN 37402

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

The Contractor's Federal Employee Tax Identification Number is 62-0427913.

A SCOPE OF SERVICES

The Contractor agrees to provide fully insured coverage, based upon the benefits provided for in the CoverKids Member Handbook, and the Contractor's medical necessity, utilization management and case management criteria to Participants. Contractor shall adhere to its standard administrative policies and procedures, including without limitation medical policies, claims administration procedures, provider reimbursement practices and grievance procedures, in administering its fully insured coverage. The State shall be the Contract holder, and the persons covered through the CoverKids program shall be Participants, who receive descriptions of the coverage in a Member Handbook (MH). When used in this Contract, the term "Member" shall have the same meaning as the term "Participant."

Participants are defined as:

Group One Children: Enrollees who are members of families with incomes between 150 percent and 250 percent of the Federal Poverty Level (FPL) as reported by the Administrative Contractor to the Contractor for the coverage period. Also included in this group are children from families with incomes greater than 250% of FPL and who pay monthly premiums.

Group Two Children: Enrollees who are members of families below 150 percent of FPL as reported by the Administrative Contractor to the Contractor for the coverage period.

Pregnant women for unborn children: Enrollees reported by the Administrative Contractor as being qualified due to having met the CoverKids income standard and having responsibility for an unborn child. Also included in this category are female enrollees, regardless of income, in the State's CoverTN program who become pregnant while enrolled in such coverage. Further included in this category are pregnant women who access coverage for their unborn children through the payment of a one-time premium (from CoverKids' families with incomes in excess of 250% of FPL).

A.1 PROVIDER NETWORK

- A.1.1 The Contractor shall maintain and administer a Plan provider network covering the entire State of Tennessee service area, for Participants, 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 When requested by the State, the Contractor shall, within 10 business days and in writing, report to the State any actions it intends to take to correct any deficiencies in network access, as further described in Section A.9.5.
- A.1.2 The Contractor shall maintain a network of specialized providers (Centers of Excellence) for the provision of service of high cost/high risk and specialization. Centers of Excellence criteria for provider inclusion within the network shall be based on price, quantity, quality, and patient outcome, as described in the Contractor's Proposal. The Contractor shall also develop specific criteria for Centers of Excellence referrals and follow-up.
- A.1.3 The Contractor shall report to the State within five working days of the end of each Contract quarter (the "Quarterly Network Changes Update Report") 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.
- A.1.4 The Contractor cannot take action to disenroll network primary care providers or hospital providers for one (1) year beginning each January 1, 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; Participant 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.1.5 The Contractor, following review and approval by the State, shall, upon enrollment, print and distribute to Participants' homes benefits information (Member Handbooks, or "MH") and provider directories. The MH must describe and outline CoverKids benefits and exclusions. The Contractor's provider directories must be state specific and describe and outline the Contractor's network of providers and its Drug Formulary. Distribution shall be made to every Participant. 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 Member Handbooks, provider directories and drug formularies shall be updated and distributed to Participants' homes following Contractor's standard procedures. A distribution to all Participants may be directed by the State and executed by the Contractor, but no more frequently than annually. The costs associated with printing and distribution of items described in this subsection are the sole responsibility of the Contractor. Upon mutual agreement of the State and the Contractor, electronic means may be utilized to inform Participants of the network of providers.
- A.1.6 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 an up-to-date Internet based directory of providers that includes provider search capability.

- A.1.7 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.1.8 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 a quality, efficient and effective network of providers.
- A.1.9 The Contractor shall notify all network providers of and enforce compliance with all provisions relating to utilization management, care management, and case management procedures, and other services as required for participation in the provider network.
- A.1.10 The Contractor shall require all network providers to file claims associated with their services directly with the Contractor on behalf of Participants.
- A.1.11 The Contractor shall identify and sanction network providers who establish a pattern of referral to non-network providers.
- A.1.12 The Contractor will provide Participants access to providers outside Tennessee, in certain situations, through the BlueCard PPO Program. This program is described in Contract Attachment G, BlueCard PPO Program.

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

- A.2.1 The Contractor shall provide a medical and care management system designed to help individual Participants 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 Participants in need of inpatient care. The following services must be provided:
- Identification of 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 patients' physicians. The concurrent review process will review the continued hospitalization of patients and identify medical necessity for stays, as well as available alternatives.
 - Discharge planning, providing a process by which medical management staff work with the hospital, patients' physicians, 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.
 - 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 criteria for pre-admission testing and 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 consultation.
- A.2.3 The Contractor shall maintain a case management/care management program for Participants, utilizing procedures and criteria to prospectively and retrospectively identify Participants 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 Participant (wellness information through catastrophic case management). Annually, the Contractor shall provide a written report that demonstrates the effectiveness of these programs as determined through valid and reliable measures of cost, quality and outcomes. 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.2.3.1 The Contractor shall, upon cancellation or termination of the Contract for any reason, submit to the State a roster of Participants who are, at the date termination is effective, receiving Care or Case Management services, together with all the identifying information and conditions that make the Participants' care appropriate for case management.
- A.2.4 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.

The Contractor's CoverKids medical and case management services must be accredited by either the National Committee for Quality Assurance (NCQA) or the Joint Commission on Accreditation of Health Care Organizations (JCAHO) or Utilization Review Accreditation Commission (URAC). If such accreditation is through NCQA, the Contractor shall annually submit to the State its HEDIS (Health Plan Employer Data and Information Set) report card.

- A.2.5 The Contractor, in consultation with the State, shall have in place on the Contract effective date disease management programs, acceptable to the State, for the following chronic conditions: diabetes and asthma. In addition, the Contractor shall provide a program for high-risk pregnancies. The Contractor shall provide these disease management programs to optimize the health status of Participants therefore reducing the need for high cost medical intervention. The State reserves the right to review and comment on these programs. Failure to provide programs that meet the State's minimum standards will result in an assessment against the Contractor for payment to the State in the amount of \$75,000 for each program of each year of the Contract term in which the Contractor fails to provide disease management programs meeting the minimum standards. At a minimum, each disease management program shall contain the following program components:
- A Population identification process;
 - Evidence-based practice guidelines;
 - Collaborative practice models to include physician and support service providers;
 - Patient self-management education (may include primary prevention, behavior modification programs, compliance/surveillance);
 - Process and outcomes measurement, evaluation, and management; and

- Routine reporting/feedback loop (may include communication with patient, physician, health plan and ancillary providers, and practice profiling).

A.2.5.1 The Contractor shall provide for each disease management program an evaluation methodology that is statistically valid and designed to measure program impact on health status, utilization of medical and pharmacy services and impact on the cost of care for the Participants identified with the chronic condition. The evaluation methodology must be reviewed and approved by the State and its' benefits consultant.

A.2.5.2 The Contractor shall provide a written report to the State, no less than semiannually, detailing Participant participation in each disease management program, and in addition, a written report to the State, no less than annually, with the results of the program evaluation referenced in A.2.5.1.

A.2.5.3 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 demonstrated the ability to improve the health status of Participants and effectiveness and quality of care delivered. The State acknowledges that there may be additional costs associated with adding disease or other care management programs.

A.2.5.4 To assure continuity of care, the Contractor shall, upon cancellation or termination of the Contract for any reason, submit to the State a roster of Participants who are, at the date termination is effective, receiving disease management services, together with all the identifying information and conditions that make the Participants' enrollment in the specified disease management program appropriate.

A.3 PHARMACY

The Contractor shall provide a retail and mail order pharmacy program which meets all criteria necessary to provide the benefits in the Member Handbook.

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

- Provide qualified licensed pharmacy personnel and actuarial input to assist the State in the analysis of the pharmacy program, its benefits, 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 written reviews of pharmacy network adequacy, Plan performance, service levels and other factors that focus on managing pharmacy benefit cost.

A.3.2 Retail Network – the Contractor shall:

- Provide a network with Participant access to retail pharmacies, which contractually agree through point-of-sale electronic transmission to verify eligibility, submit Participant 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.
- Maintain a pharmacy audit program in order to ensure pharmacy compliance with the program.
- 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
- 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 the member, as required by mail order pharmacy policy.

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 Participant consultations with a registered pharmacist.
- Provide a pharmacy claims appeal process.

- Provide a web site for Participants 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 Participants to access their pharmacy claims.
- A.3.4 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 Participants no less than 30 days prior to change implementation date, unless, a shorter notification time is mutually agreed to by the Contractor and State. The State shall not unreasonably withhold its consent.
 - 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 Participants 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 Participant, and pharmacist and nursing support.
 - Have the ability to lock a Participant suspected of abusing the system into just one network pharmacy.
- A.3.5 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 savings resulting from substituting a costlier drug with a lower cost medically appropriate alternative drug.
 - 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 Participants. Results of the program should be reported to the State on an annual basis.
 - Maintain a communication plan by which notification will be made to affected Participants when the most frequently utilized brand name medications lose their patent classification and become available as a generic equivalent.
- A.3.6 Remit to the State no less than quarterly a check for all pharmacy rebates on behalf of the State due to the use of pharmaceuticals by members of the CoverKids plan for the rebates accrued during the claim period ending six months prior to the rebate payment date.
- A.3.7 Pharmacy Program Audit – the Contractor shall, 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, 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.

A.4 **BEHAVIORAL HEALTH**

The Contractor shall maintain the ability to provide for the specialized review of treatment proposals for the provision of services for the treatment of behavioral health, mental health and substance abuse patients. This capability shall include the ability to:

- Review proposed treatment plans
- Refer to a specialty provider network
- Provide case and care management services to Participants and treatment providers
- Work actively with Community Mental Health Centers to enlist that resource as a set of network providers.
- Assist in the co-management of medical and behavioral health and substance abuse cases.

A.4.1 Services provided by primary care pediatricians for the treatment and diagnosis of behavioral health issues for Participants as recommended by the American Academy of Pediatrics shall be reimbursed at the applicable rates.

A.5 **CLAIMS PROCESSING**

A.5.1 The Contractor shall process all medical claims in strict accordance with the CoverKids Member Handbook, and its clarifications and revisions. The Contractor may not modify these benefits during the term of this Contract without the approval of the State, which approval shall not unreasonably be withheld.

A.5.1.1 Upon agreement of the parties, the Contractor shall modify its benefits administration system to reflect approved Plan benefit amendments (new, changed, or cancelled) within 30 days of the parties mutual agreement of the amendments. Should said benefit amendment(s) not be effective within 30 days, the Contractor shall have until the effective date of the amendment to modify its benefits administration system.

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 The Contractor shall 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 this Contract and meets the privacy and security requirements of HIPAA. The Contractor must maintain its 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 secure 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's Administrative Contractor, 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).
- A.5.5 The State shall establish all Plan benefits, and have the right to approve the Member Handbooks. Said approval shall not unreasonably be withheld. Should the Contractor have a question on benefit design, 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 determinations.
- A.5.5.1 The State shall have responsibility for and authority to clarify and/or revise the benefits available through CoverKids, but these must be agreed to by Contractor, since the coverage is insured coverage. 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 in the Member Handbook or are not clear, the Contractor shall utilize its internal administrative policies and procedures in adjudicating claims.
- A.5.5.2 The Contractor shall, when processing/adjudicating claims, employ its medical necessity guidelines to the extent that those guidelines do not conflict with or limit the provisions as outlined in the CoverKids Member Handbook.
- 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 Participant; 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 calendar days from receipt of the new enrollment or change in enrollment data.
- A.5.7 The Contractor shall institute its standard subrogation recovery program for insured products.
- A.5.8 To ensure coordination between the State and Contractor regarding Medicare Secondary Payer (MSP) claims issues, the Contractor shall resolve within 31 calendar days issues communicated by the State to the Contractor.
- A.5.9 The Contractor shall determine eligible expenses which are medically necessary. The Contractor must have on staff qualified and licensed medical personnel whose primary duties are to follow Contractor's standard procedures for determining both prospectively and retroactively the medical necessity of treatments and their associated claims.
- A.5.10 The Contractor shall have a process in place for determining experimental and investigational procedures and services, and shall provide to the State within fifteen (15) calendar days of Contract implementation detailed information on the Contractor's process for determining experimental/investigational procedures and services.
- A.5.11 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 with no additional administrative cost to the State.
- A.5.12 The State shall assist Contractor in identifying fraud and performing fraud investigations of Participants and providers for the purpose of recovery of overpayments due to fraud. 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 Office of the Inspector General. Additionally, the Contractor will assist the State in identifying fraud and performing fraud investigations with Participants and providers.

A.6 CLAIMS PAYMENT AND RECONCILIATION PROCESS

- A.6.1 Contractor shall follow its standard administrative procedure in adjudicating and funding claims reimbursements to providers.
- A.6.2 The State will not hold the Contractor responsible for premium payments caused by the State's errors, errors committed by the Administrative Contractor 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.6.3 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. 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.
- A.6.4 The Contractor shall maintain a year to date calculation of all copayments required by Participants, accumulate the amounts by family units and advise the family by letter when the covered members of the family have assumed copayments equal to 5 percent of the allowable family income. The letter will be in a form and substance approved by the State. When the family has reached this threshold, none of the Participants will be responsible for copays for the balance of the calendar year and provider payments shall be adjusted accordingly. The out of pocket limit does not apply to individuals from families with incomes in excess of 250% of the FPL.

A.7 PREMIUM BILLING AND COLLECTION

- A.7.1 The Contractor shall be capable of collecting the appropriate premium amounts from Participants. Not all Participants are required to remit premiums; this is described in the MH.
- A.7.2 The Contractor shall maintain accurate records of earned and unearned premiums received and premium refunds.
- A.7.3 The Contractor shall send billing statements to Participants at their home address and collect all premium payments (whether monthly or benefit period) in a time and manner consistent with its standard administrative procedures.
- A.7.4 The Contractor shall implement a notification process concerning premiums due on a monthly basis and a process to suspend and subsequently terminate coverage for individuals who fail to pay premiums in a timely fashion. The process shall assure that:
- Premium billings are consistently generated on a date agreed upon by the State,
 - Premiums are due from members by the 1st day of each month of Participant coverage, unless mutually agreed upon by the Contractor and the State,
 - Medical benefit payments are suspended when Participants fail to pay premiums by the due date designated,
 - Pharmacy payments are suspended concurrent with the Contractor's standard corporate processes when Participants fail to pay premiums by the due date designated,
 - Participants who do not remit premium payment in accordance with payment policies are promptly terminated effective to the last date for which premiums were paid, and
 - There is a reinstatement policy in place for Participants who were terminated from CoverKids coverage due to failure to pay premiums on a timely basis, subject to approval by the State.

- The State may require no greater than four (4) notifications for the proper administration of premium payments and collection.

A.8 CUSTOMER AND ADMINISTRATIVE SERVICES

- A.8.1 The Contractor shall maintain a full service staff to respond to inquiries, correspondence, complaints, and problems, and to assist with meetings with Participants. 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 CoverKids plan, its clarifications and revisions.
- A.8.2 The State shall consult with Contractor on proposed revisions to the CoverKids benefits. When so requested, the Contractor shall provide information regarding:
- 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.8.3 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. The Contractor's appeal process shall meet the standards set out in Section 56-32-210, Tennessee Code Annotated.
- A.8.4 The State appeals process is available to Participants after the Contractor's appeal process has been exhausted. The Contractor shall have the appropriate qualified professionals available to participate in the State appeal process and to be available to personally attend the State appeals meetings when requested by the State. The Contractor shall include a pediatrician in the appeals process for CoverKids. The Contractor shall have a qualified individual available to provide support to the State Appeals Coordinator in the research and development of appeals.
- A.8.4.1 Should the State override the Contractor's decision in an appeal, and mandate benefits that are not covered in the MH, the State shall directly fund the costs of those benefits and reimburse the Contractor for the costs.
- A.8.5 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.8.6 The Contractor shall maintain statewide, toll-free phone lines manned by qualified benefit specialists and for the exclusive purpose of handling inquiries from Participants.
- A.8.7 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.8.8 The parties shall meet periodically, but no less than quarterly, to discuss any problems and/or progress on matters outlined by either party.

- A.8.8.1 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 advice, assistance and information to the State regarding applicable existing and proposed Federal and State laws and regulations affecting managed care entities.
- A.8.8.2 The State shall have in attendance, when requested by the Contractor, a Program Director and representatives from its organizational units required to respond to topics indicated by the State's agenda.
- A.8.9 The Contractor shall assist the State, if requested, in the education and dissemination of information regarding the CoverKids Plan operations. 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.8.10 The Contractor shall, in consultation with and following approval by the State, print and distribute all Member Handbooks, identification cards, provider directories, letters, administrative forms and manuals pertaining to or sent to Participants. Additionally, the Contractor must develop and print Member Handbooks detailing the benefits, procedures for accessing services, and other information helpful to Participants. The MH shall be mailed to the Participant's home address.

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 MHs, provider directories, 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.8.11 If the Contractor maintains State-dedicated Internet pages, it shall provide up to date information concerning plan benefits, the drug formulary and the provider networks. 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, Participants, and providers.
- A.8.12 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.8.13 The Contractor shall meet and confer at least twice each calendar year with representatives of the children's hospitals in the State and, separately, with Pediatric Independent Practice Association representatives and representatives of the Tennessee Pediatricians Association to discuss plan operations and network participation issues. The State shall be provided an opportunity to attend and observe the Contractor's sessions.

A.8.14 The Contractor shall conduct a provider satisfaction survey of physicians and hospitals, following approval by the State of the form, content and proposed administration of the survey, each October or November and report the results to the State by January 30 of the following year.

A.9 DATA AND SPECIFIC REPORTING REQUIREMENTS

The Contractor shall:

A.9.1 Maintain an electronic data interface with the CoverKids Administrative Contractor for the purpose of accessing enrollment information. The Contractor is responsible for equipping itself with the hardware and software necessary for achieving and maintaining access.

A.9.1.1 Notwithstanding the requirement to maintain enrollment data, the Contractor is not authorized to initiate data changes to the system without the State's approval. This prohibition shall include, but not necessarily be limited to: initiation, termination, and/or changes of coverage.

A.9.2 Maintain, in its computer system, in-force enrollment records of all Participants.

A.9.3 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.9.4 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.9.5 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.

A.9.6 The Contractor is required to transmit plan enrollment data monthly and medical and prescription drug claims quarterly 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 Attachment E. The Contractor shall ensure that all claims processed for payment have valid provider identifications and complete ICD-9 and CPT4 codes (and when applicable, updated versions).

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 Attachment E 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 format 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.

- A.9.7 The Contractor shall participate and cooperate with the State to implement a secure, web-accessible community health record (CHR) for Participants. Cooperation shall include, but may not be limited to, the provision of encounter/results data directly to an authorized CHR vendor in a time and manner approved by the State and consistent with the requirements of the CHR vendor and an executed Business Associates Agreement between the Contractor and the CHR vendor. The Contractor shall require subcontractors and providers to participate and cooperate with the State and/or a CHR vendor.

A.10 **SUBMIT MANAGEMENT REPORTS**

The Contractor shall submit Management Reports in a mutually agreeable electronic format (MSWord, MSEXcel, etc.), 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.

The Contractor shall also generate and submit to the State, within five working days of the end of each Contract quarter, a Quarterly Network Changes Report (see Section A.1.3), also in electronic format.

A.11 **SERVICES PROVIDED BY THE STATE**

- A.11.1 The State shall through an Administrative Contractor provide enrollment records. These records shall include changes in the status of Participants. The Contractor's computer system shall be compatible or have the capability to utilize the enrollment information provided by the Administrative Contractor, in the State's proprietary transaction formats.

- A.11.2 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 Contract Term. This Contract shall be effective for the period commencing on February 13, 2007 and ending on December 31, 2009. The State shall have no obligation for services rendered by the Contractor, which are not performed within the specified 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 Five Hundred Million Dollars (\$500,000,000.00). 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.

C.2 Compensation Firm. The Service Rates and the Maximum Liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.

C.3 Payment Methodology. The Contractor shall be compensated based on the Service Rates herein for 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 or project milestones defined in Section A. The Contractor shall be compensated based upon the following rates:

a. **Premiums.** The State shall remit payment to the Contractor monthly for all services under this Contract, at the premium amounts indicated below, based upon the number of Participants certified by the Administrative Contractor to the Contractor.

	2007	2008	2009
Group One Children (monthly) ¹	\$208.13	\$220.23	\$234.73
Group Two Children (monthly) ²	\$226.43	\$240.03	\$256.93
Unborn Child (benefit period) (current enrollee) ³	\$5,080.00	\$5,320.00	\$5,580.00
Unborn Child (benefit period) ⁴	\$5,490.00	\$5,780.00	\$6,110.00

¹ Group One Children are defined as covered children who are in families with incomes at or above 150 percent of FPL.

² Group Two Children are defined as covered children who are in families with incomes below 150 percent of FPL and therefore subject to reduced copays.

³ Unborn Child (current enrollee) is defined as a female Participant who is enrolled currently in the CoverKids program and who becomes pregnant while enrolled.

⁴ Unborn Child is defined as any pregnant Participant not included in Unborn Child (current enrollee).

(1) If this Contract is extended pursuant to Section B.2., the following shall apply. For services performed from January 1, 2010, through December 31, 2010, the Contractor shall be compensated based upon the premium amounts fixed in Section C.3, above but adjusted by the percentage increase, if any, between the Medical Care Cost Component of the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics (or its successor index) in December 2009 and that figure published in the same month, 12-months prior.

- (2) If this Contract is extended a second time pursuant to Section B.2., the following shall apply. For services performed from January 1, 2011, through December 31, 2011, the Contractor shall be compensated based upon the premium fixed in Section C.3, above but adjusted by the percentage increase, if any, between the Medical Care Cost Component of the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics (or its successor index) in December 2010 and that figure published in the same month, 12-months prior.
- (3) For the purpose of the payment amounts detailed in this Section, the premium for children and for low income children will be payable on a monthly basis for each month of coverage (a month is defined as the first day of a month to the last day of the month) and the benefit period for a pregnant woman will be defined as the 10 days prior to the date of the application through the sixtieth (60th) day following the delivery. The payment of the benefit period for the payment of the pregnant woman will be triggered by the birth of the child.

b. **Participant Premiums.** For pregnant women from families with incomes above 250% of the FPL who "buy-in" to CoverKids coverage, the Participant shall remit a one-time premium payment to the Contractor for all services under this Contract, at the applicable premium amount indicated above in Section C.3 (a). The benefit period for a pregnant woman will be defined as the 10 days prior to the date of the application through the sixtieth (60th) day following the delivery. The Contractor shall bill the Participant pursuant to Section A.7.3 of this Contract. The billing by Contractor and payment by the Participant of the one-time benefit period premium for such a Participant will be triggered by certification to the Contractor by the Administrative Contractor of such Participant's eligibility for the program. The Participant's failure to remit the premium will preclude coverage from beginning.

c. **Administrative Fees.** The administrative fees, set forth herein, shall be used to calculate plan expenses and shall constitute the amount, in addition to the Contractor's portion of the excess premium (defined in section C.3.c. below) which the Contractor shall retain from total premiums remitted by the State as the full remuneration for all service under this Contract. The administrative fee amount shall be included in the calculation of the Excess Premium Distribution based on the monthly enrollment for Group One and Group Two Children and the number of Unborn Child premiums earned during the calculation period.

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	2007	2008	2009
Administrative Fee (per member per month & per member per benefit period)	\$14.99	\$14.99	\$14.99

d. **Excess Premium Distribution.** At the end of the 13 month period following the first day of each calendar year, the Contractor shall calculate the plan expenses for the prior calendar year. Plan expenses shall be comprised of the sum of paid benefits and the total administrative fee amount earned (the basis for which is detailed in C.3.b) during the subject period. The plan expenses will be compared to the total aggregate premium amount payable during the same period to determine the difference. If the plan expenses are less than the total aggregate premium amount during the subject period, the amount of the difference shall be deemed the "excess premium." Within 15 days of the State's acceptance of the above-referenced calculations, the Contractor shall remit to the State the appropriate portion of the "excess premium" pursuant to the following schedule:

C.3.c
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Excess Premium As Portion Of	Contractor Share of	State Share of
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Claims Payments and Administrative Fees	Excess Amount	Excess Amount
For the first 2% of plan expenses	50%	50%
Between 2% and 5% of plan expenses	40%	60%
Between 5% and 7% of plan expenses	25%	75%
Between 7% and 10% of plan expenses	10%	90%
Above 10% of plan expenses	0%	100%

NOTE: Refer to Attachment C of this Contract for an example of excess premium analysis pursuant to this section.

- C.4 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 of Contractor non-compliance by the State.
- C.4.1 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.5 Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.6 Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.
- C.7 Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this Contract, not to constitute proper remuneration for compensable services.
- C.8 Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.9 Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

D STANDARD TERMS AND CONDITIONS

- D.1 Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2 Modification and Amendment: This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3 Termination for Convenience. The Contract may be terminated by either party by giving written notice to the other, provided that the State shall give said notice to the Contractor at least Ninety

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

- D.4 Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.
- D.5 Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.
- D.6 Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.
- D.7 Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8 Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.
- a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document as Attachment D, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the contractor and made available to state officials upon request.
 - b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not

knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the contractor and made available to state officials upon request.

- c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
 - d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.
 - e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.
- D.9 Records. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.10 Monitoring. The Contractor's activities conducted and records maintained, pursuant to this Contract, shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.11 Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.12 Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.13 Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship, or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party, for any purpose whatsoever.

The Contractor, being an independent contractor, and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public

liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.

The State acknowledges its understanding that this Contract constitutes a contract solely between the State and Contractor, which is an independent corporation operating under a license from the BlueCross and BlueShield Association, an association of independent BlueCross and BlueShield Plans (the "Association") permitting Contractor to use the BlueCross and BlueShield Service Marks in the State of Tennessee, and that Contractor is not contracting as the agent of the Association. The State further acknowledges and agrees that it has not entered into this Contract based upon representations by any person other than Contractor and that neither the Association nor any other Blue Cross Blue Shield licensee shall be considered to be a party to this Contract. This paragraph shall not create any additional obligations whatsoever on the part of Contractor other than those obligations created under other provisions of this Contract.

- D.14 State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.15 Force Majeure. The obligations of the parties to this Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.16 State and Federal Compliance. The Contractor shall comply with all applicable State and Federal Laws and regulations in the performance of this Contract.
- D.17 Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.
- D.18 Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.19 Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.20 Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E SPECIAL TERMS AND CONDITIONS

- E.1 Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2 Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:

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

The Contractor:

Ms. Amy Bercher, Senior Product Manager
BlueCross BlueShield of Tennessee, Inc.
801 Pine Street – 4G
Chattanooga, TN 37402
Phone: 423-535-5983
Fax: 423-535-7601
amy_bercher@bcbst.com

with a copy to:

BlueCross BlueShield of Tennessee, Inc.
801 Pine Street
Chattanooga, TN 37402
Attention: Associate General Counsel
Fax: 423-535-1984

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

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

E.4 Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

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

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

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

- (1) In event of a Breach by Contractor, the state shall have available the remedy of Actual Damages and any other remedy available at law or equity.
- (2) Liquidated Damages (hereafter referenced as "Performance Guarantee Assessments", as contained in Contract Attachment A, Performance Guarantees)
 - In the event of a Breach, the State may assess Performance Guarantee Assessments. The State shall notify the Contractor of amounts to be assessed.

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

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

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

In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the 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 amounts, as applicable, against the Contractor for any failure to perform which ultimately results in a Partial Default with said Performance Guarantee amounts to cease when said Partial Default is effective. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken

- (4) Contract Termination— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the State. Said notice shall hereinafter be referred to as Termination Notice. The Termination Notice may specify either that the termination is to be effective immediately, on a date certain in the future, or that

the Contractor shall cease operations under this Contract in stages. In the event of a termination, the State may withhold any amounts which may be due Contractor without waiver of any other remedy or damages available to the State at law or at equity. The Contractor shall be liable to the State for any and all damages incurred by the State and any and all expenses incurred by the State which exceed the amount the State would have paid Contractor under this Contract. Contractor agrees to cooperate with the State in the event of a Contract Termination or Partial Takeover.

- b. State Breach— In the event of a Breach of contract by the State, the Contractor shall notify the State in writing within 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
- b. All Clarifications and addenda made to the Contractor's Proposal
- c. The Request for Proposal and its associated amendments
- d. Technical Specifications provided to the Contractor
- e. The Contractor's Proposal

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

E.7 Confidentiality of Records. Strict standards of confidentiality of records shall be maintained in accordance with the law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of State law and ethical standards and shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with

State law and ethical standards.

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

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

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

- E.8 HIPAA Compliance. The State and Contractor shall comply with obligations under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its accompanying regulations.
- a. Contractor warrants to the State that it is familiar with the requirements of HIPAA and its accompanying regulations, and will comply with all applicable HIPAA requirements in the course of this Contract.
 - b. Contractor warrants that it will cooperate with the State, including cooperation and coordination with State privacy officials and other compliance officers required by HIPAA and its regulations, in the course of performance of the Contract so that both parties will be in compliance with HIPAA.
 - c. The State and the Contractor will sign documents, including but not limited to business associate agreements, as required by HIPAA and that are reasonably necessary to keep the State and Contractor in compliance with HIPAA. This provision shall not apply if information received by the State under this Contract is NOT "protected health information" as defined by HIPAA, or if HIPAA permits the State to receive such information without entering into a business associate agreement or signing another such document. See Attachment 6.1.1.
- E.9 Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in *Tennessee Code Annotated*, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to *Tennessee Code Annotated*, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.
- E.10 Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it and its principals:
- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;
 - b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offence in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;

- c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and
- d. have not within a three (3) year period preceding this Contract had one or more public transactions (Federal, State, or Local) terminated for cause or default.

E.11 Contractor Commitment to Diversity. The Contractor shall comply with and make reasonable business efforts to exceed the commitment to diversity represented by the Contractor's proposal responding to RFP-317.50-045 (Attachment 6.3, Section B, Item B.13.) and resulting in this Contract.

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

IN WITNESS WHEREOF:

BLUECROSS BLUESHIELD OF TENNESSEE, INC.:

Ronald E. Harr March 27, 2007
 RON HARR, SENIOR VICE PRESIDENT DATE

Ronald E. Harr Sr. Vice President, Gov't Programs & Public Affairs
 PRINTED NAME AND TITLE OF AUTHORIZED CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. Goetz, Jr. 3-28-07
 M. D. GOETZ, JR., COMMISSIONER DATE

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

per authorized signature above
M. D. Goetz, Jr.
 M. D. GOETZ, JR., COMMISSIONER DATE

COMPTROLLER OF THE TREASURY:

John G. Morgan 4-19-07
 JOHN G. MORGAN, COMPTROLLER OF THE TREASURY DATE