CONTRACT #13
RFS # 317.86-00017
FA # 05-16160
Edison # 2032

Department of Finance and Administration
Benefits Administration

VENDOR:
Magellan Behavioral Health, Inc.

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BENEFITS ADMINISTRATION
312 Rosa L. Parks Avenue
Suite 1900 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
Phone (615) 741-4517 or (866) 576-0029
FAX (615) 253-8556

Larry B. Martin
COMMISSIONER

Laurie Lee
EXECUTIVE DIRECTOR

MEMORANDUM

TO: Lucian Geese, Executive Director, Fiscal Review Committee

FROM: Laurie Lee

DATE: August 2, 2013

RE: Contract Amendment # 5 to Magellan Behavioral Health Edison ID No. 3623 (Revised)

This is a request to amend the contract between the State, Local Education, and Local Government Insurance Committees and Magellan Behavioral Health contract. This amendment revises the contract end date to January 31, 2014 and adds funding to the contract execute the final payment due Magellan under this contract.

This amendment will allow payment to Magellan Health Services for services completed under this contract, according to the payment reconciliation process outlined in Section C.4 of the contract. The process for validating and reconciling the financial corridor payment amount was very thorough. While this work began prior to the expiration of the contract, the lengthy negotiation and reconciliation process to determine the payment extended beyond the contract term. Therefore, this amendment is required in order to complete the payment process. The results of the reconciliation show that the state owes Magellan $867,382. Through our negotiation with the contractor, Magellan has agreed to lower the payment to $750,000. The time to negotiate the final payment owed extended beyond the original contract term, but yielded savings of $117,382. We are now required to make a payment to Magellan and need an amendment to the contract to do so. In compliance with contract section C.4.1 of the State's contract with Magellan, the State is responsible for crediting funds owed to Magellan for holding behavioral health claims below the contractual financial corridor.

The original contract and prior processed amendments are included as are all requested supplemental documents for this amendment.

Thank you for your consideration of this request.

Timeline for Magellan Risk Corridor Settlement

September - October 2012

- Benefits Administration and Magellan started the evaluation of health plan total medical spend for 2011 in order to determine the 2011 target year Per Member Per Month (PMPM) calculation and review Magellan's calculation for the payment they believed the State owed them according to the contract amendment.

- BA and Magellan did not initially agree on the calculation method. These conversations continued through September, into October as we wanted to make sure that the numbers indeed did indicate that Magellan was due a payment related to the contract amendment.

- BA's Finance Director confirmed that there were not sufficient funds left in the contract to pay the fee by the time BA and Magellan agreed to the calculation methodology. BA started negotiation strategy to reduce payment.

December 2012

- Magellan and BA discussed a compromise that involved Magellan lowering the payment due from the State to $750,000 from $867,382.

- Alternatively, Magellan proposed forgiving the state of this obligation in exchange of the State forgiving Magellan of liquidated damages in the amount of $750,000 associated with the current contract related to call center statistics (max seconds to answer).

January – March 2013

- F & A's legal counsel reviewed this offer. Legal counsel advised that the State could not forgive future performance guarantees. Although unable to accept the Magellan compromise, BA requested that Magellan honor their offer to reduce the risk corridor fee to $750,000 and Magellan agreed.

April – July 2013

- BA confirmed that the former contract had reached its maximum liability in addition to being expired and began the process of requesting a new contract in order to make this payment.

- BA explored with the Central Procurement Office the best way to resolve payment, given the maximum liability on the old contract was insufficient and the contract term had expired. The Central Procurement Office advised that we submit an amendment to the old contract to extend the term and increase the maximum liability in order to complete payment.

- The resulting final negotiated payment is $117,382 less than the calculation of the risk corridor payment.

STATE OF TENNESSEE
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FAX (615) 253-8556

Larry B. Martin
COMMISSIONER

Laurie Lee
EXECUTIVE DIRECTOR

MEMORANDUM

TO: Lucian Geese, Executive Director, Fiscal Review Committee

FROM: Laurie Lee

DATE: July 9, 2013

RE: Contract Amendment # 5 to Magellan Behavioral Health Edison ID No. 3623

This is a request to amend the contract between the State, Local Education, and Local Government Insurance Committees and Magellan Behavioral Health contract. This amendment revises the contract end date to January 31, 2014 and adds funding to the contract execute the final payment due Magellan under this contract.

The original contract and prior processed amendments are included as are all requested supplemental documents for this amendment.

Thank you for your consideration of this request.

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Sylvia Chunn	*Contact Phone:	615-253-8358
*Original Contract Number:	FA-05-16160	*Original RFS Number:	31786-00017
Edison Contract Number: (*if applicable*)	2032	Edison RFS Number: (*if applicable*)	n/a
*Original Contract Begin Date:	1/1/2005	*Current End Date:	1/1/2013

Current Request Amendment Number: (*if applicable*)	Five (5)
Proposed Amendment Effective Date: (*if applicable*)	1/31/2013
*Department Submitting:	Finance and Administration
*Division:	Benefits Administration
*Date Submitted:	7/9/13
*Submitted Within Sixty (60) days:	No
If not, explain:	
*Contract Vendor Name:	Magellan Behavioral Health
*Current Maximum Liability:	$46,000,000.00

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

FY:2005	FY:2006	FY:2007	FY:2008	FY:2009	FY:2010	FY:2011	FY: 2012
$13,455,000	$4,015,000	$4,015,000	$6,726,000	$3,789,000	$6,400,000	$6,600,000	$2,500,000

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

FY: 2005	FY: 2006	FY: 2007	FY: 2008	FY: 2009	FY: 2010	FY: 2011	FY: 2012
$2,757,561.61	$5,854,761.79	$6,691,744.49	$6,625,728.71	$6,468,599.96	$6,388,272.19	$7,432,722.07	$3,603,569.47

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	Contract Per Member Per Month (PMPM) expenditures are based on estimates of annual plan membership for the term of the contract. Actual membership may vary from the original estimates during the term of each contract, and therefore funding needs may vary. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan funds (State Fund 55, Local Education Fund 56, and Local Government Fund 58). Plan fund revenues are obtained primarily from employer and employee premiums, which are annually set by the committees, and utilized for paying all health plan fund expenses (claims, and administrative expenses, etc.), and can only be utilized for that purpose.
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	Under TCA –Title 8: Chapter 27-102 (a), 301 (b), and 207 (d) the State, Local Education and Local Government insurance committees have the authority to enter into contracts with insurance companies, claims administrators, and other organizations for some or all of the insurance benefits or services, including actuarial and consulting advice for the purpose

Supplemental Documentation Required for Fiscal Review Committee

	of administering the state sponsored basic health plans. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan fund (State Fund 55, Local Education Fund 56, and Local Government Fund 58). By approving the one year contract extensions, the insurance committees have authorized the payment of expenses from the funds for the additional one year extension. The present estimated maximum liability of the contract is changed based on the estimate of the additional one year expenses due to the contract extension. These contracts are in allotment code 317.86 that is an off-line code and does not submit carry-forward letters. The insurance funds are billed each month and they each carry a fund balance which can be found on the Comprehensive Annual Financial Report (CAFR).
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	FY 2006, 2007, 2009, and 2011 expenditures exceeded the allocation. Funding to pay the overage was acquired from funding availability rolled forward from FY 2005.

*Contract Funding Source/Amount:	State:		Federal:	
Interdepartmental:	$46,000,000.00		*Other*:	
If "*other*" please define:				

Dates of All Previous Amendments or Revisions: (*if applicable*)	Brief Description of Actions in Previous Amendments or Revisions: (*if applicable*)
November 1, 2007 – Amendment # 1	Extension to 12/31/08 & adds Edison requirements
November 20, 2007 – Revision	Re-allocate funds to establish retiree funds codes 51, 52 and 53 as required by Comprehensive Annual Financial Report (CAFR) of the State of Tennessee.
December 2, 2008 – Amendment # 2	Extended term to 12/31/09 and added a 3% increase for administration of the Mental Health and Substance Abuse (MH/SA) services with no increase for the administration of the Employee Assistance Program (EAP).
August, 2009 – Amendment # 3	Extended term to January 31, 2013 for the run out period and EAP and MH/SA rates for CY 2011.
November, 2010 – Amendment # 4	Revised member and subscriber monthly rates and risk trends through CY 2011, and increased the maximum liability by $1,000,000.00

Method of Original Award: (*if applicable*)	RFP
*What were the projected costs of the service for the entire term of the contract prior to contract award?	$25,000,000.00

Supplemental Documentation Required for Fiscal Review Committee

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

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

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

Deliverable description:	FY:	FY:	FY:	FY:	FY:
n/a					

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

Deliverable description:	FY:	FY:	FY:	FY:	FY:
n/a					

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

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

Magellan

STARS Contract #	FA-05-16160-00
Edison Contract #	2032
Vendor #	38103

Fiscal Year	Payments
2005	2,757,561.61
2006	5,854,761.79
2007	6,691,744.49
2008	6,625,728.71
2009	6,468,928.91
2010	6,388,272.19
2011	7,432,722.07
2012	3,603,569.47
2013	-
Total	45,823,289.24

Vendor Report for Fiscal Review monthly expenditures

Report Filter:
{Reference Document} ({Reference Number}) = "FA0516160"

Vendor Name	Effective Y	Effective Month	Total Expenditures		
MAGELLAN BEHAVIORAL HEALTH	2005	JANUARY 2005	439,104.24		
MAGELLAN BEHAVIORAL HEALTH	2005	FEBRUARY 2005	478,703.40		
MAGELLAN BEHAVIORAL HEALTH	2005	MARCH 2005	459,348.73		
MAGELLAN BEHAVIORAL HEALTH	2005	APRIL 2005	459,378.74		
MAGELLAN BEHAVIORAL HEALTH	2005	MAY 2005	459,382.66		
MAGELLAN BEHAVIORAL HEALTH	2005	JUNE 2005	461,643.84	2,757,561.61	Total FY 2005
MAGELLAN BEHAVIORAL HEALTH	2006	JULY 2005	461,684.36		
MAGELLAN BEHAVIORAL HEALTH	2006	AUGUST 2005	461,622.34		
MAGELLAN BEHAVIORAL HEALTH	2006	SEPTEMBER 2005	465,686.73		
MAGELLAN BEHAVIORAL HEALTH	2006	OCTOBER 2005	468,079.68		
MAGELLAN BEHAVIORAL HEALTH	2006	NOVEMBER 2005	469,216.30		
MAGELLAN BEHAVIORAL HEALTH	2006	DECEMBER 2005	470,222.55		
MAGELLAN BEHAVIORAL HEALTH	2006	JANUARY 2006	509,007.25		
MAGELLAN BEHAVIORAL HEALTH	2006	FEBRUARY 2006	509,899.63		
MAGELLAN BEHAVIORAL HEALTH	2006	MARCH 2006	509,610.67		
MAGELLAN BEHAVIORAL HEALTH	2006	APRIL 2006	510,492.49		
MAGELLAN BEHAVIORAL HEALTH	2006	MAY 2006	510,526.02		
MAGELLAN BEHAVIORAL HEALTH	2006	JUNE 2006	508,713.77	5,854,761.79	Total FY 2006
MAGELLAN BEHAVIORAL HEALTH	2007	JULY 2006	508,253.60		
MAGELLAN BEHAVIORAL HEALTH	2007	AUGUST 2006	507,147.52		
MAGELLAN BEHAVIORAL HEALTH	2007	SEPTEMBER 2006	511,840.99		
MAGELLAN BEHAVIORAL HEALTH	2007	OCTOBER 2006	514,390.88		
MAGELLAN BEHAVIORAL HEALTH	2007	NOVEMBER 2006	515,173.77		
MAGELLAN BEHAVIORAL HEALTH	2007	DECEMBER 2006	516,045.35		
MAGELLAN BEHAVIORAL HEALTH	2007	JANUARY 2007	535,163.90		
MAGELLAN BEHAVIORAL HEALTH	2007	FEBRUARY 2007	536,049.03		
MAGELLAN BEHAVIORAL HEALTH	2007	MARCH 2007	536,479.63		
MAGELLAN BEHAVIORAL HEALTH	2007	APRIL 2007	915,129.07		
MAGELLAN BEHAVIORAL HEALTH	2007	MAY 2007	548,555.33		
MAGELLAN BEHAVIORAL HEALTH	2007	JUNE 2007	547,515.42	6,691,744.49	Total FY 2007
MAGELLAN BEHAVIORAL HEALTH	2008	JULY 2007	547,241.35		
MAGELLAN BEHAVIORAL HEALTH	2008	AUGUST 2007	547,647.10		
MAGELLAN BEHAVIORAL HEALTH	2008	SEPTEMBER 2007	552,276.15		
MAGELLAN BEHAVIORAL HEALTH	2008	OCTOBER 2007	554,591.04		
MAGELLAN BEHAVIORAL HEALTH	2008	NOVEMBER 2007	553,610.72		
MAGELLAN BEHAVIORAL HEALTH	2008	DECEMBER 2007	553,549.87		
MAGELLAN BEHAVIORAL HEALTH	2008	JANUARY 2008	551,968.07		
MAGELLAN BEHAVIORAL HEALTH	2008	FEBRUARY 2008	552,639.99		
MAGELLAN BEHAVIORAL HEALTH	2008	MARCH 2008	553,018.93		
MAGELLAN BEHAVIORAL HEALTH	2008	APRIL 2008	553,682.23		

MAGELLAN BEHAVIORAL HEALTH	2008	MAY 2008	553,707.54		
MAGELLAN BEHAVIORAL HEALTH	2008	JUNE 2008	551,795.72	6,625,728.71	Total FY 2008
MAGELLAN BEHAVIORAL HEALTH	2009	JULY 2008	549,874.22		
MAGELLAN BEHAVIORAL HEALTH	2009	AUGUST 2008	550,100.13		
MAGELLAN BEHAVIORAL HEALTH	2009	SEPTEMBER 2008	538,959.52		
MAGELLAN BEHAVIORAL HEALTH	2009	OCTOBER 2008	548,778.65		
MAGELLAN BEHAVIORAL HEALTH	2009	NOVEMBER 2008	525,671.11		
MAGELLAN BEHAVIORAL HEALTH	2009	DECEMBER 2008	543,930.12	3,257,313.75	STARS FY 2009
			25,187,110.35		

TN_PU_CN021 - Payments Against a Contract
Report Date: 7/8/2013

Payments against a Co	6						
Unit	Sum Amount	Vendor Name	Type	PO ID	Voucher ID	Date	Fiscal Year
31786	$ 533,740.92	Magellan Behavioral Health	DFA	0000000123	00000472	7/1/2009	2009
31786	$ 535,325.91	Magellan Behavioral Health	DFA	0000000116	00000344	5/28/2009	2009
31786	$ 535,325.93	Magellan Behavioral Health	DFA	0000000028	00000031	2/24/2009	2009
31786	$ 535,532.85	Magellan Behavioral Health	DFA	0000000043	00000059	3/2/2009	2009
31786	$ 535,605.76	Magellan Behavioral Health	DFA	0000000063	00000083	3/17/2009	2009
31786	$ 536,083.79	Magellan Behavioral Health	DFA	0000000089	00000150	4/17/2009	2009
Total FY 2009	$ 3,211,615.16						

Payments against a Co	12						
Unit	Sum Amount	Vendor Name	Type	PO ID	Voucher ID	Date	Fiscal Year
31786	$ 527,185.85	Magellan Behavioral Health	DFA	0000000179	00000589	8/18/2009	2010
31786	$ 529,429.35	Magellan Behavioral Health	DFA	0000000160	00000514	7/20/2009	2010
31786	$ 530,577.34	Magellan Behavioral Health	DFA	0000000199	00000722	10/16/2009	2010
31786	$ 531,253.18	Magellan Behavioral Health	DFA	0000000292	00000962	2/2/2010	2010
31786	$ 531,261.07	Magellan Behavioral Health	DFA	0000000385	00001477	6/11/2010	2010
31786	$ 532,016.03	Magellan Behavioral Health	DFA	0000000304	00000985	2/12/2010	2010
31786	$ 532,540.58	Magellan Behavioral Health	DFA	0000000362	00001283	5/17/2010	2010
31786	$ 532,707.46	Magellan Behavioral Health	DFA	0000000320	00001057	3/11/2010	2010
31786	$ 532,739.06	Magellan Behavioral Health	DFA	0000000347	00001178	4/13/2010	2010
31786	$ 535,447.16	Magellan Behavioral Health	DFA	0000000209	00000736	10/22/2009	2010
31786	$ 536,368.92	Magellan Behavioral Health	DFA	0000000263	00000868	12/11/2009	2010
31786	$ 536,746.19	Magellan Behavioral Health	DFA	0000000237	00000805	11/17/2009	2010
Total FY 2010	$ 6,388,272.19						

Payments against a Co	12						
Unit	Sum Amount	Vendor Name	Type	PO ID	Voucher ID	Date	Fiscal Year
31786	$ 542,213.79	Magellan Behavioral Health	DFA	0000000509	00002112	11/9/2010	2011
31786	$ 543,324.98	Magellan Behavioral Health	DFA	0000000436	00001930	8/18/2010	2011
31786	$ 544,362.68	Magellan Behavioral Health	DFA	0000000476	00002047	9/21/2010	2011
31786	$ 546,022.32	Magellan Behavioral Health	DFA	0000000416	00001793	7/14/2010	2011
31786	$ 548,819.46	Magellan Behavioral Health	DFA	0000000500	00002095	10/20/2010	2011
31786	$ 566,197.71	Magellan Behavioral Health	DFA	0000000572	00002233	2/10/2011	2011
31786	$ 576,019.39	Magellan Behavioral Health	DFA	0000000596	00002291	3/15/2011	2011
31786	$ 577,554.88	Magellan Behavioral Health	DFA	0000000650	00002455	6/14/2011	2011
31786	$ 579,610.48	Magellan Behavioral Health	DFA	0000000632	00002415	5/13/2011	2011
31786	$ 580,423.98	Magellan Behavioral Health	DFA	0000000615	00002371	4/15/2011	2011

31786	$	583,713.60	Magellan Behavioral Health	DFA	0000000526	00002165	1/5/2011	2011
31786	$	1,244,458.80	Magellan Behavioral Health	DFA	0000000570	00002206	1/26/2011	2011

Total FY 2011 $ 7,432,722.07

Payments against a Co	7						
Unit	Sum Amount	Vendor Name	Type	PO ID	Voucher ID	Date	Fiscal Year
31786	$ 139,416.00	Magellan Behavioral Health	DFA	0000000750	00002795	11/16/2011	2012
31786	$ 573,754.09	Magellan Behavioral Health	DFA	0000000696	00002551	8/12/2011	2012
31786	$ 575,488.09	Magellan Behavioral Health	DFA	0000000679	00002514	7/15/2011	2012
31786	$ 576,448.36	Magellan Behavioral Health	DFA	0000000704	00002645	9/19/2011	2012
31786	$ 578,597.46	Magellan Behavioral Health	DFA	0000000728	00002695	10/17/2011	2012
31786	$ 579,764.06	Magellan Behavioral Health	DFA	0000000745	00002788	11/14/2011	2012
31786	$ 580,101.41	Magellan Behavioral Health	DFA	0000000758	00002810	12/14/2011	2012

Total FY 2012 $ 3,603,569.47

Total Edison Payments $ 20,636,178.89

FY 2013

Payments against a Co	0						
Unit	Sum Amount	Vendor Name	Type	PO ID	Voucher ID	Date	Fiscal Year

Magellan Contract Reconciliation as of 7/8/2013

Magellan Contract Max. Liab	$	46,000,000.00	Per Amendment 4
Less: STARS Payments	$	25,187,110.35	See STARS tab
Less: Edison Payments	$	20,636,178.89	See CN 021 tab
Remaining Contract Balance	$	176,710.76	
Edison Remaining Contract Balance as of 7/8/2013	$	176,710.76	
Difference (should be zero)	$	0.00	
Amendment needed	$	573,289.24	

cy13-2335

Rule Exception Request

Route completed request, as one file in PDF format, via e-mail attachment sent to: Agsprs.Agsprs@state.tn.us

APPROVED

Michael F. Perry / TS

CHIEF PROCUREMENT OFFICER

Request Tracking #	**31786-00017**
1. Contract #	**FA-05-16160 Edison #2032**
2. Service Caption	**Employee Assistance Program and Behavioral Health Services**
3. Contractor	**Magellan Behavioral Health, Inc**
4. Contract Period *(with ALL options to extend exercised)*	109 months ~~97 months~~
5. Contract Maximum Liability *(with ALL options to extend exercised)*	**$ 46,000,000.00**

6. Rule *(for which the exception is requested)*

- ☐ **0620-3-3-.03(2)(a) OR 0620-3-3-.05** requiring compliance with relevant model guidelines (only if required by oversight authorities)
- ☐ **0620-3-3-.05(5)** requiring the prescribed Nondiscrimination contract provision
- ☒ **0620-3-3-.07(5)** prohibiting a contract term greater than five (5) years
- ☐ **0620-3-3-.07(8)** prohibiting a contract with a former state employee in within six (6) months of termination
- ☐ **0620-3-3-.07(22)** requiring contractor travel reimbursement in accordance with state travel regulations
- ☒ **OTHER** *(cite the relevant rule below)*

.07a-2 Expired or Terminated Contract Amendment - Prohibited

If a contract is to be amended, the amendment should always be signed and all approvals recorded BEFORE the end date of the subject contract.

Request Tracking #	31786-00017
7. Explanation of Rule Exception Requested	Benefits Administration is requesting exception to the rule and policy to allow both a contract to exceed 60 months and allow and amendment after the end date of the contract. This amendment will allow payment to Magellan Health Services for services completed under this contract. While this work began prior to the expiration of the contract, the lengthy negotiation and reconciliation process to determine the payment extended beyond the contract term. Therefore, this amendment is required in order to complete the payment process. The results of the reconciliation show that the state owes Magellan $867,382. Through our negotiation with the contractor, Magellan has agreed to lower the payment to $750,000. The time to negotiate the final payment owed extended beyond the original contract term, but yielded savings of $117,382. We are now required to make a payment to Magellan and need an amendment to the contract to do so.
8. Justification	This amendment is required for payment of $750,000 to Magellan for keeping the state's claim costs under the financial risk corridor, per the arrangement in the contract; the State must pay Magellan for these services. As noted above, the reconciliation and negotiation process extended beyond the original contract term so this contract is necessary in order to execute final payment.
Agency Head Signature and Date *(contracting agency head or authorized signatory)*	

Non-Competitive Amendment Request

NOT required for a contract with a federal, Tennessee, or Tennessee local government entity or a grant.
Route a completed request, as one file in PDF format, via e-mail attachment sent to: Agsprs.Agsprs@state.tn.us

APPROVED
CHIEF PROCUREMENT OFFICER

Request Tracking #	**31786-00017**
1. Procuring Agency	**Finance and Administration, Benefits Administration**
2. Contractor	**Magellan Behavioral Health, Inc**
3. Contract #	**FA-05-16160**
4. Proposed Amendment #	**5**
5. Edison ID #	**2032**

6. Contract Begin Date	**1/1/2005**
7. Current Contract End Date *– with ALL options to extend exercised*	**1/31/13**
8. Proposed Contract End Date *– with ALL options to extend exercised*	1/31/2014 ~~6/30/13~~
9. Current Maximum Contract Cost *– with ALL options to extend exercised*	**$ 46,000,000.00**
10. Proposed Maximum Contract Cost *– with ALL options to extend exercised*	**$ 46,750,000.00**
11. Office for Information Resources Endorsement *– information technology service (N/A to THDA)*	☒ **Not Applicable** ☐ **Attached**
12. eHealth Initiative Support *– health-related professional, pharmaceutical, laboratory, or imaging*	☒ **Not Applicable** ☐ **Attached**
13. Human Resources Support *– state employee training service*	☒ **Not Applicable** ☐ **Attached**

14. Explanation Need for the Proposed Amendment

This amendment will allow payment to Magellan Health Services for services completed under this contract, according to the payment reconciliation process outlined in Section C.4 of the contract. The process for validating and reconciling the financial corridor payment amount was very thorough. While this work began prior to the expiration of the contract, the lengthy negotiation and reconciliation process to determine the payment extended beyond the contract term. Therefore, this amendment is required in order to complete the payment process. The results of the reconciliation show that the state owes Magellan $867,382. Through our negotiation with the contractor, Magellan has agreed to lower the payment to $750,000. The time to negotiate the final payment owed extended beyond the original contract term, but yielded savings of

Request Tracking #	31786-00017

$117,382. We are now required to make a payment to Magellan and need an amendment to the contract to do so. In compliance with contract section C.4.1 of the State's contract with Magellan, the State is responsible for crediting funds owed to Magellan for holding behavioral health claims below the contractual financial corridor.

15. Name & Address of the Contractor's Principal Owner(s)
– NOT required for a TN state education institution

Kory J. Krucher, Ph.D., Regional Director of Account Management
Magellan Behavioral Health, Inc.
2500 Northwinds Parkway, Suite 300
Atlanta, GA 30004

16. Evidence Contractor's Experience & Length Of Experience Providing the Service

Magellan has been in business for 40 years (since 1973). Their parent company, Magellan Health Services, has been in business for 44 years (since 1969). They have been providing EAP services since inception in 1973 and began managed behavioral health care services in 1985. Magellan has provided the State with EAP and behavioral health services since January 1, 2005. Magellan also prevailed in the most recent procurement for these services in 2011.

17. Efforts to Identify Reasonable, Competitive, Procurement Alternatives

n/a

18. Justification *– specifically explain why non-competitive negotiation is in the best interest of the state*

This amendment is required for payment of $750,000 to Magellan for keeping the state's claim costs under the financial risk corridor, per the arrangement in the contract; the State must pay Magellan for these services. As noted above, the reconciliation and negotiation process extended beyond the original contract term so this contract is necessary in order to execute final payment.

Agency Head Signature and Date – *MUST be signed by the ACTUAL agency head as detailed on the current Signature Certification. Signature by an authorized signatory is acceptable only in documented exigent circumstances*

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31786-00017	2032	FA-05-16160-00	5

Contractor Legal Entity Name	Edison Vendor ID
Magellan Behavioral Health	38103

Amendment Purpose & Effect(s)

To extend the contract term and add funding

Amendment Changes Contract End Date: ☒ YES ☐ NO **End Date:** 1/31/2014

TOTAL Contract Amount INCREASE or DECREASE per this Amendment (zero if N/A)**:** **$ 573,289.74**

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2005			$13,455,000.00		$13,455,000.00
2006			$4,015,000.00		$4,015,000.00
2007			$4,015,000.00		$4,015,000.00
2008			$6,726,000.00		$6,726,000.00
2009			$3,789,000.00		$3,789,000.00
2010			$6,400,000.00		$6,400,000.00
2011			$5,100,000.00		$5,100,000.00
2012			$2,500,000.00		$2,500,000.00
2013			$0.00		$0.00
2014			$573,289.24		$573,289.24
TOTAL:			**$46,573,289.74**		**$46,573,289.74**

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

Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.

OCR USE

Speed Chart (optional)	Account Code (optional)
IA00000094, IA00000095, & IA00000096	79007000

AMENDMENT 5
OF CONTRACT FA-05-16160 Edison #2032

This Amendment is made and entered by and between the State of Tennessee, State, Local Education, and Local Government Insurance Committees, hereinafter referred to as the "State" and Magellan Behavioral Health, 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 B.1. is deleted in its entirety and replaced with the following:

   B.1. Contract Term. This Contract shall be effective for the period commencing on January 1, 2005 and ending on January 31, 2014. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

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

   C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Forty-Six Million Five Hundred Seventy Three Thousand Two hundred Eighty Nine Dollars and Seventy Four cents ($46,573,289.74). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

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

Required Approvals. The State is not bound by this Amendment until it is signed by the contract parties and approved by appropriate officials in accordance with applicable Tennessee laws and regulations (depending upon the specifics of this contract, said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).

Amendment Effective Date. The revisions set forth herein shall be effective January 31, 2013. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

CONTRACTOR/GRANTEE LEGAL ENTITY NAME:

SIGNATURE **DATE**

PRINTED NAME AND TITLE OF SIGNATORY (above)

STATE AGENCY NAME:

AGENCY HEAD NAME & TITLE **DATE**

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

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

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

MEMORANDUM

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

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

DATE: November 12, 2010

SUBJECT: **Contract Comments**
(Fiscal Review Committee Meeting 11/9/09)

RFS# 317.86-00017 (Edison # 2032)
Department: Finance & Administration/Benefits Administration
Contractor: Magellan Behavioral Health
Summary: The vendor provides Employee Assistance Program (EAP) and Mental Health & Substance Abuse (MHSA) administrative services for state and local government employees. The proposed amendment revises member and subscriber monthly rates and risk trends through CY2011, and increases the maximum liability by $1,000,000.
Current maximum liability: $45,000,000
Proposed maximum liability: $46,000,000

After review, the Fiscal Review Committee voted to approve the contract amendment.

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

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

Dave Goetz
COMMISSIONER

Phone: 615.741.4517
Fax: 615.253.8556

Laurie Lee
EXECUTIVE DIRECTOR

RECEIVED
OCT 19 2010
FISCAL REVIEW

MEMORANDUM

TO: James White, Executive Director, Fiscal Review Committee

FROM: Laurie Lee

DATE: October 19, 2010

RE: Contract Amendment # 4 to Magellan Behavioral Health Edison ID No. 3623

This is a request to amend the contract between the State, Local Education, and Local Government Insurance Committees and Magellan Behavioral Health contract. This amendment revises the Per Member Per Month (PMPM) administrative fee for the Mental Health/Substance Abuse component of that contract in light of the healthcare benefit plan design. It also revises the risk share calculation in light of the healthcare plan re-design.

The original contract and prior processed amendments are included as are all requested supplemental documents for this amendment.

Thank you for your consideration of this request.

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Marlene Alvarez	*Contact Phone:	615.253.8358
*Original Contract Number:	FA051616000	*Original RFS Number:	317.86-024
Edison Contract Number: *(if applicable)*	2032	Edison RFS Number: *(if applicable)*	31786 - 00017
*Original Contract Begin Date:	January 1, 2005	*Current End Date:	January 31, 2013

Current Request Amendment Number: *(if applicable)*	# 4
Proposed Amendment Effective Date: *(if applicable)*	January 1, 2011
*Department Submitting:	Finance and Administration
*Division:	Benefits Administration
*Date Submitted:	October 19, 2010
*Submitted Within Sixty (60) days:	Yes.
If not, explain:	
*Contract Vendor Name:	Magellan Behavioral Health
*Current Maximum Liability:	$46,000,000.00

*Current Contract Allocation by Fiscal Year: **There was an error on the CSS for amend # 3. Please refer to the CSS on amend # 2, #1 and the original contract for the original distribution continued in the next two amendments.**
(as Shown on Most Current Fully Executed Contract Summary Sheet)

FY: 2005	FY: 2006	FY: 2007	FY: 2008	FY: 2009	FY: 2010	FY: 2011
$13,455,000	$4,015,000	$4,015,000	$6,726,000	$3,789,000	$6,400,000	$6,600,000

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

FY: 2005	FY: 2006	FY: 2007	FY: 2008	FY: 2009	FY: 2010	FY: 2011
$2,757,561.61	$5,854,761.79	$6,691,744.49	$6,625,728.71	$6,468,599.96	$6,388,272.19	$1,581,088.27

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	Contract Per Member Per Month (PMPM) expenditures are based on estimates of annual plan membership for the term of the contract. Actual membership may vary from the original estimates during the term of each contract, and therefore funding needs may vary. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan funds (State Fund 55, Local Education Fund 56, and Local Government Fund 58). Plan fund revenues are obtained primarily from employer and employee premiums, which are annually set by the committees, and utilized for paying all health plan fund expenses (claims, and administrative expenses, etc.), and can only be utilized for that purpose.
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	Under TCA –Title 8: Chapter 27-102 (a), 301 (b), and 207 (d) the State, Local Education and Local Government insurance committees have the authority to enter into contracts with insurance companies, claims administrators, and other organizations for some or all of the insurance benefits or services, including actuarial and consulting advice for the purpose of administering the state sponsored basic

Supplemental Documentation Required for Fiscal Review Committee

	health plans. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan fund (State Fund 55, Local Education Fund 56, and Local Government Fund 58). By approving the one year contract extensions, the insurance committees have authorized the payment of expenses from the funds for the additional one year extension. The present estimated maximum liability of the contract is changed based on the estimate of the additional one year expenses due to the contract extension. These contracts are in allotment code 317.86 that is an off-line code and does not submit carry-forward letters. The insurance funds are billed each month and they each carry a fund balance which can be found on the Comprehensive Annual Financial Report (CAFR).
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	**FY 2006, 2007 and 2009 expenditures exceeded the allocation. Funding to pay the overage was acquired from funding availability rolled forward from FY 2005.**

*Contract Funding Source/Amount:	State:	Federal:	
Interdepartmental:	$45,000,000.00	*Other:*	
If *"other"* please define:			

Dates of All Previous Amendments or Revisions: *(if applicable)*	Brief Description of Actions in Previous Amendments or Revisions: *(if applicable)*
November 1, 2007 – Amendment # 1	Extension to 12.31.08 & adds Edison requirements
November 20, 2007 – Revision	Re-allocate funds to establish retiree funds codes 51, 52 and 53 as required by Comprehensive Annual Financial Report (CAFR) of the State of Tennessee.
December 2, 2008 – Amendment # 2	Extended term to 12.31.09 and added a 3% increase for administration of the Mental Health and Substance Abuse (MH/SA) services with no increase for the administration of the Employee Assistance Program (EAP).
August, 2009 – Amendment # 3	Extended term to January 31, 2013 for the run out period and EAP and MH/SA rates for CY 2011.

Method of Original Award: *(if applicable)*	RFP
*What were the projected costs of the service for the entire term of the contract prior to contract award?	$25,000,000.00

Supplemental Documentation Required for Fiscal Review Committee

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

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

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

Deliverable description:	FY: 2011	FY: 2012	FY:	FY:	FY:
Continuation of EAP and MH/SA fees	$5,100,000	$2,500,000			

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

Deliverable description:	FY:	FY:	FY:	FY:	FY:
N/A					

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

Proposed Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
N/A					
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
N/A					
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
N/A					

Magellan

STARS Contract # FA-05-16160-00
Edison Contract # 2032

Fiscal Year	Payments
2005	2,757,561.61
2006	5,854,761.79
2007	6,691,744.49
2008	6,625,728.71
2009	6,468,599.96
2010	6,388,272.19
YTD 2011	1,581,088.27
Total	36,367,757.02

NON-COMPETITIVE AMENDMENT REQUEST:

APPROVED
Commissioner of Finance & Administration

1) RFS #	31786 - 00003
2) Procuring Agency :	Department of Finance and Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	Employee Assistance and Mental Health Substance Abuse claims Administration.
4) Contractor :	Magellan Behavioral Health
5) Contract #	FA-05-16160-00 (Edison # 2032)
6) Contract Start Date :	January 1, 2005
7) CURRENT Contract End Date : (if ALL options to extend the contract are exercised)	January 31, 2013
8) CURRENT Maximum Cost : (if ALL options to extend the contract are exercised)	$ 45,000,000.00
PROPOSED AMENDMENT INFORMATON	
9) Amendment #	# 4
10) Amendment Effective Date : (attached explanation required if < 60 days after F&A receipt)	January 1, 2011
11) PROPOSED Contract End Date : (if ALL options to extend the contract are exercised)	January 31, 2013
12) PROPOSED Maximum Cost : (if ALL options to extend the contract are exercised)	$ 46,000,000.00
13) Approval Criteria : (select one)	☒ **use of Non-Competitive Negotiation is in the best interest of the state**
	☐ **only one uniquely qualified service provider able to provide the service**

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

As of January 1, 2011 the new administrative fee will be $1.29 PMPM for enrollees in both the Partnership PPO and Standard PPO. The EAP administrative fee of $1.53 PSPM the State Plan and $1.18 PSPM for the Local Education and Local Government Plans remains in place until December 31, 2011; these EAP administrative fees apply to subscribers in both the Partnership PPO and the Standard PPO options.

Additionally, The State shall rely on the State's external actuarial consultants (currently Aon, Inc.) to quantify the change in utilization and claims costs associated with 2011 benefit plan changes. Aon, Contractor and the State agree benefit changes associated with the implementation of the mental health and substance use disorder parity requirements as well as the change in member cost-sharing for certain services will result in increased expense in the amount of ¼ of one percent of total medical spend in 2011. This amount will then be subtracted from the total BH claims spend in 2011, to determine the 2011 target year pmpm which will then be utilized to determine the amount of any payments..

15) Explanation of Need for the Proposed Amendment :

Benefit changes associated with the implementation of the mental health and substance use disorder parity requirements as well

as the change in member cost-sharing for certain services will result in increased expense in the amount of ¼ of one percent of total medical spend in 2011.

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

Magellan Behavioral Health, 2550 Northwinds Parkway, Suite 300, Alpharetta, GA, 30004

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

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

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

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

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

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

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

Benefits Administration is agreeable to the extension of the contract with Magellan Behavioral Health with the revision in administrative fees and considers this proposed change appropriate, prudent, and in the best interest of plan participants.

21) Justification for the Proposed Non-Competitive Amendment :

Extending the contract for the revised administrative fees for the Mental Health/Substance Abuse component of the contract with Magellan Behavioral Health and the adjustment to the risk share calculation are both acceptable to the State, and the Contractor.

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 10/18/10

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31786-00017	2032	FA-05-16160-00	4

Contractor Legal Entity Name	Registration ID
Magellan Behavioral Health	38103

Amendment Purpose & Effect(s)

Employee Assistance Program (EAP) and Mental Health and Substance Abuse (MH/SA) administrative services, amendment adds funding, revises the MHSA PMPM Rates and clarifies the risk share payment methodology.

Amendment Changes Contract End Date: ☐ YES ☒ NO **End Date:** January 31, 2013

Maximum Liability (TOTAL Contract Amount) Increase/Decrease per this Amendment: **$1,000,000.00**

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2005			$13,455,000.00		$13,455,000.00
2006			$4,015,000.00		$4,015,000.00
2007			$4,015,000.00		$4,015,000.00
2008			$6,726,000.00		$6,726,000.00
2009			$3,789,000.00		$3,789,000.00
2010			$6,400,000.00		$6,400,000.00
2011			$5,100,000.00		$5,100,000.00
2012			$2,500,000.00		$2,500,000.00
TOTAL:			$46,000,000.00		$46,000,000.00

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

Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.

Speed Code	Account Code
IA00000094, IA00000095 & IA 00000096	79007000

Secured Document

FA0516160-04

OIR/PCM
DV
11/16/2010

AMENDMENT FOUR
TO CONTRACT NUMBER FA-05-16160-00 (Edison ID # 2032)

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

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

   C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Forty-Six Million Dollars ($46,000,000.00). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

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

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

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

EAP – Per Subscriber Per Month Rates

Benefit Option	Plan	PSPM 2005	PSPM 2006	PSPM 2007	PSPM 2008	PSPM 2009	PSPM 2010
PPO, POS, and HMO	State	$1.45	$1.49	$1.53	$1.53	$1.53	$1.53
	Local Education	$1.12	$1.15	$1.18	$1.18	$1.18	$1.18
	Local Government	$1.12	$1.15	$1.18	$1.18	$1.18	$1.18

Benefit Option	Plan	PSPM 2011
Partnership and	State	$1.53

Standard PPO	Local Education	$1.18
	Local Government	$1.18

MHSA -- *Per Member Per Month Rates*

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009	PMPM 2010
PPO	State	$1.27	$1.31	$1.35	$1.35	$1.39	$1.39
	Local Education	$1.27	$1.31	$1.35	$1.35	$1.39	$1.39
	Local Government	$1.27	$1.31	$1.35	$1.35	$1.39	$1.39

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009	PMPM 2010
POS and HMO	State	$1.13	$1.16	$1.20	$1.20	$1.24	$1.24
	Local Education	$1.13	$1.16	$1.20	$1.20	$1.24	$1.24
	Local Government	$1.13	$1.16	$1.20	$1.20	$1.24	$1.24

Benefit Option	Plan	PMPM 2011
Partnership and Standard PPO	State	$1.29
	Local Education	$1.29
	Local Government	$1.29

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

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

C.4. Risk Free Corridor will mean a range between 5% above and below the targeted PPO MHSA benefit cost level. Within this range the Contractor is neither penalized nor rewarded for plan financial performance.

C.4.1. Target Claims/Risk Free Corridor: Calculation of the Target Claims and Risk Free Corridor, for use in determining Risk Sharing Percentages (Section C.4.2 below), will be as follows:

- The State, Local Education, and Local Government weighted PPO and POS MHSA Cost PMPM claims will be totaled, for each year as indicated below. Commencing on January 1, 2011, the State, Local Education and Local Government weighted Partnership and Standard PPO MHSA Cost PMPM claims will be totaled for year 2011.

YEAR	CLAIMS, BY PLAN	FOR CLAIMS INCURRED DURING	AND PAID DURING
2005	State, Local Education, and Local Government weighted PPO and POS MHSA Cost Per Member Per Month (PMPM) claims	January 1, 2005 through December 31, 2005	January 1, 2005 through June 30, 2006
2006		January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008
2008		January 1, 2008 through December 31, 2008	January 1, 2008 through June 30, 2009
2009		January 1, 2009 through December 31, 2009	January 1, 2009 through June 30, 2010
2010		January 1, 2010 through December 31, 2010	January 1, 2010 through June 30, 2011
2011	State, Local Education and Local Government Weighted Partnership and Standard PPO Cost PMPM claims	January 1, 2011 through December 31, 2011	January 1, 2011 through June 30, 2012

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

- For 2011, the combined MHSA Partnership and Standard PPO PMPM cost will be adjusted to arrive at the Target Year PMPM cost by multiplying that cost by the Contractor's Guaranteed Trend Factor contained in the following table.

Contract Year	Contractor's Guarantee Trend Factor
2005	8.0%
2006	8.0%
2007	8.0%
2008	8.0%
2009	8.0%
2010	8.0%
2011	8.0%

- Calculation of the Risk Free Corridor will be determined by calculating the figures 5% below and 5% above the Target Cost.

- The State shall rely on the State's external actuarial consultants (currently Aon, Inc.) to quantify the change in utilization and claims costs associated with 2011 benefit plan changes. Aon, Contractor and the State agree benefit changes associated with the implementation of the mental health and substance use disorder parity requirements as well as the change in member cost-sharing for certain services will result in increased expense in the

amount of ¼ of one percent of total medical spend in 2011. This amount will then be subtracted from the total BH claims spend in 2011, to determine the 2011 Target Year PMPM which will then be utilized to determine the amount of any payments due pursuant to this contract section. The State acknowledges the implementation of mental health parity and the new benefit design may require some clarification as it relates to this provision, and the approach described above is consistent with the original terms of the contract and intent of the parties.

C.4.2. Risk Sharing Percentages

Risk Sharing Percentages/Maximum Risk Limits

- The State will pay the Contractor additional Administrative fees of 40% of the difference between the Actual combined incurred PMPM PPO and POS Plan MHSA claims cost and the Target PMPM Cost multiplied by 95%; that difference then multiplied by the sum of the PPO and POS members enrolled during each month of the calendar year.

- Beginning January 1, 2011, The State will pay the Contractor additional Administrative fees of 40% of the difference between the Actual combined incurred Partnership and Standard PPO Plan MHSA claims cost and the Target PMPM Cost multiplied by 95%; that difference then multiplied by the sum of the PPO and POS members enrolled during each month of the calendar year.

- The Contractor will refund to the State Administrative fees of 60% of the difference between the Actual combined incurred PMPM PPO and POS Plan MHSA claims cost and the Target PMPM Cost multiplied by 105%; that difference then multiplied by the sum of PPO and POS members enrolled during each month of the calendar year.

- Beginning January 1, 2011, The Contractor will refund to the State Administrative fees of 60% of the difference between the Actual combined incurred Partnership and Standard PMPM PPO Plan MHSA claims cost and the Target Cost multiplied by 105%; that difference then multiplied by the sum of PPO and POS members enrolled during each month of the calendar year.

C.4.3. Should the State elect to modify the benefits as provided in (1) the PPO and POS Plan during 2010 or (2) the benefits as provided in the Partnership and Standard PPO options during 2011, the State and the Contractor shall mutually agree to appropriately modify the risk sharing arrangement based on the impact of these changes on the claims experience for the year the changes are implemented.

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

IN WITNESS WHEREOF:

MAGELLAN BEHAVIORAL HEALTH:

11/23/2010

CONTRACTOR SIGNATURE DATE

RENE' LEROR CHAIRMAN and CEO

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY(above)

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

Mike Morrow/MOA 11-24-10

MIKE MORROW, CHAIRMAN DATE

OIR/PCM
DV
11/16/2010

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

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

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

MEMORANDUM

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

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

DATE: August 6, 2009

SUBJECT: **Contract Comments**
(Fiscal Review Committee Meeting 8/4/09)

RFS# 317.86-00017
Department: Finance & Administration/Benefits Administration
Contractor: Magellan Behavioral Health
Summary: The vendor is currently responsible for the provision of Employee Assistance Program (EAP) and Mental Health & Substance Abuse (MHSA) administrative services for the state and local government employees. The proposed amendment establishes additional data and report submissions, extends the current contract for an additional 37 months through January 31, 2013, and increases the maximum liability by $12,800,000.
Maximum liability: $32,200,000
Maximum liability w/amendment: $45,000,000

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

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

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31786-00017 (formerly317.86-024)	2032	FA-05-16160-00	3

Contractor
Magellan Behavioral Health

Contractor Federal Employer Identification or Social Security #
☐ C- or ☒ V- 52-2135463

Amendment Purpose/ Effects
Employee Assistance Program (EAP) and Mental Health and Substance Abuse (MH/SA) administrative services, amendment extends term to 1/31/2013

Contract Begin Date	Contract End Date	Subrecipient or Vendor	CFDA #(s)
January 1, 2005	January 31, 2013	☐ Subrecipient ☒ Vendor	

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			$13,455,000.00		$13,455,000.00
2007			$4,015,000.00		$4,015,000.00
2008			$4,015,000.00		$4,015,000.00
2009			$6,726,000.00		$6,726,000.00
2010			$10,189,000.00		$10,189,000.00
2011			$6,600,000.00		$6,600,000.00
TOTAL:			$45,000,000.00		$45,000,000.00

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

— COMPLETE FOR AMENDMENTS —

END DATE AMENDED? ☒ YES ☐ NO

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
2006	$13,455,000.00	
2007	$4,015,000.00	
2008	$4,015,000.00	
2009	$6,726,000.00	
2010	$3,789,000.00	$6,400,000.00
2011	$200,000.00	$6,400,000.00
TOTAL	$32,200,000.00	$12,800,000.00

Agency Contact & Telephone #
Marlene Alvarez – Manager of Procurement & Contracting
Tennessee Department of Finance & Administration, Benefits Administration
312 Rosa L Parks Avenue, Suite 2600
Nashville, Tennessee 37243
615.253.8358

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

Speed Code	Account Code
IA00000094, IA00000095 & IA00000096	79007000

F&A Secured Document

2032-FA0516160-03

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

AMENDMENT THREE
TO CONTRACT NUMBER FA-05-16160-00 (Edison ID # 2032)

This Contract Amendment is made and entered by and between the State of Tennessee, State, Local Education and Local Government Insurance Committees, hereinafter referred to as the "State", and Magellan Behavioral Health, 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.1.2.3 is deleted in its entirety and replaced with the following:

   A.1.2.3. Provision of workshops and training to maintain employee/employer awareness and utilization of the employee assistance program. The Contractor shall deliver a minimum of 500 hours and a maximum of 550 hours for calendar year 2010, and a minimum of 500 hours and a maximum of 700 hours for calendar year 2011, to include: seminars on promotion and prevention, supervisory training, employee orientations, workshops and other training requests on a calendar quarter.

2. The text of Contract Section A.1.4.5. is deleted in its entirety and replaced with the following:

   A.1.4.5. For the time period beginning January 1, 2012, through January 31, 2013 the Contractor's sole responsibilities under this Contract shall include the processing of all claims incurred for mental health and substance abuse services rendered during the term of this Contract and such other services as further described in this paragraph. Incurred claims shall be processed for the last thirteen (13) months of the term of the contract at no additional administrative cost to the State. The Contractor's responsibility during this period will consist of activities in support of claims adjudication, payment and funding obligations pursuant to Sections A.1.4 and A.1.5 including any reasonably associated reporting required in connection with such claims. For purposes of illustration, if the last day of incurred claims is December 31, 2011, the Contractor will continue to process claims for covered services incurred on or prior to December 31, 2011 for the period of the Contract from January 1, 2012 through contract termination date of January 31, 2013. In addition, Contractor shall continue to provide Mental Health and Substance Abuse (MHSA) services to any participant, who is in either inpatient or intensive outpatient care on December 31, 2011 until the earlier of discharge from the facility (or in the case of intensive outpatient care, the participant is transitioned to a lower level of care) or 30 days following December 31, 2011.

3. The text of Contract Section A.1.6.7. is deleted in its entirety and replaced with the following:

   A.1.6.7. Submit Mental Health and Substance Abuse claims data to the State's healthcare data management vendor during the term of this contract, until all claims incurred during the term of this contract have been paid. Data shall be submitted in the format detailed in Appendix 7.5, Medstat Data Formats of RFP #317.86-024. The Contractor shall ensure that all claims processed for payment have complete ICD-9 and CPT4 codes and valid provider identifications.

   For each quarter of the contract term, and any extensions thereof, claims data must meet the quality standards detailed in Contract Attachment A, Performance Guarantee # 9, as determined by the State's healthcare claims data management vendor (currently Thomson Reuters). During the period January 1, 2012 through January 31, 2013, the Contractor shall not be obligated to meet the performance guarantees set forth on Attachment A <u>except for</u> Performance Guarantee # 9.

   The cost of the initial claims data conversion to the format of the State's data management vendor shall be borne by the Contractor. Thomson Reuters currently

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

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

4. The text of Contract Section A.1.6.8. is deleted in its entirety and replaced with the following:

A.1.6.8. **Submit Management Reports.** The Contractor shall submit hard copy reports, of the type, at the frequency, and containing the detail described in Contract Attachment B. Reporting shall continue until the termination of the contract. If agreed between the Contractor and the State, these reports shall also be submitted in an electronic format. Where available, the Contractor shall provide identical reports in the aggregate for comparable employer groups to enable the State's comparison of its program utilization and claim costs with other employer groups.

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

B.1. Contract Term. This Contract shall be effective for the period commencing on January 1, 2005 and ending on January 31, 2013. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

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

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Forty-Five Million Dollars ($45,000,000). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

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

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

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

EAP – Per Subscriber Per Month Rates

Benefit Option	Plan	PSPM 2005	PSPM 2006	PSPM 2007	PSPM 2008	PSPM 2009	PSPM 2010	PSPM 2011
PPO, POS, and HMO	State	$1.45	$1.49	$1.53	$1.53	$1.53	$1.53	$1.53
	Local Education	$1.12	$1.15	$1.18	$1.18	$1.18	$1.18	$1.18
	Local Government	$1.12	$1.15	$1.18	$1.18	$1.18	$1.18	$1.18

MHSA – Per Member Per Month Rates

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009	PMPM 2010	PMPM 2011
PPO	State	$1.27	$1.31	$1.35	$1.35	$1.39	$1.39	$1.39
	Local Education	$1.27	$1.31	$1.35	$1.35	$1.39	$1.39	$1.39
	Local Government	$1.27	$1.31	$1.35	$1.35	$1.39	$1.39	$1.39

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009	PMPM 2010	PMPM 2011
POS	State	$1.13	$1.16	$1.20	$1.20	$1.24	$1.24	$1.24
	Local Education	$1.13	$1.16	$1.20	$1.20	$1.24	$1.24	$1.24
	Local Government	$1.13	$1.16	$1.20	$1.20	$1.24	$1.24	$1.24

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009	PMPM 2010	PMPM 2011
HMO	State	$1.13	$1.16	$1.20	$1.20	$1.24	$1.24	$1.24
	Local Education	$1.13	$1.16	$1.20	$1.20	$1.24	$1.24	$1.24
	Local Government	$1.13	$1.16	$1.20	$1.20	$1.24	$1.24	$1.24

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

8. The text of Contract Section C.4.1. is deleted in its entirety and replaced with the following:

C.4.1. Target Claims/Risk Free Corridor: Calculation of the Target Claims and Risk Free Corridor, for use in determining Risk Sharing Percentages (Section C.4.2 below), will be as follows:

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

YEAR	CLAIMS, BY PLAN	FOR CLAIMS INCURRED DURING	AND PAID DURING
2005	State, Local Education, and Local Government weighted PPO and POS MHSA Cost Per Member Per Month (PMPM) claims	January 1, 2005 through December 31, 2005	January 1, 2005 through June 30, 2006
2006		January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008
2008		January 1, 2008 through December 31, 2008	January 1, 2008 through June 30, 2009
2009		January 1, 2009 through December 31, 2009	January 1, 2009 through June 30, 2010
2010		January 1, 2010 through December 31, 2010	January 1, 2010 through June 30, 2011
2011		January 1, 2011 through December 31, 2011	January 1, 2011 through June 30, 2012

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

Contract Year	Contractor's Guarantee Trend Factor
2005	8.0%
2006	8.0%
2007	8.0%
2008	8.0%
2009	8.0%
2010	8.0%
2011	8.0%

- Calculation of the Risk Free Corridor will be determined by calculating the figures 5% below and 5% above the Target Cost.

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

IN WITNESS WHEREOF:

MAGELLAN BEHAVIORAL HEALTH:

CONTRACTOR SIGNATURE **DATE** 8/20/09

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY(above)

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

M. D. GOETZ, JR., CHAIRMAN

DATE

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

Dave Goetz
COMMISSIONER

Phone: 615.741.4517
Fax: 615.253.8556

Laurie Lee
EXECUTIVE DIRECTOR

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MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

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

Date: July 15, 2009

RE: Amendment to extend the Magellan contract term through January 31, 2013. Contract number FA-05-16160 (Edison #2032)

Please find attached a Non-Competitive Amendment request to extend the existing contract between the State, Local Education, and Local Government Insurance Committees and Magellan Behavioral Health for an additional two (2) years and one (1) month signed by Commissioner M. D. Goetz, Jr. The first two years (2010 and 2011) continues the provision of the Employee Assistance Program and administration of behavioral and substance abuse services for the health plans sponsored by the State. The last thirteen months of the contract amendment provides for the payment of claims during the "run out period". There are no administrative fees during the run-out period. The amendment was approved by the Committees on March 31, 2009. The original contract, secured through a competitive procurement, contain provisions under Section B.2 Term Extension for an initial three year term with two (2) one (1) year extensions. This amendment extends beyond the five (5) year term. A rule exception has been requested and approved by the Commissioner of Finance and Administration, under separate cover, to allow for this amendment. There is no increase in administrative fees for the years 2010 and 2011. The base contract is included as are prior amendments and all revisions to the contract summary sheets and the supplemental documentation required for the Fiscal Review Committee.

The Insurance Committees have undertaken a significant planning effort designed with the intent to evaluate and redesign the present health care plans sponsored by the State of Tennessee. The primary objective of this effort is to better meet the needs of participating employers and their employees and retirees. This effort requires a planned phasing in of major services beginning in calendar year 2010. In order to accomplish the phasing in of the redesigned EAP, mental health and substance abuse services it is necessary to extend the contract with Magellan Behavioral Health beyond the initial contract term to January 31, 2013. The Contract extension will provide for the continuation of the Employee Assistance Program (EAP), and the provision of mental health and substance abuse benefits administration for 2010 and 2011. The redesigned services will be re-procured and implemented in 2012.

Thank you for your consideration of this request.

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Marlene Alvarez	*Contact Phone:	615.253.8358
*Contract Number:	FA-05-16160	*RFS Number:	317.86-024
*Original Contract Begin Date:	01.01.2005	*Current End Date:	12.31.2009
Current Request Amendment Number: *(if applicable)*	# 3		
Proposed Amendment Effective Date: *(if applicable)*	12.01.2009		
*Department Submitting:	Finance & Administration		
*Division:	Benefits Administration		
*Date Submitted:	July 15, 2009		
*Submitted Within Sixty (60) days:	Yes		
If not, explain:			
*Contract Vendor Name:	Magellan Behavioral Health		
*Current Maximum Liability:	$32,200,000.		

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

FY: **2005**	FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009**	FY: **2010**
$13,455,000	$4,015,000	$4,015,000	$6,726,000	$3,789,000	$200,000

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

FY: **2005**	FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009 YTD**	FY: **2010**
$2,757,561.61	$5,854,761.79	$6,691,744.49	$6,625,728.71	$6,468,599.96	$

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	Contract Per Member Per Month (PMPM) expenditures are based on estimates of annual plan membership for the term of the contract. Actual membership may vary from the original estimates during the term of each contract, and therefore funding needs may vary. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan funds (State Fund 55, Local Education Fund 56, and Local Government Fund 58). Plan fund revenues are obtained primarily from employer and employee premiums, which are annually set by the committees, and utilized for paying all health plan fund expenses (claims, and administrative expenses, etc.), and can only be utilized for that purpose.
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	Under TCA –Title 8: Chapter 27-102 (a), 301 (b), and 207 (d) the State, Local Education and Local Government insurance committees have the authority to enter into contracts with insurance companies, claims administrators, and other organizations for

Supplemental Documentation Required for Fiscal Review Committee

	some or all of the insurance benefits or services, including actuarial and consulting advice for the purpose of administering the state sponsored basic health plans. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan fund (State Fund 55, Local Education Fund 56, and Local Government Fund 58). By approving the one year contract extensions, the insurance committees have authorized the payment of expenses from the funds for the additional one year extension. The present estimated maximum liability of the contract is changed based on the estimate of the additional one year expenses due to the contract extension. These contracts are in allotment code 317.86 that is an off-line code and does not submit carry-forward letters. The insurance funds are billed each month and they each carry a fund balance which can be found on the Comprehensive Annual Financial Report (CAFR).
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	**FY 2006, 2007 and 2009 expenditures exceeded the allocation. Funding to pay the overage was acquired from funding availability rolled forward from FY 2005.**

*Contract Funding Source/Amount:	State:		Federal:	
Interdepartmental:	$32,200,000		*Other*:	
If "*other*" please define:				

Dates of All Previous Amendments or Revisions: (*if applicable*)	Brief Description of Actions in Previous Amendments or Revisions: (*if applicable*)
November 1, 2007 – Amendment # 1	Extension to 12.31.08 & adds Edison requirements
November 20, 2007 – Revision	Re-allocate funds to establish retiree funds codes 51, 52 and 53 as required by Comprehensive Annual Financial Report (CAFR) of the State of Tennessee.
December 2, 2008 – Amendment # 2	Extended term to 12.31.09 and added a 3% increase for administration of the Mental Health and Substance Abuse (MH/SA) services with no increase for the administration of the Employee Assistance Program (EAP).

Method of Original Award: (*if applicable*)	RFP
Include a detailed breakdown of the actual expenditures anticipated in each year of the contract. Include specific line items, source of funding, and disposition of any excess fund. *(if applicable)*	See attached – "Magellan Payments as of June 30, 2009"
Include a detailed breakdown, in dollars, of any savings that the department anticipates will result from this contract. Include, at a minimum, reduction in positions, reduction in equipment costs, reduction in travel. *(if*	No specific dollar amount of savings is anticipated as a result from this contract amendment.

Supplemental Documentation Required for Fiscal Review Committee

applicable)	
Include a detailed analysis, in dollars, of the cost of obtaining this service through the proposed contract as compared to other options. ***(if applicable)***	This contract is currently in the fifth year of the term of the contract. The actual expenditures anticipated for the current year and the extension period requested for the contract are attached and are based on estimated member enrollment.

Magellan
Payments as of June 30, 2009
STARS Contract # FA-05-16160-00
Edison Contract # 2032

Fiscal Year	Payments
2005	2,757,561.61
2006	5,854,761.79
2007	6,691,744.49
2008	6,625,728.71
2009	6,468,599.96
Total	28,398,396.56

	JULY-DECEMBER 2008		JANUARY-DECEMBER 2009		JANUARY-DECEMBER 2010	
	2008 MHSA fee	2008 EAP fee	2009 MHSA fee	2009 EAP fee	2010 MHSA fee	2010 EAP fee
ST PPO	$ 1.35 PMPM	$ 1.53 PEPM	$ 1.39 PMPM	$ 1.53 PEPM	$ 1.39 PMPM	$ 1.53 PEPM
LE PPO	$ 1.35 PMPM	$ 1.18 PEPM	$ 1.39 PMPM	$ 1.18 PEPM	$ 1.39 PMPM	$ 1.18 PEPM
LG PPO	$ 1.35 PMPM	$ 1.18 PEPM	$ 1.39 PMPM	$ 1.18 PEPM	$ 1.39 PMPM	$ 1.18 PEPM
ST POS	$ 1.20 PMPM	$ 1.53 PEPM	$ 1.24 PMPM	$ 1.53 PEPM	$ 1.24 PMPM	$ 1.53 PEPM
LE POS	$ 1.20 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM
LG POS	$ 1.20 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM
ST UHC HMO	$ 1.20 PMPM	$ 1.53 PEPM	$ 1.24 PMPM	$ 1.53 PEPM	$ 1.24 PMPM	$ 1.53 PEPM
LE UHC HMO	$ 1.20 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM
LG UHC HMO	$ 1.20 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM
ST CIGNA NASHVILLE	$ 1.20 PMPM	$ 1.53 PEPM	$ 1.24 PMPM	$ 1.53 PEPM	$ 1.24 PMPM	$ 1.53 PEPM
LE CIGNA NASHVILLE	$ 1.20 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM
LG CIGNA NASHVILLE	$ 1.20 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM
ST CIGNA MEMPHIS	$ 1.20 PMPM	$ 1.53 PEPM	$ 1.24 PMPM	$ 1.53 PEPM	$ 1.24 PMPM	$ 1.53 PEPM
LE CIGNA MEMPHIS	$ 1.20 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM
LG CIGNA MEMPHIS	$ 1.20 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM	$ 1.24 PMPM	$ 1.18 PEPM

	July-Dec 2008 members	July-Dec 2008 retirees	Jan-Dec 2009 members	Jan-Dec 2009 retirees	Jan-Dec 2010 members	Jan-Dec 2010 retirees
ST PPO	157,231	157,231	580,800	314,400	580,800	314,400
LE PPO	222,866	131,753	446,400	264,000	446,400	264,000
LG PPO	25,137	18,868	50,400	37,800	50,400	37,800
ST POS	340,503	210,672	680,100	318,900	680,100	318,900
LE POS	289,877	146,907	579,600	274,000	579,600	274,000
LG POS	54,589	37,085	109,020	74,040	109,020	74,040
ST UHC HMO	152,768	70,957	306,000	142,200	306,000	142,200
LE UHC HMO	77,391	39,723	154,800	79,560	154,800	79,560
LG UHC HMO	12,049	8,937	24,120	18,000	24,120	18,000
ST CIGNA NASHVILLE	99,506	49,622	199,800	99,600	199,800	99,600
LE CIGNA NASHVILLE	9,022	3,848	18,000	7,680	18,000	7,680
LG CIGNA NASHVILLE	4,039	2,436	8,160	4,920	8,160	4,920
ST CIGNA MEMPHIS	46,885	23,475	94,200	47,100	94,200	47,100
LE CIGNA MEMPHIS	3,297	1,679	6,600	3,360	6,600	3,360
LG CIGNA MEMPHIS	3,255	2,522	6,600	5,100	6,600	5,100

	July-Dec 2008 MHSA costs	July-Dec 2008 EAP costs		Jan-Dec 2009 MHSA costs	Jan-Dec 2009 EAP costs		Jan-Dec 2010 MHSA costs	Jan-Dec 2010 EAP costs	
ST PPO	$212,261.85	$240,563.43		$807,312.00	$481,032.00		$807,312.00	$481,032.00	
LE PPO	$300,869.10	$155,468.54		$620,496.00	$311,520.00		$620,496.00	$311,520.00	
LG PPO	$33,934.95	$22,264.24		$70,056.00	$44,604.00		$70,056.00	$44,604.00	
ST POS	$408,603.60	$322,328.16		$843,324.00	$487,917.00		$843,324.00	$487,917.00	
LE POS	$347,852.40	$173,350.26		$718,704.00	$323,320.00		$718,704.00	$323,320.00	
LG POS	$65,506.80	$43,760.30		$135,184.80	$87,367.20		$135,184.80	$87,367.20	
ST UHC HMO	$183,321.60	$108,564.21		$379,440.00	$217,566.00		$379,440.00	$217,566.00	
LE UHC HMO	$92,869.20	$46,873.14		$191,952.00	$93,880.80		$191,952.00	$93,880.80	
LG UHC HMO	$14,458.80	$10,545.66		$29,908.80	$21,240.00		$29,908.80	$21,240.00	
ST CIGNA NASHVILLE	$119,407.20	$75,921.66		$247,752.00	$152,388.00		$247,752.00	$152,388.00	
LE CIGNA NASHVILLE	$10,826.40	$4,540.64		$22,320.00	$9,062.40		$22,320.00	$9,062.40	
LG CIGNA NASHVILLE	$4,846.80	$2,874.48		$10,118.40	$5,805.60		$10,118.40	$5,805.60	
ST CIGNA MEMPHIS	$56,262.00	$35,916.75		$116,808.00	$72,063.00		$116,808.00	$72,063.00	
LE CIGNA MEMPHIS	$3,956.40	$1,981.22		$8,184.00	$3,964.80		$8,184.00	$3,964.80	
LG CIGNA MEMPHIS	$3,906.00	$2,975.96		$8,184.00	$6,018.00		$8,184.00	$6,018.00	
			Total EAP & MHSA			**Total EAP & MHSA**			**Total EAP MHSA**
STATE PLAN:	$979,856.25	$783,294.21	$1,763,150.46	$2,394,636.00	$1,410,966.00	$3,805,602.00	$2,394,636.00	$1,410,966.00	$3,805,60
LOCAL EDUC PLAN:	$756,373.50	$382,213.80	$1,138,587.30	$1,561,656.00	$741,748.00	$2,303,404.00	$1,561,656.00	$741,748.00	$2,303,40
LOCAL GOVT PLAN:	$122,653.35	$82,420.64	$205,073.99	$253,452.00	$165,034.80	$418,486.80	$253,452.00	$165,034.80	$418,48
TOTAL:	$1,858,883.10	$1,247,928.65	$3,106,811.75	$4,209,744.00	$2,317,748.80	$6,527,492.80	$4,209,744.00	$2,317,748.80	$6,527,49

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED	RECEIVED JUL 15 2009 FISCAL REVIEW
Commissioner of Finance & Administration Date:	

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.	
1) RFS #	31786 - 00017 (previously 317.86-024)
2) State Agency Name :	Finance and Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	Employee Assistance and Mental Health Substance Abuse claims Administration.
4) Contractor :	Magellan Behavioral Health
5) Contract #	Edison ID # 2032 (previously FA-05-16160-00)
6) Contract Start Date :	January 1, 2005
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	32,200,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	#3
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	December 1, 2009
11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised :	January 31, 2013
12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$45,000,000
13) Approval Criteria : (select one)	☒ use of Non-Competitive Negotiation is in the best interest of the state
	☐ only one uniquely qualified service provider able to provide the service

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

Extends contract for an additional 3 years and 1 month (1/1/2010 through 1/31/2013). The Scope of Services as defined in the contract will remain the same. Magellan is responsible for providing the Employee Assistance Program (EAP) and the administration of mental health and substance abuse benefits for all the health plans sponsored by the Insurance Committees. Presently there are over 270,000 covered lives receiving benefits from these health plans. Administrative fees will not increase for the present 2009 fees for the EAP and for the administration of the Mental Health and Substance Abuse services.

15) Explanation of Need for the Proposed Amendment :

The State, Local Education and Local Government Insurance Committees have undertaken a significant planning and implementation effort designed with the intent to evaluate and redesign the present health care plans sponsored by the State of Tennessee. The primary objective of this effort is to better meet the needs of participating employers and their employees and retirees. This effort requires a planned phasing in of major services beginning in calendar year 2010. Primary services include: pharmacy benefit management, claims administration, disease management and wellness programs, and EAP and mental health and substance abuse services. In order to accomplish the phasing in of the redesigned EAP, mental health and substance abuse services it is necessary to extend the contract with Magellan Behavioral Health beyond the initial contract term to January 31, 2013 and to allow for payment of claims incurred prior to Dec. 31, 2011 (the contract "run out" period). The Contract extension will provide for the continuation of the Employee Assistance Program (EAP), and the provision of mental health and substance abuse benefits administration with no additional increase in administrative fees.

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

Magellan Behavioral Health, 2550 Northwinds Parkway, Suite 300, Alpharetta, GA, 30004

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 :

At this time, Benefits Administration, and the state insurance committees are agreeable to the extension of the contract with Magellan Behavioral Health with no increase in administrative fees and considers a term extension appropriate, prudent, and in the best interest of plan participants.

21) Justification for the Proposed Non-Competitive Amendment :

Extending the contract for the same administrative fees with the Magellan Behavioral Health is acceptable to the State, and the Contractor.

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

Agency Head Signature	7/14/09 **Date**

REQUEST: RULE EXCEPTION

APPROVED
Commissioner of Finance & Administration Date:

RFS #:	31786 – 00017 (formerly 317.86-024)

INFORMATION ABOUT THE EXCEPTION(S) REQUESTED

SUBJECT RULE NUMBER(S):

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

DESCRIPTION OF EXCEPTION(S):

The department seeks a rule exception to amend the contract to a period commencing on January 1, 2005 and ending on January 31, 2013 (a 97-month period).

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

The State, Local Education and Local Government Insurance Committees have undertaken a significant planning and implementation effort designed with the intent to evaluate and redesign the present health care plans sponsored by the State of Tennessee. The primary objective of this effort is to better meet the needs of participating employers and their employees and retirees. This effort requires a planned phasing in of major services beginning in calendar year 2010. Primary services include: pharmacy benefit management, claims administration, disease management and wellness programs, and EAP and mental health and substance abuse services. In order to accomplish the phasing in of the redesigned EAP, mental health and substance abuse services it is necessary to extend the contract with Magellan Behavioral Health beyond the initial contract term to January 31, 2013. The Contract extension will provide for the continuation of the Employee Assistance Program (EAP), and the provision of mental health and substance abuse benefits administration with no additional increase in administrative fees for the plan years of 2010 and 2011.

In addition, under Section A.4.5 specifies: For the time period beginning January 1, 2012, through January 31, 2013 the Contractor shall be responsible for the processing of all claims incurred for mental health and substance abuse services rendered during the term of this Contract. Incurred claims shall be processed for the last thirteen (13) months of the term of the contract at no additional administrative cost to the State. Therefore, it is necessary to extend the contract by an additional thirteen (13) months (the run out period) beyond December 31, 2011 to ensure that the Contractor is able to provide the required services with no additional administrative costs to the State.

INFORMATION REGARDING THE APPLICABLE CONTRACT

CONTRACTOR:	Magellan Behavioral Health
SERVICE INVOLVED:	Employee Assistance Program and Mental Health and Substance Abuse administrative services.
BEGIN DATE:	January 1, 2005
END DATE (including ALL options for term extension):	January 31, 2013
MAXIMUM LIABILITY (including ALL options for term extension):	$45,000,000.00.

AGENCY HEAD REQUEST SIGNATURE: (signed by the procuring agency head or authorized signatory)		
	SIGNATURE DATE:	3/10/09

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Amendment #
31786-00017	2032 (formerly FA-05-16160-00)	3

Contractor	Contractor Federal Employer Identification or Social Security #
Magellan Behavioral Health	☐ C- or ☒ V- 52-2135463

Amendment Purpose/ Effects
Employee Assistance Program (EAP) and Mental Health and Substance Abuse (MH/SA) administrative services, amendment extends term to 1/31/2013.

Contract Begin Date	Contract End Date	Subrecipient or Vendor	CFDA #(s)
January 1, 2006	January 31, 2013	☐ Subrecipient ☒ Vendor	

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			$13,455,000.00		$13,455,000.00
2007			$4,015,000.00		$4,015,000.00
2008			$4,015,000.00		$4,015,000.00
2009			$6,726,000.00		$6,726,000.00
2010			$10,189,000.00		$10,189,000.00
2011			$6,600,000.00		$6,600,000.00
TOTAL:			$45,000,000.00		$45,000,000.00

— COMPLETE FOR AMENDMENTS —

END DATE AMENDED? ☐ YES ☐ NO

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
2006	$13,455,000.00	
2007	$4,015,000.00	
2008	$4,015,000.00	
2009	$6,726,000.00	
2010	$3,789,000.00	$6,400,000.00
2011	$200,000.00	$6,400,000.00
TOTAL:	**$32,200,000.00**	**$12,800,000.00**

Marlene Alvarez – Procurement & Contracting Manager
312 Rosa L Parks Avenue, Suite 2600
Nashville, Tennessee 37243
615.253.8358

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

Speed Code	Account Code
IA00000094, IA00000095 & IA00000096	79007000

— OCR USE —

Procurement Process Summary (non-competitive, FA- or ED-type only)

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

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

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

MEMORANDUM

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

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

CC
BK

DATE: October 9, 2008

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

RFS# 317.86-024
Department: Finance & Administration/Benefits Administration
Contractor: Magellan Behavioral Health
Summary: The vendor is currently responsible for providing Employee Assistance Program and Mental Health and Substance Abuse administrative services. The proposed amendment changes references from the TN Insurance Plan to the Edison System, adds prohibition of hiring of illegal immigrant language, includes CY2009 rates, increases maximum liability by $200,000 and extends current contract an additional year through December 31, 2009.
Maximum liability: $32,000,000
Maximum liability w/amendment $32,200,000

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

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

RECEIVED
SEP 23 2008
FISCAL REVIEW

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: James White, Executive Director, Fiscal Review Committee

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

Date: September 23, 2008

RE: **Amendment to extend the Magellan contract for one year in addition to adding contractor responsibilities for the transmission of enrollment through Edison**

Please find attached a Non-Competitive Amendment request to add language to the existing contract between the State, Local Education, and Local Government Insurance Committees and Magellan Behavioral Health signed by Commissioner M. D. Goetz, Jr. The amendment was approved by the Insurance Committees on July 31, 2008. The original contract, secured through a competitive procurement, contain provisions under Section B.2 Term Extension that provide for this extension. This contract extension is also consistent with the provisions of Section C.3.1 Payment Under Term Extension of the original contract. The base contract is included as is the prior amendment, all revisions to the contract summary sheets and the supplemental documentation required for the Fiscal Review Committee.

The current amendment #2 transfers data management responsibilities from the Tennessee Insurance System (TIS) to the State's Enterprise Resource Planning (ERP) system, operating under the name of Edison. This amendment also extends the term of the contract under the last of two possible one year extensions included in the terms of the original contract. The Employee Assistance Program (EAP) administrative fees remain the same for 2009 as they were during 2008. The administrative fees for the provision of Mental Health and Substance Abuse (MH/SA) include a 3% increase due to the increase in intensive outpatient and psychiatric outpatient use per thousand that was over 10% from 2006 to 2007. The maximum liability is increased to accommodate the term extension and this increase in MH/SA administrative fees.

Thank you for your consideration of this request.

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Marlene Alvarez	*Contact Phone:	615.253.8358
*Contract Number:	FA-05-16160	*RFS Number:	317.86-024
*Original Contract Begin Date:	01.01.2005	*Current End Date:	12.31.2008
Current Request Amendment Number: (*if applicable*)	2		
Proposed Amendment Effective Date: (*if applicable*)	01.01.2009		
*Department Submitting:	Finance & Administration		
*Division:	Benefits Administration		
*Date Submitted:	September 23, 2008		
*Submitted Within Sixty (60) days:	Yes		
If not, explain:			
*Contract Vendor Name:	Magellan Behavioral Health		
*Current Maximum Liability:	$32,000,000.		

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

FY: **2005**	FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009**	FY: **2010**
$13,455,000	$4,015,000	$4,015,000	$6,726,000	$3,789,000	

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

FY: **2005**	FY: **2006**	FY: **2007**	FY: **2008**	FY: **2009 YTD**	FY: **2010**
$2,757,561.61	$5,854,761.79	$6,691,744.49	$6,625,728.71	$1,099,974.35	$

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	**Contract Per Member Per Month (PMPM) expenditures are based on estimates of annual plan membership for the term of the contract. Actual membership may vary from the original estimates during the term of each contract, and therefore funding needs may vary. Monthly funding of contract expenditures are obtained, on an as needed basis, from each separate plan funds (State Fund 55, Local Education Fund 56, and Local Government Fund 58). Plan fund revenues are obtained primarily from employer and employee premiums, which are annually set by the committees, and utilized for paying all health plan fund expenses (claims, and administrative expenses, etc.), and can only be utilized for that purpose.**
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	**Under TCA –Title 8: Chapter 27-102 (a), 301 (b), and 207 (d) the State, Local Education and Local Government insurance committees have the authority to enter into contracts with insurance**

Supplemental Documentation Required for Fiscal Review Committee

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

*Contract Funding Source/Amount:	State:		Federal:	
Interdepartmental:	$32,000,000		*Other*:	
If "*other*" please define:				

Dates of All Previous Amendments or Revisions: (*if applicable*)	Brief Description of Actions in Previous Amendments or Revisions: (*if applicable*)
November 1, 2007 – Amendment # 1	Extension to 12.31.08 & adds Edison requirements
November 20, 2007 – Revision	Re-allocate funds to establish retiree funds codes 51, 52 and 53 as required by Comprehensive Annual Financial Report (CAFR) of the State of Tennessee.
Method of Original Award: (*if applicable*)	RFP

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED
Commissioner of Finance & Administration Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.	
1) RFS #	317.86-024
2) State Agency Name :	Finance and Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	Employee Assistance and Mental Health Substance Abuse claims Administration.
4) Contractor :	Magellan Behavioral Health
5) Contract #	FA-05-16160-00
6) Contract Start Date :	January 1, 2005
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2008
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$32,000,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	# 2
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	January 1, 2009
11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$32,200,000
13) Approval Criteria : (select one)	☒ use of Non-Competitive Negotiation is in the best interest of the state
	☐ only one uniquely qualified service provider able to provide the service

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

Extends contract for an additional year (1/1/09 through 12/31/09). Employee Assistance Program (EAP) administrative fees remain the same and Mental Health and Substance Abuse administrative fees will increase by 3%. Defines Contractor responsibilities in the transmission of member enrollment and eligibility through the new Edison System.

15) Explanation of Need for the Proposed Amendment :

The original contract provided for the extension of the contract for one additional year. The Contract extension will provide for the continuation of the Employee Assistance Program (EAP) at no increase in administrative fees, and the continuation of provision of mental health and substance abuse benefits administration with a 3% increase in administrative fees. Also, the amendment defines Contractor responsibilities under Edison.

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

Magellan Behavioral Health, 2550 Northwinds Parkway, Suite 300, Alpharetta, GA, 30004

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 :

At this time, Benefits Administration is agreeable to the extension of the contract with Magellan for the negotiated administrative fees and considers a term extension appropriate, prudent, and in the best interest of plan participants.

21) Justification for the Proposed Non-Competitive Amendment :

The administrative fees negotiated with the Contractor are acceptable to the State, and the Contractor is willing to accept the data interface requirements with Edison.

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

Agency Head Signature	8/22/05 **Date**

MAGELLAN CONTRACT PAYMENTS

Magellan FY 2005

	STATE	LOCAL EDUCATIO	LOCAL GOV'T	RETIREE MED SUPP	COMBINED TOTAL
Jan-05	238,334.45	155,373.10	42,170.89	3,225.80	$ 439,104.24
Feb-05	273,599.54	158,011.09	43,896.18	3,196.59	$ 478,703.40
Mar-05	256,553.84	157,013.84	42,593.35	3,187.70	$ 459,348.73
Apr-05	256,750.44	156,888.18	42,561.31	3,178.81	$ 459,378.74
May-05	256,914.52	156,751.53	42,541.61	3,175.00	$ 459,382.66
Jun-05	256,697.62	159,619.98	42,157.59	3,168.65	$ 461,643.84
Total FY 2005	$ 1,538,850.41	$ 943,657.72	$ 255,920.93	$ 19,132.55	$ 2,757,561.61

Magellan FY 2006

	STATE	LOCAL EDUCATIO	LOCAL GOV'T	RETIREE MED SUPP	COMBINED TOTAL
Jul-05	257,605.13	159,384.96	41,533.24	3,161.03	$ 461,684.36
Aug-05	257,666.41	159,419.62	41,353.69	3,182.62	$ 461,622.34
Sep-05	258,904.37	162,320.55	41,284.27	3,177.54	$ 465,686.73
Oct-05	260,261.38	163,710.75	40,907.15	3,200.40	$ 468,079.68
Nov-05	260,941.31	164,196.04	40,896.33	3,182.62	$ 469,216.30
Dec-05	262,042.22	164,161.94	40,849.74	3,168.65	$ 470,222.55
Jan-06	300,399.80	170,724.98	37,882.47	-	$ 509,007.25
Feb-06	300,876.84	171,138.25	37,884.54	-	$ 509,899.63
Mar-06	300,268.60	171,190.57	38,151.50	-	$ 509,610.67
Apr-06	301,386.32	171,115.21	37,990.96	-	$ 510,492.49
May-06	301,440.87	171,156.41	37,928.74	-	$ 510,526.02
Jun-06	300,384.37	170,494.14	37,835.26	-	$ 508,713.77
Total FY 2006	$ 3,362,177.62	$ 1,999,013.42	$ 474,497.89	$ 19,072.86	$ 5,854,761.79

Magellan FY 2007

	STATE	LOCAL EDUCATIO	LOCAL GOV'T	COMBINED TOTAL
Jul-06	300,500.35	170,032.01	37,721.24	$ 508,253.60
Aug-06	299,765.34	170,306.94	37,075.24	$ 507,147.52
Sep-06	301,178.02	173,400.70	37,262.27	$ 511,840.99
Oct-06	302,160.49	174,883.16	37,347.23	$ 514,390.88
Nov-06	302,843.12	175,012.10	37,318.55	$ 515,173.77
Dec-06	303,320.03	175,153.82	37,571.50	$ 516,045.35
Jan-07	312,455.61	183,700.36	39,007.93	$ 535,163.90
Feb-07	312,713.61	184,224.67	39,110.75	$ 536,049.03
Mar-07	312,648.66	184,455.78	39,375.19	$ 536,479.63
Apr-07	691,359.84	184,422.50	39,346.73	$ 915,129.07
May-07	325,178.76	184,050.46	39,326.11	$ 548,555.33
Jun-07	324,594.45	183,852.67	39,068.30	$ 547,515.42
Total FY 2007	$ 4,088,718.28	$ 2,143,495.17	$ 459,531.04	$ 6,691,744.49

Magellan FY 2008

	STATE		LOCAL EDUCATION		LOCAL GOV'T		COMBINED TOTAL
	Active	Retired	Active	Retired	Active	Retired	
Jul-07	324,432.99		183,335.43		39,472.93		$ 547,241.35
Aug-07	324,276.00		183,868.30		39,502.80		$ 547,647.10
Sep-07	324,645.33		187,551.94		40,078.88		$ 552,276.15
Oct-07	324,464.88		190,179.95		39,946.21		$ 554,591.04
Nov-07	323,170.98		190,725.41		39,714.33		$ 553,610.72
Dec-07	297,647.61	25,579.20	174,743.82	16,037.44	39,111.76	430.04	$ 553,549.87
Jan-08	297,976.38	25,496.55	174,214.47	15,872.99	37,966.49	441.19	$ 551,968.07
Feb-08	298,069.65	25,627.92	175,579.58	15,082.09	37,834.82	445.93	$ 552,639.99
Mar-08	299,019.15	25,065.99	175,014.30	15,736.11	37,738.48	444.90	$ 553,018.93
Apr-08	299,649.78	24,968.07	175,131.67	15,598.97	37,888.99	444.75	$ 553,682.23
May-08	299,955.24	24,970.05	175,037.20	15,481.08	37,817.89	446.08	$ 553,707.54
Jun-08	299,126.91	24,909.06	174,522.15	15,385.19	37,401.12	451.29	$ 551,795.72
Total FY 2008	$ 3,712,434.90	$ 176,616.84	$ 2,159,904.22	$ 109,193.87	$ 464,474.70	$ 3,104.18	$ 6,625,728.71

Magellan FY 2009

	STATE		LOCAL EDUCATION		LOCAL GOV'T		COMBINED TOTAL
	Active	Retired	Active	Retired	Active	Retired	
Jul-08	297,886.62	24,840.69	173,921.03	15,416.24	37,358.05	451.59	$ 549,874.22
Aug-08	297,548.91	25,164.03	174,232.30	15,421.73	37,287.85	445.31	$ 550,100.13
FYTD Total	$595,435.53	$50,004.72	$348,153.33	$30,837.97	$74,645.90	$896.90	$1,099,974.35

GRAND TOTAL $ **23,029,770.95**

CONTRACT SUMMARY SHEET

RECEIVED 021908

RFS #	Contract #
317.86-024	FA-05-16160- SEP 23 2008
State Agency	**State Agency Division**
Finance & Administration	Benefits Administration FISCAL REVIEW
Contractor Name	**Contractor ID # (FEIN or SSN)**
Magellan Behavioral Health	☐ C- or ☒ V- 52-2135463

Service Description

Employee Assistance Program, Mental Health & Substance Abuse administrative services. Amendment extends term to Dec. 31, 2009 and adds a 3% increase for administration of the MH/SA services. No increase for EAP services.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
Jan. 1, 2005	Dec. 31, 2009	Vendor	

Mark Each TRUE Statement

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.86	68 & 69	897	51, 52, 53, 55, 56, 58		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2005			$13,455,000		$13,455,000
2006			4,015,000		4,015,000
2007			4,015,000		4,015,000
2008			6,726,000		6,726,000
2009			3,789,000		3,789,000
2010			$200,000		$200,000
TOTAL:			$32,200,000		$32,200,000

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2005	$13,455,000	
FY: 2006	4,015,000	
FY: 2007	4,015,000	
FY: 2008	6,726,000	
FY: 2009	3,789,000	
FY: 2010		$200,000
TOTAL:	$32,000,000.00	$200,000
End Date:	12-31-08	12-31-09

State Agency Fiscal Contact & Telephone #

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

State Agency Budget Officer Approval

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

Contractor Ownership (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)

CONTRACT SUMMARY SHEET

02190

317.86-024	Contract # FA-05-16160-02
...ncy: Finance & Administration	State Agency Division: Benefits Administration
...ractor Name: Magellan Behavioral Health	Contractor ID # (FEIN or SSN): ☐ C- or ☒ V- 52-2135463

RECEIVED DEC 18 2008 FISCAL REVIEW

Service Description

Employee Assistance Program, Mental Health & Substance Abuse administrative services. Amendment extends term to Dec. 31, 2009 and adds a 3% increase for administration of the MH/SA services. No increase for EAP services.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
Jan. 1, 2005	Dec. 31, 2009	Vendor	

Mark Each TRUE Statement

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.86	68 & 69	897	51, 52, 53, 55, 56, 58		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
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2008			6,726,000		6,726,000
2009			3,789,000		3,789,000
2010			$200,000		$200,000
TOTAL:			$32,200,000		$32,200,000

OCR RELEASED DEC 02 2008 TO ACCOUNTS

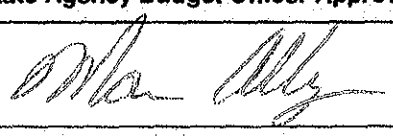
— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2005	$13,455,000	
FY: 2006	4,015,000	
FY: 2007	4,015,000	
FY: 2008	6,726,000	
FY: 2009	3,789,000	
FY: 2010		$200,000
TOTAL:	$32,000,000.00	$200,000
End Date:	12-31-08	12-31-09

State Agency Fiscal Contact & Telephone #

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

State Agency Budget Officer Approval



RECEIVED 2008 NOV 25 PM 3:

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)

NOV 14 2008

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

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

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

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

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

OCR NOV 18 08 RECEIVED

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA-05-16160-00
Fiscal Year	2010

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
EAP Admin Fees							
317.86	69	897	55				$40,000
317.86	69	897	56				$15,000
317.86	69	897	58				$15,000
317.86	69	897	51				$15,000
317.86	69	897	52				$14,500
317.86	69	897	53				$500
MHSA Admin Fees							
317.86	68	897	55				$35,000
317.86	68	897	56				$30,000
317.86	68	897	58				$10,000
317.86	68	897	51				$12,000
317.86	68	897	52				$12,000
317.86	68	897	53				$1,000
TOTAL							$200,000

AMENDMENT TWO
TO CONTRACT NUMBER FA-05-16160-00

This Contract Amendment is made and entered by and between the State of Tennessee, State Insurance Committee, Local Education Insurance Committee, and Local Government Insurance Committee, hereinafter referred to as the "State" and Magellan Behavioral Health, 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.1.6. is deleted in its entirety and replaced with the following:

A.1.6. **DATA AND REPORTING REQUIREMENTS**

The Contractor shall:

A.1.6.1 Maintain an electronic data interface, with the State of Tennessee's Edison System, for the purpose of accessing State member eligibility information. Should the State require changes to the required data formats, it will provide reasonable and mutually agreeable notice to the Contractor. The Contractor is responsible for providing and installing the hardware and software necessary for access. When the Contractor requires the exchange of Protected Health Information (PHI) with the State of Tennessee, the State recommends the use of second level authentication. This is accomplished using the State's standard software product which supports Public Key Infrastructure (PKI). The Contractor will agree to design a solution, in coordination with the State, to connect to the State's SFTP server using a combination of the password and the authentication certificate. Additionally, federal standards require encryption of all electronic protected health data at rest as well as during transmission. The State of Tennessee uses public key encryption with Advanced Encryption Standard (AES) to encrypt PHI. If the State adopts a different or additional encryption standard or tool in the future, the Contractor is expected, with adequate notice, to cooperate with the State to maintain the security of protected information according to all applicable State and Federal standards.

A.1.6.2 Maintain, in its computer system, in-force eligibility and enrollment records of all State plan participants. Specific additional obligations, relative to this requirement, are the following:

A.1.6.2.1 **Weekly Enrollment Update:** To ensure that State plan participants' enrollment records remain accurate and complete, the Contractor commits to the following:

- to retrieve, via secure medium (see A.1.6.1.) weekly enrollment data electronic transfer files from the State, in the State's Edison 834 file values (See Contract Attachment D), for participants who are maintained in the State's Edison System [files will include full population records for all participants and will be in the format of ANSI ASC X12.84, Benefit Enrollment and Maintenance (834), version 004010X095A1, with a few fields being customized by the state];

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

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

files; "mismatches" are defined as: Any difference of values between the State's and the Contractor's databases.	receipt of the files from the State	working days out of compliance; $500.00 per working day thereafter

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

NOTE: Section A.1.6.2.1. shall be monitored by the State as Performance Guarantee 7. (see Contract Attachment A).

A.1.6.2.2. **Enrollment data match**: Upon request by the State, not to exceed two (2) times annually, the Contractor shall submit to the State via secure medium its full file of State enrollees, by which the State will conduct a data match against the State's Edison's database. The purpose of this data match will be to determine the extent to which the Contractor is maintaining its data base of State members, as required by Sections A.1.6.2.1.

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

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

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

A.1.6.3. 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.1.6.4. 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.1.6.5. Maintain the benchmarks required by each of the provisions contained in Contract Attachment A, Performance Guarantees, through the entire contract term.

A.1.6.6. Annually provide the State with GeoAccess® reports showing service and geographic access (see Contract Attachment A: Performance Guarantee # 8). The State shall review the network structure and shall inform the Contractor in writing of any deficiencies the State considers to deny reasonable access to health care. The State and Contractor shall then mutually develop a plan of action to correct said deficiencies within sixty (60) days from the date the Contractor was first notified of the problem.

A.1.6.7. Submit Mental Health and Substance Abuse claims data to the State's healthcare data management vendor and to the Department of Finance and Administration, Office for Information Resources on a quarterly basis or more frequently as mutually agreed to by both parties during and following the term of this contract, until all claims incurred during the term of this contract have been paid. Data shall be submitted in the format detailed in Appendix 7.5, Medstat Data Formats of RFP #317.86-024, or in the format required by the healthcare data management vendor. The Contractor shall ensure that all claims processed for payment have complete ICD-9 and CPT4 codes and valid provider identifications.

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

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

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

A.1.6.8. **Submit Management Reports**. The Contractor shall submit hard copy reports, of the type, at the frequency, and containing the detail described in Contract Attachment B. Reporting shall continue for the twelve (12) month period following termination of the contract. If agreed between the Contractor and the State, these reports shall also be submitted in an electronic format. Where available, the Contractor shall provide identical reports in the aggregate for comparable employer groups to enable the State's comparison of its program utilization and claim costs with other employer groups.

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

A.2. **SERVICES PROVIDED BY THE STATE**

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

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

B.1. Contract Term. This Contract shall be effective for the period commencing on January 1, 2005 and ending on December 31, 2009. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

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

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Thirty-Two Million Two Hundred Thousand Dollars ($32,200,000). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the

materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

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

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

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

EAP – Per Subscriber Per Month Rates

Benefit Option	Plan	PSPM 2005	PSPM 2006	PSPM 2007	PSPM 2008	PSPM 2009
PPO, POS, and HMO	State	$1.45	$1.49	$1.53	$1.53	$1.53
	Local Education	$1.12	$1.15	$1.18	$1.18	$1.18
	Local Government	$1.12	$1.15	$1.18	$1.18	$1.18

MHSA – Per Member Per Month Rates

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009
PPO	State	$1.27	$1.31	$1.35	$1.35	$1.39
	Local Education	$1.27	$1.31	$1.35	$1.35	$1.39
	Local Government	$1.27	$1.31	$1.35	$1.35	$1.39

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009
POS	State	$1.13	$1.16	$1.20	$1.20	$1.24
	Local Education	$1.13	$1.16	$1.20	$1.20	$1.24
	Local Government	$1.13	$1.16	$1.20	$1.20	$1.24

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008	PMPM 2009
HMO	State	$1.13	$1.16	$1.20	$1.20	$1.24
	Local Education	$1.13	$1.16	$1.20	$1.20	$1.24
	Local Government	$1.13	$1.16	$1.20	$1.20	$1.24

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

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

C.4 Risk Free Corridor will mean a range between 5% above and below the targeted PPO MHSA benefit cost level. Within this range the Contractor is neither penalized nor rewarded for plan financial performance.

C.4.1. Target Claims/Risk Free Corridor: Calculation of the Target Claims and Risk Free Corridor, for use in determining Risk Sharing Percentages (Section C.4.2 below), will be as follows:

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

YEAR	CLAIMS, BY PLAN	FOR CLAIMS INCURRED DURING	AND PAID DURING
2005	State, Local Education, and Local Government weighted PPO and POS MHSA Cost Per Member Per Month (PMPM) claims	January 1, 2005 through December 31, 2005	January 1, 2005 through June 30, 2006
2006		January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008
2008		January 1, 2008 through December 31, 2008	January 1, 2008 through June 30, 2009
2009		January 1, 2009 through December 31, 2009	January 1, 2009 through June 30, 2010

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

Contract Year	Contractor's Guarantee Trend Factor
2005	8.0%
2006	8.0%
2007	8.0%
2008	8.0%
2009	8.0%

- Calculation of the Risk Free Corridor will be determined by calculating the figures 5% below and 5% above the Target Cost.

C.4.2 Risk Sharing Percentages

The State will pay the Contractor additional Administrative fees of 40% of the difference between the Actual combined incurred PMPM PPO and POS Plan MHSA claims cost and the Target PMPM Cost multiplied by 95%; that difference then multiplied by the sum of the PPO and POS members enrolled during each month of the calendar year.

The Contractor will refund to the State Administrative fees of 60% of the difference between the Actual combined incurred PMPM PPO and POS claims cost and the Target Cost multiplied by 105%; that difference then multiplied by the sum of PPO and POS members enrolled during each month of the calendar year.

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

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

The State:

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

The Contractor:

Kory J. Krucher, Ph.D., Regional Director of Account Management
Magellan Behavioral Health
2550 Northwinds Parkway, Suite 300
Atlanta, GA 30004
Email Address: kjkrucher@magellanhealth.com
Phone #: 678.319.3812
Fax #: 770.753.2295

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

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

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

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

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

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

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

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

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

10. 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.

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

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

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

IN WITNESS WHEREOF:

MAGELLAN BEHAVIORAL HEALTH:

11.7.08

CONTRACTOR SIGNATURE **DATE**

René Lerer President & CEO

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

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

M.D. Goetz Jr. 11-13-08

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

APPROVED:

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

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

John G Morgan 12/1/08

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY DATE

ATTACHMENT A
PERFORMANCE GUARANTEES

The Contractor shall pay to the State the indicated total dollar penalty each time the stated guarantee is not met, through the life of the contract.

1. Claims Payment Dollar Accuracy	
Guarantee	Quarterly financial accuracy will be 95% or higher.
Definition	Absolute value of financial errors divided by the total paid value of audited dollars paid.
Penalty	$5,000.00 for each full percentage point below 95% for each contracted quarter.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured quarterly; reported and reconciled annually.
2. Claims Turnaround Time	
Guarantee	The average quarterly claims payment turnaround time will not be greater than: - 14 calendar days for 90% of **non-investigated (clean)** claims; and - 30 calendar days for 98% of **all** claims.
Definition	Measured from the date the claim is received in the office to the date processed, including weekends and holidays.
Penalty	**Non-Investigated Claims (clean)**: $1,000.00 for each full percentage point below the required minimum standard of 90% within 14 days. Quarterly Guarantee. **All Claims**: $5,000.00 for each full percentage point below the required minimum standard of 98% within 30 days. Quarterly Guarantee.
Measurement	Quarterly internal audit performed by the carrier on all claims processed. Measured quarterly; reported and reconciled annually.
3. Telephone Response Time: Member Services and Intake Line	
Guarantee	Incoming Member Services Line calls will be answered in an average of 30 seconds or less.
Definition	Response time is defined as the amount of time elapsing between the time a call is received into the phone system and when a live Member Services Line representative answers the phone.
Penalty	$1,000.00 for each full second over the 30 second benchmark. Quarterly guarantee.
Measurement	Based on internal telephone support system reports. Measured quarterly; reported and reconciled annually.
4. Member Satisfaction	
Guarantee	The level of overall customer satisfaction, as measured annually by a State approved Member Satisfaction survey(s), will be equal to or greater than 75% in the first year of the Contract, 85% in the second year, and 90% in the third and any subsequent year(s).
Definition	Utilizing the question: "How would you rate the overall service you received through this program?", and a 5-point scale (Poor, Fair, Good, Very Good, & Excellent). The sum of the number of positive responses (Good, Very Good, and Excellent), divided by the sum of all responses.
Penalty	$50,000.00 Annual guarantee.
Measurement	The Contractor will be determined to have achieved compliance in the first year of the contract if 75% of all responses are positive. The compliance benchmark for year two shall be 85%, and for year three and subsequent years, 90%. Measured, reported, and reconciled annually.
5. Management Reporting	
Guarantee	All quarterly management reports (see Contract Attachment B) will be delivered by the 45th day subsequent to the end of each reporting period.
Definition	See above.
Penalty	$1,000.00 for every day that reports are late. Semi-annually.
Measurement	Measured semi-annually; reconciled annually.
6. Program Brochures	
Guarantee	Program Brochures will be distributed by mid-January 2005.
Definition	See above.
Penalty	Should Brochures not be distributed as required, the total penalty shall be $10,000.00 per year in which the standard is not met.
Measurement	Annual guarantee; measured, reported, and reconciled annually.

7. Weekly Eligibility Update (see Contract Section A.1.6.2.1)

Guarantee	All Weekly Eligibility file processing and mismatch deadlines will be met as detailed at A.1.6.2.1.
Definition	See A.1.6.2.1
Penalty	See A.1.6.2.1
Measurement	Measured and reported weekly; reconciled annually.

8. Provider/Facility Network Accessibility

Guarantee	As measured by the GeoNetworks Provider & Facility Network Accessibility Analysis, the Contractor's provider and facility network will assure that 95% of all State, Local Education, and Local Government Plan members will have the Access Standard indicated.		
Definition	**Provider Group**	**Employee Group**	**Access Standard**
	EAP Network Providers	All members	1 Provider w/in 30 miles
	MHSA Network Providers	All members	2 Provider w/in 30 miles
	Psychiatric Care Facilities	All members	1 Facility w/in 45 miles NOTE: This standard is waived in locations where no such facility exists.
Penalty	**$25,000** if ANY of the above listed standards is not met, either individually or in combination. Semi-annual guarantee.		
Measurement	Measured semi-annually; reported and reconciled annually.		

9. Claims Data Quality

Guarantee	As measured by the State's Claims Data Management vendor, the Contractor's data submission to this vendor must meet the following Data Quality measures.	
Definition	**Measure**	**Benchmark**
	Gender	Data missing for </= (less than or equal to) 3% of claims
	Date of birth	Data missing for </= 3% of claims
	Outpatient diagnosis coding	Data invalid or missing for </= 5% of outpatient claims
	Outpatient provider type missing	Data missing for </= 1.5% of outpatient claims
Penalty	**$2500** if ANY of the above listed standards is not met, either individually or in combination. Quarterly Guarantee.	
Measurement	Measured and reported by the State's Claims Data Management vendor quarterly; reconciled annually.	

ATTACHMENT C

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	FA-05-16160-00
CONTRACTOR LEGAL ENTITY NAME:	MAGELLAN BEHAVIORAL HEALTH, INC.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	52-2135463

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

René Lerer

CONTRACTOR SIGNATURE

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

René Lerer President + CEO

PRINTED NAME AND TITLE OF SIGNATORY

11-7-08

DATE OF ATTESTATION

ATTACHMENT D
EDISON 834 FILE VALUES

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

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

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

EMPL_STATUS	T	1/1/1900 0:00	Terminated	TE	Terminated	Y	N
EMPL_STATUS	A	1/1/1900 0:00	Active	FT	Full time active employee	Y	N
EMPL_STATUS	V	1/1/1900 0:00	Terminated Pension Pay Out	TE	Terminated	Y	N
EMPL_STATUS	W	1/1/1900 0:00	Short Work Break	FT	Full time active employee	Y	N
EMPL_STATUS	X	1/1/1900 0:00	Retired-Pension Administration	RT	Retired	Y	N
EMPL_STATUS	U	1/1/1900 0:00	Terminated With Pay	TE	Terminated	Y	N
EMPL_STATUS	D	1/1/1900 0:00	Deceased	TE	Terminated	Y	N
EMPL_STATUS	L	1/1/1900 0:00	Leave of Absence	L1	Leave of Absence	Y	N
EMPL_STATUS	P	1/1/1900 0:00	Leave With Pay	L1	Leave of Absence	Y	N
EMPL_STATUS	Q	1/1/1900 0:00	Retired With Pay	RT	Retired	Y	N
EMPL_STATUS	R	1/1/1900 0:00	Retired	RT	Retired	Y	N
EMPL_STATUS	S	1/1/1900 0:00	Suspended	FT	Full time active employee	Y	N
MAR_STATUS	W	1/1/1900 0:00	Widowed	W	Widowed	Y	N
MAR_STATUS	U	1/1/1900 0:00	Unknown	R	Unknown	Y	N
MAR_STATUS	S	1/1/1900 0:00	Single	I	Single	Y	N
MAR_STATUS	M	1/1/1900 0:00	Married	M	Married	Y	N
MAR_STATUS	H	1/1/1900 0:00	Head of Household	U	Head Of Household	Y	N
MAR_STATUS	E	1/1/1900 0:00	Separated	S	Separated	Y	N
MAR_STATU	D	1/1/1900	Divorced	D	Divorced	Y	N

S		0:00					
MAR_STATUS	C	1/1/1900 0:00	Common-Law	U	Common-Law	Y	N
PLAN_TYPE	1X	1/1/1901 0:00	Wellness	WELL	Wellness	N	Y
PLAN_TYPE	1Z	1/1/1901 0:00	Mental Health Substance Abuse	AK	Mental Health Substance Abuse	N	Y
PLAN_TYPE	10	1/1/1900 0:00	Medical	HLT	Health	Y	Y
PLAN_TYPE	11	1/1/1900 0:00	Dental	DEN	Dental	Y	Y
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	HLT	Health	Y	Y
PLAN_TYPE	13	1/1/1900 0:00	Major Medical	MM	Major Medical	Y	Y
PLAN_TYPE	14	1/1/1900 0:00	Vision	VIS	Vision	Y	Y
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	HLT	Health	Y	Y
PLAN_TYPE	16	1/1/1900 0:00	Domestic Partner Dental	DEN	Dental	Y	Y
PLAN_TYPE	17	1/1/1900 0:00	Domestic Partner Vision	VIS	Vision	Y	Y
PLAN_TYPE	10	1/1/1900 0:00	Medical	AG	Preventive Care/Wellness	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	EPO	Exclusive Provider Org (EPO)	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	FAC	Facility	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	HE	Hearing	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	HMO	Health Maintenance Org (HMO)	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	MOD	Mail Order Drug	Y	N
PLAN_TYPE	10	1/1/1900	Medical	PDG	Prescription	Y	N

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

PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	HMO	Health Maintenance Org (HMO)	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	MOD	Mail Order Drug	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	PDG	Prescription Drug	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	POS	Point Of Service (POS)	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	PPO	Preferred Provider Org (PPO)	Y	N
PLAN_TYPE	16	1/1/1900 0:00	Domestic Partner Dental	DCP	Dental Capitation (DMO)	Y	N
PLAN_TYPE	1V	1/1/1901 0:00	Medicare Supplement	SUP	Medicare Supplement	N	Y
PLAN_TYPE	1Y	1/1/1901 0:00	Employee Assistance Program	AG	Employee Assistance Program	N	Y
RELATIONSHIP	CN	1/1/1901 0:00	Natural Child	19	Child	N	N
RELATIONSHIP	CS	1/1/1901 0:00	Step Child	19	Child	N	N
RELATIONSHIP	A	1/1/1900 0:00	Aunt	06	Uncle or Aunt	Y	N
RELATIONSHIP	B	1/1/1900 0:00	Brother	14	Brother or Sister	Y	N
RELATIONSHIP	D	1/1/1900 0:00	Daughter	19	Child	Y	N
RELATIONSHIP	E	1/1/1900 0:00	Employee	38	Collateral Dependent	Y	N
RELATIONSHIP	FA	1/1/1900 0:00	Father	03	Father or Mother	Y	N
RELATIONSHIP	FI	1/1/1900 0:00	Father-in-Law	13	Mother-in-law or Father-in-law	Y	N
RELATIONSHIP	FR	1/1/1900 0:00	Friend	38	Collateral Dependent	Y	N

RELATIONS HIP	GC	1/1/1900 0:00	Grandchild	05	Grandson or Granddaughter	Y	N
RELATIONS HIP	GF	1/1/1900 0:00	Grandfather	04	Grandfather or Grandmother	Y	N
RELATIONS HIP	GM	1/1/1900 0:00	Grandmother	04	Grandfather or Grandmother	Y	N
RELATIONS HIP	M	1/1/1900 0:00	Mother	03	Father or Mother	Y	N
RELATIONS HIP	MI	1/1/1900 0:00	Mother-in-Law	13	Mother-in-law or Father-in-law	Y	N
RELATIONS HIP	N	1/1/1900 0:00	Neighbor	38	Collateral Dependent	Y	N
RELATIONS HIP	NA	1/1/1900 0:00	Domestic Partner Adult	53	Life Partner	Y	N
RELATIONS HIP	ND	1/1/1900 0:00	Domestic Partner Daughter	38	Collateral Dependent	Y	N
RELATIONS HIP	NE	1/1/1900 0:00	Nephew	07	Nephew or Niece	Y	N
RELATIONS HIP	NI	1/1/1900 0:00	Niece	07	Nephew or Niece	Y	N
RELATIONS HIP	NS	1/1/1900 0:00	Domestic Partner Son	38	Collateral Dependent	Y	N
RELATIONS HIP	O	1/1/1900 0:00	Other	38	Collateral Dependent	Y	N
RELATIONS HIP	R	1/1/1900 0:00	Other Relative	38	Collateral Dependent	Y	N
RELATIONS HIP	RO	1/1/1900 0:00	Roommate	38	Collateral Dependent	Y	N
RELATIONS HIP	S	1/1/1900 0:00	Son	19	Child	Y	N
RELATIONS HIP	SI	1/1/1900 0:00	Sister	14	Brother or Sister	Y	N
RELATIONS HIP	SP	1/1/1900 0:00	Spouse	01	Spouse	Y	N
RELATIONS HIP	T	1/1/1900 0:00	Estate	31	Court Appointed Guardian	Y	N

RELATIONSHIP	U	1/1/1900 0:00	Uncle	06	Uncle or Aunt	Y	N
RELATIONSHIP	X	1/1/1900 0:00	ExSpouse	25	Ex-spouse	Y	N
RELATIONSHIP	XC	1/1/1900 0:00	Recognized Child	19	Child	Y	N
RELATIONSHIP	XD	1/1/1900 0:00	Foster Daughter	10	Foster Child	Y	N
RELATIONSHIP	XS	1/1/1900 0:00	Foster Son	10	Foster Child	Y	N
RELATIONSHIP	CT	1/1/1901 0:00	Child claimed on income tax	38	Child	N	N
RELATIONSHIP	CG	1/1/1901 0:00	Grandchild	05	Grandson or Granddaughter	N	N
RELATIONSHIP	CL	1/1/1901 0:00	Legal Guardian	19	Child	N	N
RELATIONSHIP	SD	1/1/1901 0:00	Special Decision	19	Child	N	N
SMOKER	Y	1/1/1900 0:00	Smoker - Yes	T	Tobacco Use	Y	N
SMOKER	N	1/1/1900 0:00	Smoker - No	U	Unknown	Y	N
TIMEZONE	ADT	1/1/1900 0:00	DST Atlantic Time (Canada)	TD	Atlantic Daylight Time	Y	N
TIMEZONE	WEST	1/1/1900 0:00	West Europe Time, Berlin, Rome, Paris	01	Equivalent to ISO P01	Y	N
TIMEZONE	AKDT	1/1/1900 0:00	DST Alaska Time	AD	Alaska Daylight Time	Y	N
TIMEZONE	AKST	1/1/1900 0:00	Alaska Time	AS	Alaska Standard Time	Y	N
TIMEZONE	ARST	1/1/1900 0:00	Arabian Time, Abu Dhabi, Muscat	04	Equivalent to ISO P04	Y	N
TIMEZONE	AST	1/1/1900 0:00	Atlantic Time (Canada)	TS	Atlantic Standard Time	Y	N
TIMEZONE	AZDT	1/1/1900 0:00	DST Azores Time, Cape Verde Is.	UT	Universal Time Coordinate	Y	N

TIMEZONE	AZST	1/1/1900 0:00	Azores Time, Cape Verde Is.	24	Equivalent to ISO M01	Y	N
TIMEZONE	BST	1/1/1900 0:00	Bangkok Time, Hanoi, Jakarta	07	Equivalent to ISO P07	Y	N
TIMEZONE	CASST	1/1/1900 0:00	Central Asia Time, Almaty, Dhaka	06	Equivalent to ISO P06	Y	N
TIMEZONE	CAUDT	1/1/1900 0:00	DST Central Australia, Adelaide	10	Equivalent to ISO P10	Y	N
TIMEZONE	CAUST	1/1/1900 0:00	Central Australia, Adelaide	09	Equivalent to ISO P09	Y	N
TIMEZONE	CDT	1/1/1900 0:00	DST Central Time	CD	Central Daylight Time	Y	N
TIMEZONE	CPST	1/1/1900 0:00	Central Pacific, Magadan, Solomon Is.	11	Equivalent to ISO P11	Y	N
TIMEZONE	CST	1/1/1900 0:00	Central Time	CS	Central Standard Time	Y	N
TIMEZONE	DST	1/1/1900 0:00	Dateline Time, Eniwetok, Kwajalein	13	Equivalent to ISO M12	Y	N
TIMEZONE	EDT	1/1/1900 0:00	DST Eastern Time	ED	Eastern Daylight Time	Y	N
TIMEZONE	EKDT	1/1/1900 0:00	DST Ekaterinburg Time	06	Equivalent to ISO P06	Y	N
TIMEZONE	EKST	1/1/1900 0:00	Ekaterinburg Time	05	Equivalent to ISO P05	Y	N
TIMEZONE	EST	1/1/1900 0:00	Eastern Time	ES	Eastern Standard Time	Y	N
TIMEZONE	GFTDT	1/1/1900 0:00	DST GFT Time, Athens, Istanbul, Minsk	03	Equivalent to ISO P03	Y	N
TIMEZONE	GFTST	1/1/1900 0:00	GFT Time, Athens, Istanbul, Minsk	02	Equivalent to ISO P02	Y	N

TIMEZONE	GMDT	1/1/1900 0:00	DST GMT, London, Dublin, Lisbon, Edinburgh	01	Equivalent to ISO P01	Y	N
TIMEZONE	GMT	1/1/1900 0:00	GMT, London, Dublin, Lisbon, Edinburgh	GM	Greenwich Mean Time	Y	N
TIMEZONE	HST	1/1/1900 0:00	Hawaiian Time	HT	Hawaii-Aleutian Time	Y	N
TIMEZONE	IRDT	1/1/1900 0:00	DST Iran Time, Tehran	04	Equivalent to ISO P04	Y	N
TIMEZONE	IRST	1/1/1900 0:00	Iran Time, Tehran	03	Equivalent to ISO P03	Y	N
TIMEZONE	IST	1/1/1900 0:00	India Time, Bombay, Calcutta, New Delhi	05	Equivalent to ISO P05	Y	N
TIMEZONE	MADT	1/1/1900 0:00	DST Mid-Atlantic Time	24	Equivalent to ISO M01	Y	N
TIMEZONE	MAST	1/1/1900 0:00	Mid-Atlantic Time	23	Equivalent to ISO M02	Y	N
TIMEZONE	MDT	1/1/1900 0:00	DST Mountain Time	MD	Mountain Daylight Time	Y	N
TIMEZONE	MST	1/1/1900 0:00	Mountain Time	MS	Mountain Standard Time	Y	N
TIMEZONE	NDT	1/1/1900 0:00	DST Newfoundland Time	ND	Newfoundland Daylight Time	Y	N
TIMEZONE	NST	1/1/1900 0:00	Newfoundland Time	NS	Newfoundland Standard Time	Y	N
TIMEZONE	NZDT	1/1/1900 0:00	DST New Zealand Time, Auckland, Wellington	13	Equivalent to ISO M12	Y	N
TIMEZONE	NZST	1/1/1900 0:00	New Zealand Time, Auckland, Wellington	12	Equivalent to ISO P12	Y	N
TIMEZONE	PDT	1/1/1900	DST Pacific	PD	Pacific Daylight	Y	N

		0:00	Time, Tijuana		Time				
TIMEZONE	PST	1/1/1900 0:00	Pacific Time, Tijuana	PS	Pacific Standard Time	Y	N		
TIMEZONE	RDT	1/1/1900 0:00	DST Russian Time, Moscow, St. Petersburg, Volgogra	04	Equivalent to ISO P04	Y	N		
TIMEZONE	RST	1/1/1900 0:00	Russian Time, Moscow, St. Petersburg, Volgograd	03	Equivalent to ISO P03	Y	N		
TIMEZONE	SAEST	1/1/1900 0:00	SA Eastern Time, Buenos Aires, Georgetown	22	Equivalent to ISO M03	Y	N		
TIMEZONE	SDT	1/1/1900 0:00	DST Sydney Time, Canberra, Melbourne	11	Equivalent to ISO P11	Y	N		
TIMEZONE	SMST	1/1/1900 0:00	Samoa Time, Midway Island	14	Equivalent to ISO M11	Y	N		
TIMEZONE	SST	1/1/1900 0:00	Sydney Time, Canberra, Melbourne	10	Equivalent to ISO P10	Y	N		
TIMEZONE	TST	1/1/1900 0:00	Tokyo Time	09	Equivalent to ISO P09	Y	N		
TIMEZONE	WAUST	1/1/1900 0:00	West Australia Time, Perth	08	Equivalent to ISO P08	Y	N		
TIMEZONE	WEDT	1/1/1900 0:00	DST West Europe Time, Berlin, Rome, Paris	02	Equivalent to ISO P02	Y	N		
TIMEZONE	AFST	1/1/1900 0:00	Afghanistan Time, Kabul	04	Equivalent to ISO P04	Y	N		
	CSA	1/1/1901	Central State Active	CSA Central State Active	Edison Benefit Program Code and Description	Y	2000	REF	REF03

	FIR	1/1/1901	Full Time Irregular Officer Cd	FIR Full Time Irregular Officer Cd	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	FML	1/1/1901	FML Benefits Billing	FML FML Benefits Billing	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	GA1	1/1/1901	Local Gov Active Prem Level 1	GA1 Local Gov Active Prem Level 1	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	GA2	1/1/1901	Local Gov Active Prem Level 2	GA2 Local Gov Active Prem Level 2	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	GA3	1/1/1901	Local Gov Active Prem Level 3	GA3 Local Gov Active Prem Level 3	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	HED	1/1/1901	Higher Education	HED Higher Education	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	OLA	1/1/1901	Offline Actives	OLA Offline Actives	Edison Benefit Program Code and Description	Y	2000	REF	REF03

	OLC	1/1/1901	Offline Closed	OLC Offline Closed	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	PAR	1/1/1901	Part Time Non-1450 Hours	PAR Part Time Non-1450 Hours	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	PTN	1/1/1901	Local Education 25 Hours	PTN Local Education 25 Hours	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	PTP	1/1/1901	Part Time 1450 Hours	PTP Part Time 1450 Hours	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RCS	1/1/1901	Retiree Central State	RCS Retiree Central State	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RG1	1/1/1901	Local Gov Retiree Prem Level 1	RG1 Local Gov Retiree Prem Level 1	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RG2	1/1/1901	Local Gov Retiree Prem Level 2	RG2 Local Gov Retiree Prem Level 2	Edison Benefit Program Code and Description	Y	2000	REF	REF03

	RG3	1/1/1901	Local Gov Retiree Prem Level 3	RG3 Local Gov Retiree Prem Level 3	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RGF	1/1/1901	Retiree Grandfathered	RGF Retiree Grandfathered	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RSS	1/1/1901	Loc Ed Retiree Support Staff	RSS Loc Ed Retiree Support Staff	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RTE	1/1/1901	Loc Ed Retiree Teacher	RTE Loc Ed Retiree Teacher	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	SUR	1/2/1901	Survivor Benefit Program	SUR Survivor Benefit Program	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	TEA	1/1/1901	Local Education	TEA Local Education	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	WCP	1/1/1901	Worker's Compensation	WCP Worker's Compensation	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	Y	1/1/1901	Payment Indicator	Y	Payment Indicator	Y	2300	HD	HD11
	N	1/1/1901	Payment Indicator	N	Payment Indicator	Y	2300	HD	HD11

	Range 01000 thru 99929	1/1/1901	Budget Code	Range 01000 thru 99929	Budget Code	Y	2000	REF	REF04

FAX/EMAIL TRANSMITTAL

to Request OIR Procurement Endorsement

TO :	**Jane Chittenden, Director OIR Procurement & Contract Management**	**FAX # 741-6164**
FROM :	**Marlene D. Alvarez, Procurement & Contracting Manager**	**FAX # 253-8556**
DATE :	**September 22, 2008**	
RFS #	**317.86-024**	
RE :	**Procurement Endorsement — Magellan Behavioral Health, amendment transfer Contractor responsibilities from Tennessee Insurance System (TIS) to Edison**	

INFORMATION SYSTEMS PLAN PROJECT: N/A

NUMBER OF FAX PAGES (including cover) : 1

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

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

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

Thank you for your help.

Attachment(s)

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

RFP documents must be provided in electronic form.

OIR Endorsement :

Mark Bengel (gr) 9/22/08

OIR Chief Information Officer **Date**

011503

CONTRACT SUMMARY SHEET

RFS #	Contract #
317.86-024 Revision as of 11-20-07	FA-05-16160-
State Agency	**State Agency Division**
Finance & Administration	Benefits Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Magellan Behavioral Health	☐ C- or ☒ V- 52-2135463

Service Description

Employee Assistance Program, Mental Health & Substance Abuse administrative services.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
Jan. 1, 2005	Dec. 31, 2008	Vendor	

Mark, if Statement is TRUE

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.86	68 & 69	897	51, 52, 53, 55, 56, 58		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2005			$13,455,000		$13,455,000
2006			4,015,000		4,015,000
2007			4,015,000		4,015,000
2008			6,726,000		6,726,000
2009			3,789,000		3,789,000
TOTAL:			$32,000,000		$32,000,000

OCR RELEASED NOV 29 2007 TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2005	$13,455,000	
FY: 2006	4,015,000	
FY: 2007	4,015,000	
FY: 2008	3,515,000	$3,211,000
FY: 2009		3,789,000
TOTAL:	$25,000,000	$7,000,000
End Date:	Dec. 31, 2007	Dec. 31, 2008

State Agency Fiscal Contact & Telephone #

John Anderson, Insurance Administration
26th Floor, Tennessee Tower
615-741-8642

State Agency Budget Officer Approval

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

Contractor Ownership

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

Contractor Selection Method

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

Procurement Process Summary

RECEIVED 2007 NOV 29 AM 9:05 DIV OF ACCOUNTS

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA-05-16160-00
Fiscal Year	2008

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
EAP Admin Fees							
317.86	69	897	55				$750,000
317.86	69	897	55				879,700
317.86	69	897	55				($150,000)
317.86	69	897	56				600,000
317.86	69	897	56				155,100
317.86	69	897	56				($100,000)
317.86	69	897	58				188,100
317.86	69	897	58				($4,000)
317.86	69	897	51				$150,000
317.86	69	897	52				$100,000
317.86	69	897	53				$4,000
MHSA Admin Fees							
317.86	68	897	55				$1,000,000
317.86	68	897	55				1,362,700
317.86	68	897	55				($200,000)
317.86	68	897	56				750,000
317.86	68	897	56				749,800
317.86	68	897	56				($115,000)
317.86	68	897	58				290,600
317.86	68	897	58				($5,000)
317.86	68	897	51				$200,000
317.86	68	897	52				$115,000
317.86	68	897	53				$5,000
TOTAL							6,726,000

CONTRACT SUMMARY SHEET SUPPLEMENT							
Contract Number	FA-05-16160-00						
Fiscal Year	2009						
Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
EAP Admin Fees							
317.86	69	897	55				$902,000
317.86	69	897	55				($150,000)
317.86	69	897	56				427,500
317.86	69	897	56				($100,000)
317.86	69	897	58				108,800
317.86	69	897	58				($4,000)
317.86	69	897	51				$150,000
317.86	69	897	52				$100,000
317.86	69	897	53				$4,000
MHSA Admin Fees							
317.86	68	897	55				1,315,000
317.86	68	897	55				($200,000)
317.86	68	897	56				867,600
317.86	68	897	56				($115,000)
317.86	68	897	58				168,100
317.86	68	897	58				($5,000)
317.86	68	897	51				$200,000
317.86	68	897	52				$115,000
317.86	68	897	53				$5,000
TOTAL							3,789,000

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

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

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

MEMORANDUM

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

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

DATE: August 29, 2007

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

RFS# 317.86-024
Department: Finance and Administration
Division: Insurance Administration
Contractor: Magellan Behavioral Health
Summary: The vendor is currently responsible for providing Employee Assistance Program (EAP) and Mental Health and Substance Abuse (MHSA) administrative services. The proposed amendment extends the term of the contract for an additional year, effective through December 31, 2008, increases the maximum liability by $7,000,000 and adds e-mail as a communication device. It also requires the vendor to convert relevant electronic data to the new Edison HIPAA-compliant formats and procedures.
Maximum liability: $25,000,000
Maximum liability with amendment: $32,000,000

After review, the Fiscal Review Committee made no recommendation 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

Date: August 9, 2007

RE: **Amendment for Magellan Behavioral Health**

Please find attached a Non-Competitive Amendment request to add language to the existing contract with Magellan Behavioral Health signed by Commissioner Goetz. The amendment to this contract provides for the extension of the term through December 31, 2008 and continuation at the current rate of compensation. Additionally, the amendment adds responsibilities for the Contractor regarding data interface with the Edison project. The option to extend the contract for up to an additional two years was included in the original contract.

The base contract is included as is a draft of amendment # 1 for your review.

Thank you for your consideration of this request.

RECEIVED
AUG 10 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 #	317.86-024
2) State Agency Name :	Finance and Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	Employee Assistance Program, Mental Health and Substance Abuse administrative services.
4) Contractor :	Magellan Behavioral Health
5) Contract #	FA-05-16160-00
6) Contract Start Date :	January 1, 2005
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2007
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$25,000,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	# 1
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	November 1, 2007
11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$40,000,000
13) Approval Criteria : (select one)	☒ use of Non-Competitive Negotiation is in the best interest of the state
	☐ only one uniquely qualified service provider able to provide the service

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

Extends the contract term for an additional year continuing premium rates in effect during calendar year 2007 and adds additional responsibilities for the Contractor regarding data interface with the Edision project.

15) Explanation of Need for the Proposed Amendment :

The option to extend the term was included in the original contract and the Contractor has agreed to maintain premiums in the amount

in effect during calendar year 2007 for calender year 2008. The Edision interface must be implemented by January 1, 2008.

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

Magellan Behavioral Health, 2550 Northwinds Parkway, Suite 300, Alpharetta, GA, 30004

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 :

At this time, Benefits Administration is agreeable to the continuation of the current rate negotiated with the Contractor and considers a term extension appropriate, prudent and in the best interest of plan participants.

21) Justification for the Proposed Non-Competitive Amendment :

The premium continuation negotiated with the Contractor is acceptable to the State and the Contractor is willing to accept the data interface requirements wtih Edison for no additional fee.

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

Agency Head Signature	**Date** 8/6/07

CONTRACT SUMMARY SHEET

RFS #	Contract #
317.86-024	FA-05-16160-01
State Agency	**State Agency Division**
Finance & Administration	Benefits Administration
Contractor Name	**Contractor ID # (FEIN or SSN)**
Magellan Behavioral Health	☐ C- or ☒ V- 52-2135463

Service Description

Employee Assistance Program, Mental Health & Substance Abuse administrative services.

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
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Mark, if Statement is TRUE

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.86	68 & 69	897	55, 56, 58		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2005			$13,455,000		$13,455,000
2006			4,015,000		4,015,000
2007			4,015,000		4,015,000
2008			6,726,000		6,726,000
2009			3,789,000		3,789,000
TOTAL:			$32,000,000		$32,000,000

OCR RELEASED
OCT 29 2007
TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2005	$13,455,000	
FY: 2006	4,015,000	
FY: 2007	4,015,000	
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FY: 2009		3,789,000
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End Date:	Dec. 31, 2007	Dec. 31, 2008

State Agency Fiscal Contact & Telephone #

John Anderson, Insurance Administration
26th Floor, Tennessee Tower
615-741-8642

State Agency Budget Officer Approval

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

Contractor Ownership

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

Contractor Selection Method

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

Procurement Process Summary

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA-05-16160-00
Fiscal Year	2008

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
EAP Admin Fees							
317.86	69	897	55				$750,000
317.86	69	897	55				879,700
317.86	69	897	56				600,000
317.86	69	897	56				155,100
317.86	69	897	58				150,000
317.86	69	897	58				38,100
MHSA Admin Fees							
317.86	68	897	55				$1,000,000
317.86	68	897	55				1,362,700
317.86	68	897	56				750,000
317.86	68	897	56				749,800
317.86	68	897	58				250,000
317.86	68	897	58				40,600
317.86	68	897	59				15,000
317.86	68	897	59				-$15,000
TOTAL							6,726,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	FA-05-16160-00
Fiscal Year	2009

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
EAP Admin Fees							
317.86	69	897	55				$902,000
317.86	69	897	56				427,500
317.86	69	897	58				108,800
MHSA Admin Fees							
317.86	68	897	55				1,315,000
317.86	68	897	56				867,600
317.86	68	897	58				168,100
TOTAL							3,789,000

AMENDMENT ONE
TO CONTRACT NUMBER FA-05-16160-00

This Contract Amendment is made and entered by and between the State of Tennessee, State, Local Education and Local Government Insurance Committees, hereinafter referred to as the "State", and Magellan Behavioral Health, 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 B.1. is deleted in its entirety and replaced with the following:

   B.1. Contract Term. This Contract shall be effective for the period commencing on January 1, 2005 and ending on December 31, 2008. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

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

   C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Thirty-Two Million Dollars ($32,000,000). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

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

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

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

EAP – Per Subscriber Per Month Rates

Benefit Option	Plan	PSPM 2005	PSPM 2006	PSPM 2007	PSPM 2008
PPO, POS, and HMO	State	$1.45	$1.49	$1.53	$1.53
	Local Education	$1.12	$1.15	$1.18	$1.18
	Local Government	$1.12	$1.15	$1.18	$1.18

MHSA – Per Member Per Month Rates

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008
PPO	State	$1.27	$1.31	$1.35	$1.35
	Local Education	$1.27	$1.31	$1.35	$1.35
	Local Government	$1.27	$1.31	$1.35	$1.35

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008
POS	State	$1.13	$1.16	$1.20	$1.20
	Local Education	$1.13	$1.16	$1.20	$1.20
	Local Government	$1.13	$1.16	$1.20	$1.20

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008
HMO	State	$1.13	$1.16	$1.20	$1.20
	Local Education	$1.13	$1.16	$1.20	$1.20
	Local Government	$1.13	$1.16	$1.20	$1.20

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

4. The text of Contract Section C.4.1. is deleted in its entirety and replaced with the following:

C.4.1. Target Claims/Risk Free Corridor: Calculation of the Target Claims and Risk Free Corridor, for use in determining Risk Sharing Percentages (Section C.4.2 below), will be as follows:

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

YEAR	CLAIMS, BY PLAN	FOR CLAIMS INCURRED DURING	AND PAID DURING
2005	State, Local Education, and Local Government weighted PPO and POS MHSA Cost Per Member Per Month (PMPM) claims	January 1, 2005 through December 31, 2005	January 1, 2005 through June 30, 2006
2006		January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008
2008		January 1, 2008 through December 31, 2008	January 1, 2008 through June 30, 2009

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

Contract Year	Contractor's Guarantee Trend Factor
2005	8.0%
2006	8.0%
2007	8.0%
2008	8.0%

- Calculation of the Risk Free Corridor will be determined by calculating the figures 5% below and 5% above the Target Cost.

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

The Contractor:

Kory J. Krucher, Ph.D., Regional Director of Account Management
Magellan Behavioral Health
2550 Northwinds Parkway, Suite 300
Atlanta, GA 30004
Phone # 678-319-3812
Fax #: 770-753-2295
Email Address: kjkrucher@magellanhealth.com

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

6. The following provision is added as Contract Section A.1.6.9.:

A.1.6.9. The Tennessee Insurance System (TIS) is targeted for replacement by the State's Enterprise Resource Planning (ERP) system (operating under the name Edison) on December 31, 2007. This date is subject to change at the State's discretion. The Contractor, in support of this transition, will be required to:

- participate in meetings (phone or on-site), if any, intended for the purpose of planning for the transition and

- convert its electronic data interface with TIS, the Weekly Eligibility Updates (Section A.1.6.2.1), the Quarterly Eligibility Data Reconciliation (Section A.1.6.2.2), and the Eligibility Data Match (Section A.1.6.2.3), to the new Edison HIPAA compliant formats and procedures prior to the Edison "go-live" date.

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

IN WITNESS WHEREOF:

MAGELLAN BEHAVIORAL HEALTH:

9/28/07

RENE LERER, CHIEF OPERATING OFFICER **DATE**

RENE' LERER PRESIDENT AND COO

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY(above)

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

10-5-07

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

APPROVED:

OCT 22 2007

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

10/26/07

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

011503

CONTRACT SUMMARY SHEET

RFS Number:	317.86-024	Contract Number:	FA-05-16160-00
State Agency:	F&A	Division:	Insurance Administration

Contractor	Contractor Identification Number	
Magellan Behavioral Health	☒ V- ☐ C-	52-2135463

Service Description

Employee Assistance Program, Mental Health & Substance Abuse administrative services.

Contract Begin Date	Contract End Date
January 1, 2005	December 31, 2007

Allotment Code	Cost Center	Object Code	Fund	Grant	Grant Code	Subgrant Code
				☐ on STARS		

FY	State Funds	Federal Funds	Interdepartmental Funds	Other Funding	Total Contract Amount (including ALL amendments)
2005			13,455,000		13,455,000
2006			4,015,000		4,015,000
2007			4,015,000		4,015,000
2008			3,515,000		3,515,000
Total:			$25,000,000		$25,000,000

CFDA #

State Fiscal Contact

Name: John Anderson
Address: 13th Floor TN Tower, 312 8th Av No, Nashville, TN 37243
Phone: 615-741-8642

Procuring Agency Budget Officer Approval Signature

Check the box ONLY if the answer is YES:	
Is the Contractor a SUBRECIPIENT? (per OMB A-133)	
Is the Contractor a VENDOR? (per OMB A-133)	Y
Is the Fiscal Year Funding STRICTLY LIMITED?	
Is the Contractor on STARS?	
Is the Contractor's FORM W-9 ATTACHED?	Y
Is the Contractors Form W-9 Filed with Accounts?	

COMPLETE FOR ALL AMENDMENTS (only)

	Base Contract & Prior Amendments	This Amendment ONLY
END DATE →	1-1-05	12-31-07
FY: 2005	13,455,000	
FY: 2006	4,015,000	
FY: 2007	4,015,000	
FY: 2008	3,515,000	
FY:		
Total:	$25,000,000	

Funding Certification

Pursuant to T.C.A., Section 9-6-113, I, M. D. Goetz, Jr., Commissioner of Finance and Administration, do hereby certify that 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.

PROCESSED
DEC 17 2004
DIRECTOR OF ACCOUNTS

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	
Fiscal Year	2005

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
EAP Admin Fees							
317.86	69	897	55				3,000,000
317.86	69	897	56				1,000,000
317.86	69	897	58				500,000
MHSA Admin Fees							
317.86	68	897	55				5,150,000
317.86	68	897	56				3,000,000
317.86	68	897	58				750,000
317.86	68	897	59				55,000
TOTAL							13,455,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	
Fiscal Year	2006

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
EAP Admin Fees							
317.86	69	897	55				1,000,000
317.86	69	897	56				600,000
317.86	69	897	58				150,000
MHSA Admin Fees							
317.86	68	897	55				1,000,000
317.86	68	897	56				1,000,000
317.86	68	897	58				250,000
317.86	68	897	59				15,000
TOTAL							4,015,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	
Fiscal Year	2007

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
EAP Admin Fees							
317.86	69	897	55				1,000,000
317.86	69	897	56				600,000
317.86	69	897	58				150,000
MHSA Admin Fees							
317.86	68	897	55				1,000,000
317.86	68	897	56				1,000,000
317.86	68	897	58				250,000
317.86	68	897	59				15,000
TOTAL							4,015,000

CONTRACT SUMMARY SHEET SUPPLEMENT

Contract Number	
Fiscal Year	2008

Allotment Code	Cost Center	Object Code	Fund	Grant Code	Subgrant Code	CFDA #	Amount
EAP Admin Fees							
317.86	69	897	55				750,000
317.86	69	897	56				600,000
317.86	69	897	58				150,000
MHSA Admin Fees							
317.86	68	897	55				1,000,000
317.86	68	897	56				750,000
317.86	68	897	58				250,000
317.86	68	897	59				15,000
TOTAL							3,515,000

CONTRACT
BETWEEN THE STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
LOCAL GOVERNMENT INSURANCE COMMITTEE,
AND
MAGELLAN BEHAVIORAL HEALTH

This Contract, by and between the State of Tennessee, State, Local Education, and Local Government Insurance Committees, hereinafter referred to as the "State" and Magellan Behavioral Health, hereinafter referred to as the "Contractor," is for the provision of integrated Employee Assistance Program and Mental Health/ Substance Abuse services (EAP/MHSA), as further defined in the "SCOPE OF SERVICES."

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

Magellan Behavioral Health
16 Munson Road
Farmington, CT 06032

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

The Contractor's Federal Employee Tax Identification Number is 52-2135463.

A SCOPE OF SERVICES:

Definitions:

- "MHSA Members" ("Members") consist of eligible Employees, Dependents, under-65 Retirees, and individuals eligible under COBRA, who are enrolled in one of the following: PPO, PPO Limited, PPO Medicare Supplement 3, POS, or one of the HMO East options. All of these options are sponsored by one or more of the following: State Insurance Committee, Local Education Insurance Committee, and Local Government Insurance Committee. This definition specifically excludes eligible Subscribers who elect NOT to be covered under the Plan, and their dependents.
- "EAP Subscribers" ("Subscribers") consist of:
  - State employees and their dependents meeting the eligibility requirements for participation in State sponsored health insurance options (regardless of whether they are actually enrolled); and
  - Employees of Local Government and Local Education agencies who are enrolled in one of the State sponsored health insurance plans, and their dependents meeting the eligibility requirements of the State sponsored health insurance options (dependents are not required to be enrolled in a State sponsored health insurance option); and
  - State, Local Education, and Local Government agency retirees under the age of 65 and their dependents who are enrolled in one of the State sponsored health insurance options.
- "Participants" are individuals who access EAP or MHSA services.

A.1 SERVICES PROVIDED BY THE CONTRACTOR

A.1.1 MENTAL HEALTH SUBSTANCE ABUSE (MHSA) BENEFIT SERVICES

The Contractor shall provide MHSA healthcare benefit services, to members of the self-insured Preferred Provider Organization (PPO) plan option (PPO includes the Medicare PPO Supplement Plan and the PPO Limited available to Local Government members), Point of Service (POS) plan option, and HMO East plan options (Knoxville, Chattanooga, and Tri-Cities), offered to eligible participants of the State, Local Education, and Local Government Plans, for benefits involving mental health and substance abuse. The State reserves the authority to add the HMO Nashville and HMO Memphis populations to this contract, with no increase in monthly per member per month MHSA administrative rates as contained in Section C.3. Specifically, the Contractor shall:

A.1.1.1 Provide twenty-four-hours a day, seven days a week, year round, toll-free telephone access and referral for participants seeking employee assistance or the treatment of mental illness or substance abuse. Staffing shall be provided by qualified employee assistance/mental health/substance abuse master's level clinicians trained in assessment and triage skills necessary to guide the participant to the appropriate type and level of care. Contractor must have an online system providing access to available network providers (accepting and not accepting new

patients), State benefit summaries by plan option and, specific referral protocols and eligibility information necessary in order to identify and refer participants to the properly qualified EAP/MHSA specialist, program or facility within reasonable access to their location. Automated telephone system monitoring devices shall be provided by the Contractor to monitor the quality of the caller interaction and to measure the average speed of answer, call abandonment rate, and time on hold for participants.

A.1.1.2 Provide through the toll-free access and referral line specialized protocols to handle emergency calls that provide appropriate emergency services immediately (within 4 hours).

A.1.1.3 Provide through the toll-free access and referral line specialized protocols that assure that 90% of all participants requiring urgent care services are provided within 24 hours of assessment.

A.1.1.4 Provide through the toll-free access and referral line specialized protocols that assure that 90% of all participants requiring routine/initial care are offered services within 72 hours of assessment.

A.1.1.5 Provide utilization and case management services based on evidence-based formal written clinical guidelines utilized by experienced mental health and substance abuse clinicians. Utilization and case management shall further consist of the following, when appropriate as determined on a case by case basis:

- discussions between the Contractor's clinical staff and appropriate combination(s) of: the patient, the patient's family, and the attending provider(s);
- development of alternative treatment plans when benefit coverage is no longer available;
- consultation and review of all records by Board Certified specialty matched Psychiatric Advisors, in cases where peer-to-peer review leads to disagreements regarding medical necessity or appropriateness of care;
- provisions for periodic onsite visits by utilization and case management clinical staff to high volume and non-compliant providers and facilities, in order to continually improve the efficiency and effectiveness of these services.

A.1.1.6 Provide retrospective utilization review and case management services that identify and address provider practice patterns that are inconsistent with accepted clinical protocols, practice and standards. Corrective action should be taken in such identified cases.

A.1.1.7 Provide the following utilization management services for outpatient, inpatient and intermediate levels of care as specified:

In and out-of-network

- Preadmission certification, prior to commencement of treatment, for hospital and intermediate level of care admissions, and
- Review of emergency inpatient and intermediate care admissions within 24 hours, and
- Concurrent review, of all inpatient and intermediate levels of care.
- Discharge planning from inpatient and intermediate care settings.

In-Network

- Pre-certification for outpatient care and mandatory concurrent review for in-network outpatient care.

A.1.1.8 Provide specialized case management services through experienced Masters/PhD level clinicians with a minimum of five years' experience in mental health and/or substance abuse treatment, including two years in mental health and /or substance abuse case management. Case managers must be provided appropriate clinical supervision, including medical review of all alternative treatment plans for specific patients.

A.1.1.8.1. One specialized case manager acceptable to the State, and dedicated to State service, must be located in Nashville, Tennessee, at a location arranged for and supplied by the Contractor. This case manager shall provide the following services:

- Patient advocacy;
- Clinical coordination of care and services for high risk plan members requiring or admitted to facility-based care;

- Telephonic, electronic, and on–site visits, when necessary in order to ensure the quality, effectiveness, and appropriateness of treatment and discharge planning;
- Consultations with the patient (if clinically appropriate), family and attending provider;
- Development of alternative treatment plans, where benefit coverage allows flexibility in determining the most clinically appropriate, cost-effective alternative treatment for the member;
- Participation, as necessary, in the State's appeal process; and
- Coordination of care with Medical Plan ASO providers.

A.1.1.9 Develop criteria to identify cases appropriate for specialized case management. Appropriate cases shall include, but not be limited to:

- All adolescent patients.
- Dual diagnosis (MH and SA) and multiple diagnoses (medical and MH or SA cases)
- Patients with a history of readmission within sixty (60) days to inpatient care.
- Patients with a prior MH or SA admission during the previous 12 months.
- Patients requiring the use of unusual treatment settings.
- Patients who are expected to generate $15,000 or more in eligible expenditures.
- All clients over 60 years of age who are hospitalized for a mental health or substance abuse disorder.

A.1.1.10 Perform utilization management services in accordance with the State of Tennessee Comprehensive Medical and Hospitalization Program PPO, POS and HMO Plan Documents, their clarifications and revisions, hereinafter referred to as the Plan.

A.1.1.11 Provide a secure internet based web site that may be hyperlinked from/to the Division of Insurance Administration web site and providing eligible plan members access through a secure and confidential location to the following:

- Contractor's EAP, Mental Health and Substance Abuse provider network, with search capability, that is updated weekly.
- Description of the State's EAP, and Mental Health and Substance Abuse benefits administered by the Contractor.
- Self-help programs, screening programs or other reliable and valid informational resources that assist plan members in managing and promoting a healthy lifestyle.
- Other relevant information related to the benefits provided to members under this contract.

A.1.1.12 Be certified as an NCQA accredited Managed Behavioral Health Organization (MBHO) or as a MBHO through the Joint Commission on Accreditation of HealthCare Organizations or other accrediting or certification entity acceptable to the State.

A.1.1.13 If at any time the State is required to conduct an investigation or audit of the Contractor's service as a result of substantial valid member or provider complaints (defined as 10% or more of total feedback from either members or providers), this investigation, and the expense required to remedy identified inadequacies, will be at the Contractor's expense.

A.1.1.14 If applicable based on contract award, transition patients from the previous EAP/MHSA Contractor, as follows:

- *Transition Period for Plan Members in Inpatient and Intensive Outpatient Treatment*
  - Current provider United Behavioral Health is responsible for payment of claims and continuation of coverage until the patient is discharged to a different level of care.
  - Contractor must coordinate with United Behavioral Health in identifying these patients and developing a discharge plan for these eligible plan members.
- *Transition Period for Plan Members in Outpatient Treatment*
  - Contractor will provide for any patient in outpatient treatment as of January 1, 2005 five (5) initial preauthorized visits and up to 10 if necessary with their present provider to be used during the first quarter of 2005 in order to prevent the disruption of patient care.

A.1.2 **EMPLOYEE ASSISTANCE PROGRAM**

The Contractor shall provide a statewide employee assistance program (EAP) to eligible State, Local Education and Local Government employees, Cobra participants, covered retirees, and their eligible dependents. Specifically, the Employee Assistance Program established by the Contractor shall include:

A.1.2.1 The employment of a Nashville based, full time Certified Employee Assistance Professional (CEAP) acceptable to the State, and dedicated to State service, to coordinate and assist the State in the development, operation, and delivery of the Employee Assistance Program. This professional's office location shall be arranged for and supplied by the Contractor.

A.1.2.2 A statewide network of employee assistance licensed professionals meeting the credentialing requirements of the Contractor and delivering EAP services as required under this contract.

A.1.2.3 Provision of workshops and training to maintain employee/employer awareness and utilization of the employee assistance program. The Contractor shall deliver a minimum of 500 hours and a maximum of 700 hours per year, to include: seminars on promotion and prevention, supervisory training, employee orientations, workshops and other training requests on a calendar quarter.

A.1.2.4 Verification of eligibility, for all callers requesting EAP appointments, through the use of the Tennessee Insurance System (TIS). All necessary details are contained in **RFP Appendix 7.4**.

A.1.2.5 Maintenance of confidentiality and security of all information received from individuals during counseling sessions as required by the Health Insurance Portability and Accountability Act of 1996 and any other applicable laws. All financial liability for breach of confidentiality by the Contractor or their agents shall be borne entirely by the Contractor.

A.1.2.6 Counseling through a network of qualified Employee Assistance professionals of eligible employees, retirees, COBRA participants and their eligible dependents with a maximum of six (6) face-to-face visits per episode, and telephone counseling as required. Assistance in health and personal problems to include:

- Alcohol/drug dependencies
- Family and marital conflicts
- Parenting concerns
- Resource identification and referrals for financial and legal assistance
- Workplace conflicts
- Unspecified or undiagnosed problems (e.g., stressed induced)
- Coping with grief and loss
- Assistance in developing and delivering programs relating to anger and violence in the workplace
- Life changes/transitions

A.1.2.7 Provision for crisis intervention and critical incidence debriefings to include use of critical incident management protocols and licensed, qualified and experienced providers.

A.1.2.8 Consultation with supervisors and managers to help them identify, confront and refer to the EAP employees whose work performance is deteriorating.

A.1.2.9 Provisions for mandatory referral through the EAP to a Substance Abuse Professional and supervisory training programs for the State of Tennessee Department of Transportation Safety Sensitive Referrals drug-testing program. State of Tennessee Department of Transportation referral protocols will be followed.

A.1.2.10 Provision of follow-up counseling (6 visits) for employees returning to work from alcohol and drug facilities when referred by employer.

A.1.2.11 Production and distribution of promotional literature pertaining to the EAP, e.g. introductory letter(s), videos, brochures, wallet cards, magnets, etc.

A.1.3 NETWORK OF PROVIDERS

A.1.3.1 The Contractor shall provide and maintain a network of employee assistance, mental health and substance abuse treatment providers for state participants. More specifically, the Contractor shall:

A.1.3.2 Establish through accepted credentialing process and criteria (meet or exceed appropriate accreditation standards) and maintain through re-credentialing a full spectrum and adequate

numbers of appropriate providers, programs, and facilities who agree contractually to accept the terms of the Contractor regarding the provision of benefits through the State's integrated EAP/MHSA managed care PPO, POS and HMO benefits, including basic quality standards, utilization review, practice protocols, hold harmless provisions and the negotiated, discounted fee schedules. Re-credentialing of network providers, facilities (program specific) shall take into consideration the review of historical information on member complaints and satisfaction, participation and adherence to utilization management criteria and procedures, and performance in relation to accepted protocols.

A.1.3.3 There shall be a multidisciplinary panel of appropriately licensed, certified, and credentialed mental health and substance abuse professionals, including, but not limited to, MDs (70% board certified in psychiatry or addictionology), PhDs, EdDs, LCSWs, CEAPs, LEAPs licensed drug and alcohol counselors representative of the culture, race, sex and age of the population to be served, and a sufficient selection of specialty practitioners, programs, and facilities (acute, residential, intensive outpatient, detoxification facilities and other necessary programs and services) in the network to provide access to EAP, mental health and substance abuse services. Counselors and contracted providers of the Contractor shall not be deemed employees of the State.

A.1.3.4 Ensure an adequate distribution of, and reasonable access to, participating providers from a geographic and service standpoint throughout the State of Tennessee, and adequate representation among EAP/MHSA specialists.

A.1.3.5 Provide reasonable access to contracted EAP and MH/SA providers, programs and facilities outside the State of Tennessee to plan members traveling or residing outside the State of Tennessee. Access to out-of-network services should also be available when clinically appropriate specialists, programs, and/or facilities are not available within the State of Tennessee network.

A.1.3.6 Notify affected participants when network providers are terminated from the network, either by the Contractor or the provider, and develop and implement an appropriate transition plan.

A.1.3.7 Assure that the State and participants receive the full financial benefit from any contracts or arrangements between the Contractor and health care providers. All special pricing considerations and financial incentives incorporated in aforementioned contracts or arrangements shall accrue to the State and participants. In addition, all discounts received by the Contractor shall accrue to the State and participants.

A.1.3.8 Notify all network providers of and enforce compliance with all provisions relating to utilization management procedures. Participants shall be held harmless for provider's noncompliance with utilization management procedures.

A.1.3.9 Only contract with providers who are duly licensed to provide such EAP/MH/SA services. In addition, the Contractor shall require that all network 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 and re-credential all providers at least every three years.

A.1.3.10 Require all network providers to timely file claims, associated with their services, directly with the Contractor on behalf of participants.

A.1.3.11 Indicate in writing the frequency that fee schedules, facility and program per diems, program fees, capitated arrangements, or other provider payment arrangements are determined, and will notify the State in writing when the schedule of those allowances is adjusted, and the manner in which the adjustments will influence claims payments. For the purpose of this requirement, notification shall be made for global changes across the State of Tennessee, not to changes in individual practitioner fees.

A.1.3.12 Allow for periodic review to be performed by the Division of State Audit, Office of the Comptroller of the Treasury, or other qualified party(ies) identified by the State, to ensure that all discounts, special pricing considerations and financial incentives have accrued to the State and participants and that all costs incurred are in accordance with the contract. The Contractor shall provide the auditor access to all information necessary to perform the examination.

A.1.4 **CLAIMS ADJUDICATION SERVICES**

The Contractor shall process and adjudicate all claims for the treatment of mental illness and substance abuse in accordance with the application of the utilization management provisions of this contract and the **EAP/MHSA Benefits and Exclusions (RFP Appendix 7.3)**, excerpted from the State Plan Document. More specifically, the Contractor shall:

A.1.4.1 Process all MH/SA claims in strict accordance with the Benefits as contained in the State Plan Document, its clarifications and revisions. The Plan Document will be the sole determinant of benefits. The provisions of the Plan, its clarifications and revisions, shall supersede any benefit provisions contained in this contract. The State is the sole interpreter of the terms and conditions of the Plan Document, its clarifications and revisions. Should the Contractor have a question on policy determination, benefits, or operating guidelines required for the proper performance of the Contractor's responsibilities, the Contractor shall request a determination in writing. The State will then respond in writing within thirty (30) days. The Contractor shall then act in accordance with such policy determinations and/ or operating guidelines.

A.1.4.2 Confirm eligibility on each participant as claims are submitted, on the basis of the eligibility information provided by the State that applies to the period during which the charges were incurred. The Contractor shall process said claims, in an accurate manner, filed directly by network provider, and within the performance standards in accordance with the Performance Guarantees contained in the Contractor's proposal attached hereto.

A.1.4.3 Ensure that in-network claims for the PPO, POS and HMO will be paperless for members. Providers will have the responsibility through their contract with the Contractor to submit claims directly to the Contractor.

A.1.4.4 Ensure that the 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

A.1.4.4.1 To maintain the privacy of personal health information, the Contractor shall provide to the State a method of securing email for daily communications between the State and the Contractor.

A.1.4.5 Ensure that 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 mental health and substance abuse services rendered during the period of this contract at no additional administrative charge. The Contractor shall continue to provide services to any participant who is covered, should this contract terminate or be canceled, who is in either inpatient or intensive outpatient care on the effective date of termination or cancellation, subject to a maximum of 30 days following contract termination, for both Inpatient and Intensive Outpatient care. Said coverage shall discontinue when the member is discharged from the hospital.

A.1.4.6 Produce coordination of benefits (COB) savings (excluding Medicare COB) within a reasonable amount of incurred claims (defined as 1-2% of total claims) per calendar year.

A.1.4.7 Institute a process of subrogation based on a mutually agreeable process between the State and Contractor. Such process shall include:

- A defined process for the recovery of monies received through subrogation;
- Periodic notification to the State regarding the status of all cases under review for subrogation; and
- Identification to the State of all subrogation subcontractors and method of reimbursement.

A.1.4.8 Respond in a timely manner to requests by the State to investigate Medicare Secondary Payer claims issues, to ensure coordination between the State and Contractor regarding Medicare Secondary Payer (MSP) claims issues.

A.1.4.9 Report all information regarding payment or rejection of a claim to the participant on an Explanation of Benefit Form (EOB) acceptable to the State. On an annual basis, the State and the Contractor shall review the format and content of the EOB and determine if changes are necessary. If changes are required, an implementation schedule shall be mutually determined before introduction of the revised EOB.

A.1.4.10 Coordinate benefits administration of MH and SA benefits and medical and pharmacy benefits with the claims administrator(s) and pharmacy benefit managers of the PPO, HMO and POS options as required in order to ensure the proper determination of responsibility as well as the efficient and timely processing of claims, the adequate capture of data, and timely medical record request responses. Protocols must be in place in order to appropriately manage split claims and the clinical management of patients with dual diagnosis.

A.1.4.11 Determine eligible expenses, which are medically necessary and eligible for participation. The Contractor must have on staff an adequate number of medically trained personnel whose primary duties are to assist in evaluating claims for medical necessity and when applicable the possibility of a pre-existing condition.

A.1.4.12 Upon conclusion of this contract, or in the event of its termination or cancellation for any reason, be responsible for the processing of all claims for MH/SA services incurred during the period of this contract at no additional administrative cost to the State. Additionally, the Contractor shall provide, if requested by the State, a combined copy of each individual Participant's claims history for the most recent thirteen (13) months (including life-time benefits paid, deductible, and out-of-pocket limits), eligibility records, specified by the State, to the State or its designee. The information shall be furnished on an electronic data processing tape or such other data processing format that is compatible with the data processing system maintained by the State. The Contractor shall also provide all information necessary to properly interpret the data supplied.

A.1.4.13 To ensure the continuous operation of the State Group Insurance Program upon termination or cancellation of this contract, the aforementioned data, if requested, must be provided to the State or its designated agent at least forty-five (45) calendar days prior to contract termination or cancellation, and updated up to and including information effective on the termination or cancellation date within fourteen (14) days after the termination date. Failure to respond within the fourteen-day time period shall result in a fine assessed to the Contractor of five hundred dollars ($500) per day for each day over the fourteen-day time period that the Contractor's data is not received by the State.

A.1.4.14 Provide the aforementioned information at other times prior to or after the termination date of this contract. Such a request shall not be made more often than once every month, for a period not to exceed eighteen (18) months after the termination date.

A.1.4.15 Assist the State in identifying fraud and make reasonable efforts, in consultation with the State, in the 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 inform the Division of Insurance Administration and the Division of State Audit. The State will review the information and inform the Contractor whether it wishes the Contractor to:

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

A.1.5 CLAIMS PAYMENT AND RECONCILIATION PROCESS

A.1.5.1 For the payment of all claims under this contract, the Contractor shall issue payments in the form of checks and/or Automated Clearing House (ACH) electronic funds transfer against the Contractor's own bank account. Unless otherwise mutually agreed to in writing by the parties, the check mailing/delivery process, including the location and timing for the printing and mailing of the checks shall be in the manner described in the Contractor's Proposal. The Contractor shall maintain security and quality controls over the design, printing and mailing of checks, as well as any fraud prevention feature of check stock in the manner described in the Contractor's Proposal.

A.1.5.2 The State shall fund the Contractor for the total issue amount of the payments, net of cancellations, voids or other payment credit adjustments, daily or at the time of each issuance of checks or ACH, provided the Contractor's payment process includes timely delivery of checks and settlement of ACH transactions. Unless otherwise mutually agreed to in writing by the parties, the Contractor shall notify the State of the day's funding requirement amount in the manner described in the Contractor's Proposal. The funding option for the State shall include either receiving an ACH debit from the Contractor to a designated State bank account, or wire transfer of funds to the Contractor's designated bank account. The parties shall mutually agree upon the funding option. The Contractor acknowledges and agrees that since the State intends to fund payments at the time of issuance, the State shall not maintain a separate bank account or an escrow account with the Contractor or to otherwise pre-fund an account.

A.1.5.3 The Contractor further acknowledges the State will monitor and age the outstanding check balance and the Contractor agrees, upon request of the State, to conduct a review and/or cancel-reissue of stale dated outstanding items. In a format mutually agreed to, the Contractor on a daily basis, shall provide a detailed listing of the payment activity, including check serial numbers and ACH payment identifiers, payee names, payment amounts, plan group (State, Local Education and Local Government) and associated claim numbers, balancing to the required funding amount for that day. Said listing shall enable the State to reconcile the payment detail to the required funding amount, while providing related payment information needed to record the necessary accounting entries by expense classifications. The Contractor shall further provide monthly check Reconciliation Reports that provide detail (check number, issue date, payee name, claim numbers, check amount, paid or cancel date) of all checks issued or cancelled during the month, and detailed listing of outstanding checks at each month-end.

A.1.5.4 The Contractor shall issue all related Internal Revenue Service (IRS) Form 1099 reports, submit required 1099 information directly to the IRS and maintain responsibility in matters relating to such information provided to payees and to the IRS, including the payment of any penalties or fees related to such 1099 reporting.

A.1.5.5 Overpayments resulting from the negligent, reckless, or willful acts or omissions of the Contractor, its officers, agents or employees shall be the responsibility of the Contractor, regardless of whether or not such overpayments can be recovered by the Contractor. The Contractor shall repay the State the amount of any such overpayment within thirty (30) calendar days of discovery of the overpayment. Overpayments due to provider fraud or fraud of any other type, other than fraud by employees or agents of the Contractor, will not be considered overpayments for purposes of this Section. The Contractor agrees to assist in identifying fraud and make reasonable efforts, in consultation with the State, to recover overpayments due to fraud. The State will not hold the Contractor responsible for overpayments caused by the State's errors or errors caused by any other agency or department of the state of Tennessee; however, the Contractor shall assist the State in recovery of such overpayments. The requirement that the Contractor assist the State in identifying or recovering overpayments as provided in this Section does not require the Contractor to become a party to any legal proceeding as a result thereof.

A.1.6 **DATA AND REPORTING REQUIREMENTS**

The Contractor shall:

A.1.6.1 Maintain an electronic data interface, via internet access, with the State's Tennessee Insurance System (TIS), for the purpose of accessing State member eligibility information. Should the State require changes to the required data formats, it will provide reasonable and mutually agreeable notice to the Contractor. The Contractor is responsible for providing the hardware and software necessary for access.

A.1.6.2 Maintain, in its computer system, in-force eligibility records of all State plan participants. Specific additional obligations, relative to this requirement, are the following:

A.1.6.2.1 **Weekly Eligibility Update:** To ensure that State plan participants' eligibility records remain accurate and complete, the Contractor commits to the following:

- to accept, via secure medium (to be mutually agreed by the Contractor and the State) weekly eligibility data electronic transfer files from the State, in the State's proprietary transaction formats, for participants who are maintained in the State's TIS system (files will include recent adds, changes, and terminations; see **RFP Appendix 7.4**);
- to complete each of the following tasks by the indicated deadline:

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

- and to complete and submit to the State, the *Weekly Eligibility Update Report* (sample provided in **RFP Appendix 7.4, TIS interface instructions packet)**, within seven (7) working days of receipt of the weekly files.

NOTE: Section A.1.6.2.1 shall be monitored by the State as Performance Guarantee 7.a. (see Contract Attachment A).

A.1.6.2.2 **Quarterly Eligibility Data Reconciliation:** To ensure that State plan participants' eligibility records remain accurate and complete, the Contractor commits to the following:

- to accept, via secure medium (to be mutually agreed by the Contractor and the State) quarterly eligibility data electronic transfer files from the State, in the State's proprietary transaction formats, for participants who are maintained in the State's TIS system (see **RFP Appendix 7.4**);
- to complete each of the following tasks by the indicated deadline:

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

- and to complete and submit to the State, the *Quarterly Eligibility Data Reconciliation Report* (sample provided in **RFP Appendix 7.4, TIS interface instructions packet)**, within eleven (11) working days of receipt of the quarterly files

NOTE: Section A.1.6.2.2 shall be monitored by the State as Performance Guarantee 7.b. (see Contract Attachment A).

A.1.6.2.3 **Eligibility data match**: Upon request by the State, not to exceed two (2) times annually, the Contractor shall submit to the State its full file of State enrollees, by which the State will conduct a data match against the State's TIS database. The purpose of this data match will be to

determine the extent to which the Contractor is maintaining its data base of State members, as required by **Sections A.1.6.2.1 and A.1.6.2.2.**

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

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

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

A.1.6.3 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.1.6.4 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.1.6.5 Maintain the benchmarks required by each of the provisions contained in **Contract Attachment A, Performance Guarantees**, through the entire contract term.

A.1.6.6 Annually provide the State with GeoAccess® reports showing service and geographic access (see **Contract Attachment A: Performance Guarantee #8**). The State shall review the network structure and shall inform the Contractor in writing of any deficiencies the State considers to deny reasonable access to health care. The State and Contractor shall then mutually develop a plan of action to correct said deficiencies within sixty (60) days from the date the Contractor was first notified of the problem.

A.1.6.7 Submit Mental Health and Substance Abuse claims data to the State's healthcare data management vendor during and following the term of this contract, until all claims incurred during the term of this contract have been paid. Data shall be submitted in the format detailed in **Appendix 7.5, Medstat Data Formats** of RFP #317.86-024. The Contractor shall ensure that all claims processed for payment have complete ICD-9 and CPT4 codes and valid provider identifications.

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

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

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

A.1.6.8 **Submit Management Reports**. The Contractor shall submit hard copy reports, of the type, at the frequency, and containing the detail described in **Contract Attachment B**. Reporting shall continue for the twelve (12) month period following termination of the contract. If agreed between the Contractor and the State, these reports shall also be submitted in an electronic format. Where available, the Contractor shall provide identical reports in the aggregate for comparable employer groups to enable the State's comparison of its program utilization and claim costs with other employer groups.

A.1.7 **ADMINISTRATIVE AND GENERAL PROVISIONS**

The Contractor shall:

A.1.7.1 Review and comment on proposed revisions to the Plan document, when requested by the State. When so requested, the Contractor shall comment within thirty (30) days in regards to:

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

A.1.7.2 Accept the State's determination of all Plan policy and benefits provisions of the Plan. Should the Contractor have a question on Plan policy determinations, benefits, or operating guidelines required for proper performance of the Contractor's responsibilities, the Contractor shall request a determination in writing. The State will then respond in writing making a determination within thirty (30) days. The Contractor shall then act immediately in accordance with such Plan policy determinations and/or operating guidelines.

A.1.7.3 Accept that the State is the insurer and shall have the sole responsibility and authority of clarifying and/or revising the Plan. It is understood between the parties that the Plan cannot and does not cover all MH/SA situations. In a case where the benefits are not referenced or are not clear, the Contractor shall immediately advise the State as to the situation along with the Contractor's recommendation; such matter shall be resolved by the State's representative.

A.1.7.4 Establish a formal grievance procedure for participants and providers to appeal decisions in regard to administration of the benefit, to medical necessity determinations, and to disputes that may arise in the administration of the utilization management program and plan benefit requirements. The final stage of any clinical appeal shall allow for an external review. The Contractor shall provide the State with two (2) written copies of this grievance procedure, and the State reserves the right to review the procedure and make recommendations, where appropriate. The Contractor shall also participate in the separate State appeal process (available after the plan member has exhausted all Contractor's appeals) by providing the necessary information regarding the appeal and by having the necessary administrative and clinical staff attend the appeals meeting when requested by the State.

A.1.7.5 Designate an individual with overall responsibility for the State Plan. This person shall be at the Contractor's executive level and shall designate the following positions to interface directly with the State; Account Executive, Clinical Director, and EAP Coordinator. Said designees shall be responsible for the coordination and operation for all aspects of this contract.

A.1.7.6 Maintain a full service staff to assist with inquiries, correspondence, unusual situations or problems, complaints and employee meetings. The Contractor shall answer, in writing, within twenty-one (21) calendar days all written inquiries from participants concerning the status of claims submitted, all benefits available through the Plan, its clarifications and revisions, and other relevant information requested.

A.1.7.7 In consultation with and <u>following approval</u> by the State, print and distribute all descriptive brochures, letters, administrative forms, and promotional materials pertaining to or sent to the State's members. The Contractor must develop and print annual employee plan brochures detailing the benefits, procedures for accessing services, and other pertinent information helpful to the State's members. The number of plan descriptive brochures to be printed shall be in sufficient

quantities for the State's members and shall be mailed to employees' homes. Failure to have any of the above communications materials approved by the State before release shall result in an assessment of liquidated damages of $500.00 per occurrence. The State shall immediately notify the Contractor of any such occurrence. Any penalties due for the Contractor's noncompliance with this pre-approval provision shall be paid with the Contractor's next Quarterly Report. The cost of printing and distributing descriptive brochures, and administrative forms shall be the responsibility of the Contractor.

A.1.7.8 Conduct education seminars and disseminate information regarding the Plan. Such information shall include but not be limited to:

- written information including posters, brochures, and other EAP materials; and
- audio/video presentations; and
- attendance at meetings, workshops and conferences; and
- training of the appropriate State staff regarding program and benefit operational issues

A.1.7.9 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. The State also reserves the right to procure the services of an independent professional research company to perform the above mentioned survey. The cost of the survey, if performed by a research company shall be borne by the Contractor, and will not exceed 60 cents per subscriber per year. 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.1.7.10 Conduct network provider satisfaction surveys and analyses no less than once per year. Following delivery of the survey results to the State, which shall include the Contractor's analysis/summary, the Contractor shall present, within thirty days, a corrective action plan, if required, to resolve deficiencies highlighted by the summary. Failure to provide the action plan, if required, within the required timeframe, shall result in an assessment of $100.00 per day late.

A.1.7.11 At the request of either party, meet with representatives of the State periodically, but no less than quarterly, to discuss any problems and/or progress on matters outlined by the State. The Contractor shall have in attendance its Program Director and appropriate representatives from its organizational units required to respond to topics indicated by the State's agenda. The Contractor shall provide information to the State concerning its efforts to develop cost containment mechanisms and improve administrative activities, as well as trends in the provision of group behavioral health care. The Contractor shall provide advice, assistance and information to the State regarding applicable existing and proposed Federal and State laws and regulations affecting behavioral managed care entities. The Contractor shall also provide information to State administrative personnel regarding the administration of the Plan, internal procedures for billing and reconciliation of transactions and the provision of behavioral health care treatment and other administrative matters.

A.1.7.12 Respond to all inquiries in writing by the Division of Insurance Administration within thirty (30) days after receipt of said inquiry. A written response to the State's inquiry, by the Contractor, is required. 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. Failure to respond shall result in liquidated damages of five hundred dollars ($500) per day for each day the response is not received past the thirty (30) days for response.

A.2 SERVICES PROVIDED BY THE STATE

The State shall:

A.2.1 Provide eligibility records. These records shall include changes in participants' status and information concerning covered dependents. The Contractor's computer system shall be compatible or have the

capability to utilize the eligibility information provided by the State, in the State's proprietary transaction formats.

A.2.2 Provide on-line access, or other access acceptable to the Contractor, to all eligibility information maintained by the State and instructions required to interpret such information. The Contractor, at its expense, will provide and maintain the necessary 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 January 1, 2005 and ending on December 31, 2007. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

B.2 Term Extension. The State reserves the right to extend this Contract for an additional period or periods of time representing increments of no more than one year and a total contract term of no more than Five (5) years, provided that the State notifies the Contractor in writing of its intention to do so at least Two Hundred Seventy (270) days prior to the contract expiration date. An extension of the term of this Contract will be effected through an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract and shall be based upon rates provided for in the original contract.

C PAYMENT TERMS AND CONDITIONS:

C.1 Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed **Twenty-five Million Dollars ($25,000,000)**. The 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 units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service or project milestones defined in Section A. The Contractor shall be compensated based upon the following Service Rates:

EAP – Per Subscriber Per Month rates

Benefit Option	Plan	PSPM 2005	PSPM 2006	PSPM 2007
PPO, POS, and HMO	State	$1.45	$1.49	$1.53
	Local Education	$1.12	$1.15	$1.18
	Local Government	$1.12	$1.15	$1.18

MHSA – Per Member Per Month rates

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007
PPO	State	$1.27	$1.31	$1.35
	Local Education	$1.27	$1.31	$1.35
	Local Government	$1.27	$1.31	$1.35

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007
POS	State	$1.13	$1.16	$1.20
	Local Education	$1.13	$1.16	$1.20
	Local Government	$1.13	$1.16	$1.20

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007
HMO	State	$1.13	$1.16	$1.20
	Local Education	$1.13	$1.16	$1.20
	Local Government	$1.13	$1.16	$1.20

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

C.3.1 Payment under Term Extension. If this Contract is extended per Section B.2, payment to the Contractor under Section C.3, Payment Methodology for both EAP Per Subscriber Per Month and MHSA Per Member Per Month administratives rates, for each additional year, shall be no greater than the percentage increase from year two (2006) to year three (2007).

C.3.2 As provided in Contract Section A.1.1, the State reserves the authority to add the HMO Nashville and HMO Memphis populations to this contract, with no increase in monthly per member per month MHSA administrative rates.

C.4 Risk Free Corridor will mean a range between 5% above and below the targeted PPO MHSA benefit cost level. Within this range the Contractor is neither penalized nor rewarded for plan financial performance.

C.4.1 Target Claims/Risk Free Corridor: Calculation of the Target Claims and Risk Free Corridor, for use in determining Risk Sharing Percentages (Section C.4.2 below), will be as follows:

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

YEAR	CLAIMS, BY PLAN	FOR CLAIMS INCURRED DURING	AND PAID DURING
2005	State, Local Education, and Local Government weighted PPO and POS MHSA Cost Per Member Per Month (PMPM) claims	January 1, 2005 through December 31, 2005	January 1, 2005 through June 30, 2006
2006		January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008

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

Contract Year	Contractor's Guarantee Trend Factor
2005	8.0%
2006	8.0%
2007	8.0%

- Calculation of the Risk Free Corridor will be determined by calculating the figures 5% below and 5% above the Target Cost.

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

C.4.3 Risk Sharing Percentages
The State will pay the Contractor additional Administrative fees of 40% of the difference between the Actual combined incurred PMPM PPO and POS Plan MHSA claims cost and the Target PMPM Cost multiplied by 95%; that difference then multiplied by the sum of the PPO and POS members enrolled during each month of the calendar year.

The Contractor will refund to the State Administrative fees of 60% of the difference between the Actual combined incurred PMPM PPO and POS claims cost and the Target Cost multiplied by 105%; that difference then multiplied by the sum of PPO and POS members enrolled during each month of the calendar year.

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, with the following notification requirements: the Contractor shall give written notice to the State at least Two Hundred Seventy (270) days before the effective date of termination; the State shall give written notice to the Contractor at least Ninety (90) days before the effective date of termination.

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

D.4 Termination for Cause. If the Contractor fails to 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. The State, at its sole discretion, may allow the Contractor a cure period of up to 60 days. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.

D.5 Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

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

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

D.8 Records. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

D.9 Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.

D.10 Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as required at Section A.1.6.8 and detailed at Contract Attachment B.

D.11 Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.

D.12 Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

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

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

D.14 Force Majeure. The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics, acts of terrorism, or any other similar cause.

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

D.16 Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under ***Tennessee Code Annotated***, Sections 9-8-101 through 9-8-407.

D.17 Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.

D.18 Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.

D.19 Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E SPECIAL TERMS AND CONDITIONS:

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

E.2 Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other

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

The State:	**The Contractor:**
Paul Hauser, RFP Coordinator Tennessee Department of Finance & Administration Division of Insurance Administration 312 Eighth Ave. No., 13th Floor WRS Tennessee Tower Nashville, TN 37243-0295 Phone: 615-741-9896 Fax: 615-741-8196 Email: paul.c.hauser@state.tn.us	Kory J. Krucher, Ph.D Regional Director Account Management Magellan Behavioral Health 2550 Northwinds Parkway, Suite 300 Alpharetta, GA 30004 Phone: 678-319-3812 kjkrucher@magellanhealth.com

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

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

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

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

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

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

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

(2) Partial Default— In the event of a Breach, the State may declare a Partial Default. In which case, the State shall provide the Contractor written notice of: (1) the date which Contractor shall terminate providing the service associated with the Breach; and (2) the date the State will begin to provide the service associated with the Breach. Notwithstanding the foregoing, the State may revise the time periods contained in the notice written to the Contractor.
In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the State shall be entitled to receive within five (5) days any requested material from Contractor. The State shall make the final and binding determination of said amount. The State may assess penalties against the Contractor for failure to meet the benchmarks detailed in Contract Attachment A, Performance Guarantees. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken.

(3) Contract Termination— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the

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

b. State Breach— In the event of a Breach of contract by the State, the Contractor shall notify the State in writing within 30 days of any Breach of contract by the State. Said notice shall contain a description of the Breach. Failure by the Contractor to provide said written notice shall operate as an absolute waiver by the Contractor of the State's Breach. In no event shall any Breach on the part of the State excuse the Contractor from full performance under this Contract. In the event of Breach by the State, the Contractor may avail itself of any remedy at law in the forum with appropriate jurisdiction; provided, however, failure by the Contractor to give the State written notice and opportunity to cure as described herein operates as a waiver of the State's Breach. Failure by the Contractor to file a claim before the appropriate forum in Tennessee with jurisdiction to hear such claim within one (1) year of the written notice of Breach shall operate as a waiver of said claim in its entirety. It is agreed by the parties this provision establishes a contractual period of limitations for any claim brought by the Contractor.

E.5 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 (#317.86-024) and its associated amendments
d. Technical Specifications provided to the Contractor
e. The Contractor's Proposal in Response to RFP #317.86-024

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

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure. Nothing in this paragraph shall permit Contractor to disclose any information that is confidential under federal or state law or regulations, regardless of whether it has been disclosed or made available to the Contractor due to intentional or negligent actions or inactions of agents of the State or third parties.

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

E.7 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.

E.8 Date/Time Hold Harmless. As required by ***Tennessee Code Annotated***, Section 12-4-118, the contractor shall hold harmless and indemnify the State of Tennessee; its officers and employees; and any agency or political subdivision of the State for any breach of contract caused directly or indirectly by the failure of computer software or any device containing a computer processor to accurately or properly recognize, calculate, display, sort or otherwise process dates or times.

E.9 Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State.

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

E.10 Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in ***Tennessee Code Annotated***, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System, provides that if a retired member returns to State employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to the Tennessee Consolidated Retirement System the amount of retirement benefits the Contractor received from the Retirement System during the period of this Contract.

E.11 Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it and its principals:
a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;
b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offence in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and
d. have not within a three (3) year period preceding this Contract had one or more public transactions (Federal, State, or Local) terminated for cause or default.

IN WITNESS WHEREOF:

MAGELLAN BEHAVIORAL HEALTH:

Rene Lerer, Chief Operating Officer — Date

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

M.D. Goetz, Jr., Chairman — Date 10-4-04

APPROVED:
DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. Goetz, Jr., Commissioner — Date OCT 25 2004

COMPTROLLER OF THE TREASURY:

John G. Morgan, Comptroller of the Treasury — Date 10-28-04

Contract Attachment A: Performance Guarantees

The Contractor shall pay to the State the indicated total dollar penalty each time the stated guarantee is not met, through the life of the contract.

1. Claims Payment Dollar Accuracy	
Guarantee	Quarterly financial accuracy will be 95% or higher.
Definition	Absolute value of financial errors divided by the total paid value of audited dollars paid.
Penalty	**$5000** for each full percentage point below 95% for each contracted quarter.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured quarterly; reported and reconciled annually.
2. Claims Turnaround Time	
Guarantee	The average quarterly claims payment turnaround time will not be greater than: - 14 calendar days for 90% of **non-investigated (clean)** claims; and - 30 calendar days for 98% of **all** claims.
Definition	Measured from the date the claim is received in the office to the date processed, including weekends and holidays.
Penalty	**Non-Investigated Claims (clean)**: **$1000** for each full percentage point below the required minimum standard of 90% within 14 days. Quarterly Guarantee. **All Claims**: **$5000** for each full percentage point below the required minimum standard of 98% within 30 days. Quarterly Guarantee.
Measurement	Quarterly internal audit performed by the carrier on all claims processed. Measured quarterly; reported and reconciled annually.
3. Telephone Response Time: Member Services and Intake Line	
Guarantee	Incoming Member Services Line calls will be answered in an average of 30 seconds or less.
Definition	Response time is defined as the amount of time elapsing between the time a call is received into the phone system and when a live Member Services Line representative answers the phone.
Penalty	**$1000** for each full second over the 30 second benchmark. Quarterly guarantee.
Measurement	Based on internal telephone support system reports. Measured quarterly; reported and reconciled annually.
4. Member Satisfaction	
Guarantee	The level of overall customer satisfaction, as measured annually by a State approved Member Satisfaction survey(s), will be equal to or greater than 75% in the first year of the Contract, 85% in the second year, and 90% in the third and any subsequent year(s).
Definition	Utilizing the question: "How would you rate the overall service you received through this program?", and a 5-point scale (Poor, Fair, Good, Very Good, & Excellent). The sum of the number of positive responses (Good, Very Good, and Excellent), divided by the sum of all responses.
Penalty	**$50,000**. Annual guarantee.
Measurement	The Contractor will be determined to have achieved compliance in the first year of the contract if 75% of all responses are positive. The compliance benchmark for year two shall be 85%, and for year three and subsequent years, 90%. Measured, reported, and reconciled annually.
5. Management Reporting	
Guarantee	All quarterly management reports (see Contract Attachment B) will be delivered by the 45th day subsequent to the end of each reporting period.
Definition	See above.
Penalty	**$1000** for every day that reports are late. Semi-annually.
Measurement	Measured semi-annually; reconciled annually.
6. Program Brochures	
Guarantee	Program Brochures will be distributed by mid-January 2005.
Definition	(See above)
Penalty	Should Brochures not be distributed as required, the total penalty shall be **$10,000** per year in which the standard is not met.
Measurement	Annual guarantee; measured, reported, and reconciled annually.
7.a. Weekly Eligibility Update (see Contract Section A.1.6.2.1)	
Guarantee	All Weekly Eligibility file processing and mismatch deadlines will be met as detailed at A.1.6.2.1.
Definition	See A.1.6.2.1
Penalty	See A.1.6.2.1
Measurement	Measured and reported weekly; reconciled annually.

7.b. Quarterly Eligibility Data Reconciliation (see Contract Section A.1.6.2.2)	
Guarantee	All Quarterly Eligibility data processing and file mismatch resolution deadlines will be met as detailed at A.1.6.2.2.
Definition	See A.1.6.2.2
Penalty	See A.1.6.2.2
Measurement	Measured and reported quarterly; reconciled annually.

8. Provider/Facility Network Accessibility			
Guarantee	As measured by the GeoNetworks Provider & Facility Network Accessibility Analysis, the Contractor's provider and facility network will assure that 95% of all State, Local Education, and Local Government Plan members will have the Access Standard indicated.		
Definition	**Provider Group**	**Employee Group**	**Access Standard**
	EAP Network Providers	All members	1 Provider w/in 30 miles
	MHSA Network Providers	All members	2 Provider w/in 30 miles
	Psychiatric Care Facilities	All members	1 Facility w/in 45 miles NOTE: This standard is waived in locations where no such facility exists.
Penalty	**$25,000** if ANY of the above listed standards is not met, either individually or in combination. Semi-annual guarantee.		
Measurement	Measured semi-annually; reported and reconciled annually.		

9. Claims Data Quality		
Guarantee	As measured by the State's Claims Data Management vendor (Medstat), the Contractor's data submission to Medstat must meet the following Data Quality measures.	
Definition	**Measure**	**Benchmark**
	Gender	Data missing for </= (less than or equal to) 3% of claims
	Date of birth	Data missing for </= 3% of claims
	Outpatient diagnosis coding	Data invalid or missing for </= 5% of outpatient claims
	Outpatient provider type missing	Data missing for </= 1.5% of outpatient claims
Penalty	**$2500** if ANY of the above listed standards is not met, either individually or in combination. Quarterly Guarantee.	
Measurement	Measured and reported (by Medstat) quarterly; reconciled annually.	

10. Tennessee Insurance System Interface	
Guarantee	Contractor's interface with the Tennessee Insurance System (TIS) will be fully operational by January 31, 2005.
Definition	Fully operational with the TIS interface shall mean that electronic files received by the Contractor from the State of Tennessee via 3490 cartridge tape, email, Internet web posting, compact disc, or any other acceptable electronic medium will be processed and the data loaded directly into the Contractor's production database. The production database will be the source of reference for the Contractor's business processes, including but not limited to claims processing and customer service.
Penalty	Should the TIS interface not be fully operational – as defined above – within the allotted time, the Contractor shall pay to the State of Tennessee a penalty of $500 per day, for every day out of compliance, until the interface is fully operational.
Measurement	Measured and reported beginning February 1, 2005, and continuing – as necessary – until the interface is fully operational. Reconciled upon final recognition of operational status.

Contract Attachment B: Management Reporting Requirements

As required by Contract Section A.1.6.7, the Contractor shall submit Management Reports by which the State can assess the program's general activity and usage, as well as treatment and success tendencies. Reports shall be submitted in hard copy medium, and shall be of the type and at the frequency indicated below. Management Reports shall include:

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

2) **Employee Assistance Program Reports to be submitted each Quarter, demonstrating Quarterly and Year to Date totals:**

Measurements to be reported:	Group(s) to be Displayed:
• Employee/Dependent Distribution • Number of Cases Opened and Services Provided • Number of Worksite Events (Trainings, Critical Stress Debriefings, Orientations and Benefit Fairs, etc.) • Cases by Demographics, including: Age, Gender, Ethnicity, Individual Status, Referral Source, Length of Work Service, Location and Presenting Issue	• All Plans Combined: State, Local Education and Local Government; separate detail of State employees shall also be provided, indicating the numbers of EAP participants who are not covered by one of the State's health plan options (to be designated "Opt outs") • Each Plan displayed individually
• Number and type of Web Visitor Sessions	• Totals only

3) **Care Management Reports, detailing Mental Health/Substance Abuse Benefits activity, demonstrating Quarterly and Year to Date totals:**

Measurements to be reported:	Group(s) to be Displayed:
• Employee/Dependent Distribution • Distribution of Open Episodes by Age and Gender • Certification Distribution by MH/SA Location and Service Type (quarterly and YTD) • Presenting Problem Distribution	• All Plans Combined (State, Local Education, and Local Government) • Each Plan displayed individually

4) **Paid Claims Reporting of MH/SA Benefits, including 30 day run-out, demonstrating Semi Annual and Year-to-Date totals:**

Measurements to be reported:	Group(s) to be Displayed:
• Network versus Non Network Claims Utilization distribution to include type/place of services with key metrics (i.e. cost per service and patient) • Network versus Non Network key patient/member utilization by type of service • Claims Utilization Distribution by Employee/Spouse/Dependent by Location/Service • Employee/Spouse/Dependent Key Utilization by Type of Service	• All Plans Combined (State, Local Education, and Local Government) • Each Plan displayed individually

5) **MH/SA Savings Billed versus Paid by Service all Plans (Annual)**

6) **Outpatient MH Claims Utilization by Cumulative Range of Visits (Annual)**

7) **Quarterly Network Changes Update Report.** To be submitted electronically.

8) **Specific Report Definitions of Measures Utilized (All reports)**