STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF HEALTH CARE FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

September 30, 2013

Lucian Geise, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: Aon, Consulting, Inc. – Amendment #3
National Guardian Life Insurance Company - Amendment #4 (CoverKids)
QSource - Amendment #3 (CoverKids)

Dear Mr. Geise:

The Department of Finance and Administration, Division of Health Care Finance and Administration (HCFA), is submitting for consideration amendment #3 to Aon Consulting, Inc., the current contract for provision of actuarial services relevant to managed care organization rate structure in the TennCare program. This amendment extends the original contract for the fifth and final year, pursuant to the Request for Proposal and term extension language in the original competitively procured contract. This amendment also provides transition for actuarial services for the Cover Tennessee program at reduced rates than are currently being paid by the existing Cover Tennessee contract for actuarial services scheduled to end December 31, 2013.

Additionally, HCFA is submitting for consideration amendment #4 to National Guardian Life Insurance Company which provides dental services, and amendment #3 to QSource, which provides External Quality Review Services, both for the CoverKids program. HCFA requests that both of these contracts be extended for an additional final year to allow for identification and transition to a competitively procured contractor.

The Department of Finance and Administration, Division of Health Care Finance and Administration, respectfully submits the above referenced amendments for consideration and approval by the Fiscal Review Committee.

Sincerely,

Casey Dungan
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton, Director of Contracts

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Casey Dungan	*Contact Phone:	507-6482
*Original Contract Number:	FA1131060	*Original RFS Number:	31865-00308
Edison Contract Number: *(if applicable)*	25010	Edison RFS Number: *(if applicable)*	31865-00308
*Original Contract Begin Date:	July 1, 2010	*Current End Date:	June 30, 2014

Current Request Amendment Number: *(if applicable)*	3
Proposed Amendment Effective Date: *(if applicable)*	December 31, 2013
*Department Submitting:	Department of Finance and Administration
*Division:	Division of Health Care Finance and Admin. Bureau of TennCare
*Date Submitted:	September 30, 2013
*Submitted Within Sixty (60) days:	Yes
If not, explain:	N/A
*Contract Vendor Name:	Aon Consulting, Inc.
*Current Maximum Liability:	$6,120,570.99

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

FY: 2011	FY: 2012	FY: 2013	FY: 2014	FY	FY
$ 900,000.00	$1,420,570.00	$2,100,000.00	$ 1,700,000.00	$	$

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

FY: 2011	FY: 2012	FY: 2013	FY: 2014	FY	FY
$837,670.00	$1,482,900	$2,087,054.00	$323,962.50	$	$

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	N/A
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	This contract payment methodology is based on hourly rates as submitted in competitive Cost Proposal. The maximum liability is calculated by FY to include the projected expenditures based on need for contractor's services and programmatic need within the Bureau of TennCare. Any unused funds for a Fiscal Year roll forward for availability throughout the term of the contract.
IF Contract Expenditures exceeded	

Supplemental Documentation Required for Fiscal Review Committee

Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	N/A			
*Contract Funding Source/Amount:	State:	$3,060,285.00	Federal:	3,060,285.00
Interdepartmental:			*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*)			
Method of Original Award: (*if applicable*)	Request for Proposal			
*What were the projected costs of the service for the entire term of the contract prior to contract award?	The costs associated with this contract were predicated on the cost proposals submitted in response to the RFP and the ultimate need for contractor services based on competitively procured rates. These cost proposal documents are public information and available upon request.			

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.

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

a. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.

b. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

Service Description	**Amount** (per compensable increment)
Actuarial Services	$ 250.00 per Hour
Certified Public Accountant	$ 150.00 per Hour

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.

This amendment to AON Consulting, Inc., the competitively procured contract for the provision of TennCare actuarial and rate setting services relevant to Managed Care Organizations participants in the TennCare program as well as federally mandated DSH audits, does not reflect proposed savings to be realized by the state. It does provide services that were competitively procured and are reimbursed at a 50% federal match.

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.

Supplemental Documentation Required for Fiscal Review Committee

The state released a Request for Proposal to identify a contractor to provide a actuarial services relevant to the TennCare program. An RFP was released by TennCare and AON Consulting, Inc. was the competitive winner, achieving the highest combined score of proposer experience, technical responses and cost. Since an RFP is the optimum state procurement method, no other options were explored.

Aon Consulting, Inc.
Edison Contract ID: 19687
Vendor ID: 0000012537

CONTRACT EXPENDITURES BY FISCAL YEAR
(Payment Detail Attached)

FY2011	$	837,670.00
FY2012	$	1,482,900.00
FY2013	$	2,087,054.00
FY2014	$	323,962.50

Aon Consulting, Inc.
Edison Contract ID: 19687
Vendor ID: 0000012537

Fiscal Year	Unit	Voucher ID	Invoice	Pymt Date	Sum Amount
2011	31865	00206078	015352-M0A32	10/19/2010	$ 40,975.00
2011	31865	00212938	015385-M0A32	11/4/2010	$ 41,250.00
2011	31865	00245553	015553-M0A32	1/13/2011	$ 81,375.00
2011	31865	00251965	015633-M0A32	1/31/2011	$ 74,125.00
2011	31865	00263636	015743-M0A32	2/17/2011	$ 80,125.00
2011	31865	00288899	015837-M0A32	3/23/2011	$ 105,770.00
2011	31865	00297133	015889-M0A32	4/12/2011	$ 60,009.00
2011	31865	00316177	015979-M0A32	5/13/2011	$ 93,575.00
2011	31865	00326285	016069-M0A32	6/7/2011	$ 81,850.00
2011	31865	00343803	016181-M0A32	7/7/2011	$ 102,366.00
2011	31865	00358952	016280-M0A32	8/9/2011	$ 76,250.00

Total FY 2011: $ 837,670.00

Fiscal Year	Unit	Voucher ID	Invoice	Pymt Date	Sum Amount
2012	31865	00420394	M10-0000557	12/12/2011	$ 75,025.00
2012	31865	00485484	M10-0004727	4/12/2012	$ 47,062.50
2012	31865	00485493	M10-0005183	4/12/2012	$ 78,562.50
2012	31865	00485489	M10-0005164	4/12/2012	$ 94,250.00
2012	31865	00485490	M10-0005170	4/12/2012	$ 128,997.50
2012	31865	00485488	M10-0004729	4/12/2012	$ 280,325.00
2012	31865	00493175	M10-0007740	4/24/2012	$ 73,500.00
2012	31865	00493176	M10-0010576	4/25/2012	$ 207,820.00
2012	31865	00520667	M10-0011441	6/7/2012	$ 116,750.00
2012	31865	00557543	M10-0018018	8/15/2012	$ 163,420.00
2012	31865	00557553	M10-0018017	8/16/2012	$ 217,187.50

Total FY 2012: $ 1,482,900.00

Contract Expenditures by Fiscal Year (Continued)
Aon Consulting - Edison #19687

Fiscal Year	Unit	Voucher ID	Invoice	Pymt Date	Sum Amount
2013	31865	00568725	M10-0019627	9/28/2012	$ 178,000.00
2013	31865	00586285	M10-0022130	11/2/2012	$ 118,063.00
2013	31865	00614366	M10-0025553	12/11/2012	$ 130,375.00
2013	31865	00600890	M10-0023602	12/17/2012	$ 151,062.50
2013	31865	00637940	M10-0023602-A	1/25/2013	$ 65,662.50
2013	31865	00637768	M10-0028505	1/25/2013	$ 164,562.50
2013	31865	00642493	M10-0029343	2/21/2013	$ 112,437.50
2013	31865	00682233	M10-0033392	4/25/2013	$ 174,067.00
2013	31865	00699511	M10-0031886	5/13/2013	$ 219,630.00
2013	31865	00699510	M10-0035710	5/30/2013	$ 135,875.00
2013	31865	00707494	M10-0036584	6/13/2013	$ 343,129.00
2013	31865	00731073	M10-0039285	7/26/2013	$ 199,190.00
2013	31865	00742525	M10-0040483	8/15/2013	$ 95,000.00

Total FY 2013: **$ 2,087,054.00**

Fiscal Year	Unit	Voucher ID	Invoice	Pymt Date	Sum Amount
2014	31865	00757127	M10-0042271	9/13/2013	$ 147,850.00
2014	31865	00775547	M10-0044389	Pending	$ 176,112.50

Total FY 2014: **$ 323,962.50**

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2014	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
Aon Consulting, Inc.	74015

Service Caption (one line only)

Funding Revision: Moving $200,000.00 from FY '14 to FY '13

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$710,285.00	$710,285.00			$1,420,570.00
2013	$1,050,000.00	$1,050,000.00			$2,100,000.00
2014	$850,000.00	$850,000.00			$1,700,000.00
TOTAL:	**$3,060,285.00**	**$3,060,285.00**			**$6,120,570.00**

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

Ownership/Control

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

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

cy13-2530

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

Michael F. Perry

CENTRAL PROCUREMENT OFFICE

Request Tracking #	31865-00308
1. Procuring Agency	Department of Finance and Administration Bureau of TennCare
2. Contractor	AON Consulting, Inc.
3. Contract #	FA1131060
4. Proposed Amendment #	3
5. Edison ID #	19687
6. Contract Begin Date	July 1, 2010
7. Current Contract End Date *– with ALL options to extend exercised*	June 30, 2014
8. Proposed Contract End Date *– with ALL options to extend exercised*	June 30, 2015
9. Current Maximum Contract Cost *– with ALL options to extend exercised*	$6,120,570.00
10. Proposed Maximum Contract Cost *– with ALL options to extend exercised*	$8,020,570.00
11. Office for Information Resources Endorsement *– information technology service (N/A to THDA)*	x Not Applicable ☐ Attached
12. eHealth Initiative Support *– health-related professional, pharmaceutical, laboratory, or imaging*	x Not Applicable ☐ Attached
13. Human Resources Support *– state employee training service*	x Not Applicable ☐ Attached

14. Explanation Need for the Proposed Amendment

This competitively procured contract with AON Consulting, Inc. is for actuarial services relevant to managed care organization rate structure in the TennCare program, as well as provision of federally required independent audits of Disproportionate Share Hospital (DSH) payments. This amendment transitions actuarial services for the Cover Tennessee program at the current competitive rates being accepted by the Contractor. Additionally, this amendment is necessary to extend the contract term for another year, pursuant to the Request for Proposal and term extension language in the original contract, and provides sufficient funding to support the ongoing services as well as term extension. The existing maximum liability and

Request Tracking #	31865-00308

payment structure of this contract are based on hourly rates submitted in the competitive Cost Proposal. Federal regulations surrounding the scope of work provided by this contractor and the hours necessary to adequately complete the required work necessitates an increase in the maximum liability to insure availability of funds.

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

Greg Case, President and CEO
AON Consulting, Inc.
200 East Randolph St.
Chicago, IL 60601 USA

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

AON Consulting, Inc. is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing, with more than 62,000 colleagues worldwide. AON delivers client value via innovative and effective risk management and workforce productivity solutions. In addition, it provides specialized services, such as actuarial and financial consulting, and employee and compensation survey. They have global resources, technical expertise and industry knowledge that is delivered locally through more than 500 offices in more than 120 countries. AON was ranked by A.M. Best as the No. 1 global insurance brokerage in 2009, based on brokerage revenues, and voted best insurance intermediary, best reinsurance intermediary and best captives manager in 2010 by the readers of *Business Insurance*. AON has in recent years had a contract to provide actuarial services relevant to Managed Care Organization participants in the TennCare program and also a contract with the Tennessee Comptroller of the Treasury. The Bureau of TennCare released a competitive Request for Proposal (RFP) in 2009 to identify independent actuarial and audit services and the AON proposal had the highest combined technical and cost proposal score.

17. Efforts to Identify Reasonable, Competitive, Procurement Alternatives

This contract resulted from a competitive process. TennCare released an RFP and identified AON as the proposer with highest combined technical and cost proposal score.

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

This competitively procured contract with AON Consulting, Inc. is for actuarial services relevant to managed care organization rate structure in the TennCare program, as well as provision of federally required independent audits of Disproportionate Share Hospital (DSH) payments. The amendment is necessary to provide sufficient funding to cover projected expenses for the remainder of the contract period and to extend the term in this competitively procured contract for the final additional year, pursuant to RFP and contract term extension language. Additionally, actuarial services for the Cover Tennessee program are being added to this existing contract at lower rates than are currently being paid. The existing maximum liability and payment structure of this contract is based on hourly rates submitted in the competitive Cost Proposal. The Bureau of TennCare respectfully requests approval of this contract amendment request.

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*

Darry B Mantz

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31865-00308	19687	FA1131060	03

Contractor Legal Entity Name	Edison Vendor ID
Aon Consulting, Inc.	0000012537

Amendment Purpose & Effect(s)

Increases Maximum Liability and Extends Term for the Continued Provision of Actuarial Services

Amendment Changes Contract End Date: ☒ YES ☐ NO **End Date:** June 30, 2015

TOTAL Contract Amount INCREASE or DECREASE per this Amendment (zero if N/A): **$ 1,900,000.00**

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$710,285.00	$710,285.00			$1,420,570.00
2013	$1,050,000.00	$1,050,000.00			$2,100,000.00
2014	$900,000.00	$900,000.00			$1,800,000.00
2015	$900,000.00	$900,000.00			$1,800,000.00
TOTAL:	**$4,010,285.00**	**$4,010,285.00**			**$8,020,570.00**

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE

AMENDMENT #3
CONTRACT FA1131060
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
AND
AON CONSULTING, INC.

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

1. The following is added as Contract sections A.18 and A.19:

   A.18. The Contractor shall provide the State actuarial and benefit-consulting services to assist the State in determining present and future funding needs and recommended benefit modifications necessary to maintain the financial stability for the State Cover Tennessee program.

   A.19. The Contractor shall perform, at the request of the State, medical claims and pharmacy claims audits of the third-party administrators or insurance companies under contract with the State for the administration of the Cover Tennessee program. Such audits may include: full review of administrative procedures including customer service, utilization review, care management, case management, disease management, system capability, eligibility review, claims overpayments, claims accuracy and timeliness, performance of claims adjudication procedures, processing of claims, and other services in accordance with the Cover Tennessee program.

2. Contract Section B.1 is deleted in its entirety and replaced with the following:

   B.1. This Contract shall be effective for the period beginning July 1, 2010, and ending on June 30, 2015. The Contractor hereby acknowledges and affirms that the State shall have no obligation for services rendered by the Contractor which were not performed within this specified contract period.

3. 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 Eight Million Twenty Thousand Five Hundred Seventy Dollars ($8,020,570.00). The payment rates in section C.3 shall constitute the entire compensation due the Contractor for all service and Contractor 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.

4. The following is added as new contract section E.18:

E.18. Federal Funding Accountability and Transparency Act (FFATA). This Contract requires the Contractor to provide supplies and/or services that are funded in whole or in part by federal funds that are subject to FFATA. The Contractor is responsible for ensuring that all applicable requirements, including but not limited to those set forth herein, of FFATA are met and that the Contractor provides information to the State as required.

The Contractor shall comply with the following:

a. Reporting of Total Compensation of the Contractor's Executives.

(1) The Contractor shall report the names and total compensation of each of its five most highly compensated executives for the Contractor's preceding completed fiscal year, if in the Contractor's preceding fiscal year it received:

i. 80 percent or more of the Contractor's annual gross revenues from Federal procurement contracts and Federal financial assistance subject to the Transparency Act, as defined at 2 C.F.R. 170.320 (and subawards); and
ii. $25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts), and Federal financial assistance subject to the Transparency Act (and subawards); and
iii. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at http://www.sec.gov/answers/execomp.htm.).

Executive means officers, managing partners, or any other employees in management positions.

(2) Total compensation means the cash and noncash dollar value earned by the executive during the Contractor's preceding fiscal year and includes the following (for more information see 17 C.F.R. § 229.402(c)(2)):

i. Salary and bonus.
ii. Awards of stock, stock options, and stock appreciation rights. Use the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with the Statement of Financial Accounting Standards No. 123 (Revised 2004) (FAS 123R), Shared Based Payments.
iii. Earnings for services under non-equity incentive plans. This does not include group life, health, hospitalization or medical reimbursement plans that do not discriminate in favor of executives, and are available generally to all salaried employees.
iv. Change in pension value. This is the change in present value of defined benefit and actuarial pension plans.
v. Above-market earnings on deferred compensation which is not tax qualified.
vi. Other compensation, if the aggregate value of all such other compensation (e.g. severance, termination payments, value of life insurance paid on behalf of the employee, perquisites or property) for the executive exceeds $10,000.

b. The Contractor must report executive total compensation described above to the State by the end of the month during which this Contract is awarded.

c. If this Contract is amended to extend its term, the Contractor must submit an executive total compensation report to the State by the end of the month in which the amendment to this Contract becomes effective.

d. The Contractor will obtain a Data Universal Numbering System (DUNS) number and maintain its DUNS number for the term of this Contract. More information about obtaining a DUNS Number can be found at: http://fedgov.dnb.com/webform/

The Contractor's failure to comply with the above requirements is a material breach of this Contract for which the State may terminate this Contract for cause. The State will not be obligated to pay any outstanding invoice received from the Contractor unless and until the Contractor is in full compliance with the above requirements.

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).

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

IN WITNESS WHEREOF,

AON CONSULTING, INC.

_____

SIGNATURE **DATE**

_____

PRINTED NAME AND TITLE OF SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE:

_____

LARRY B. MARTIN, COMMISSIONER **DATE**

GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE

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

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

Rep. Mark White, Vice-Chairman
Representatives
Charles Curtiss, Pat Marsh
Jeremy Faison, Mark Pody
Brenda Gilmore, David Shepard
Matthew Hill, Tim Wirgau
Charles Sargent, *ex officio*
Speaker Beth Harwell, *ex officio*

MEMORANDUM

TO: Jessica Robertson, Chief Procurement Officer
Department of General Services

FROM: Senator Bill Ketron, Chairman BK
Representative Mark White, Vice-Chairman MW

DATE: February 5, 2013

SUBJECT: **Contract Comments**
(Fiscal Review Committee Meeting 2/4/13)

RFS# 318.65-00308 (Edison # 19687)
Department: Finance and Administration
Division: Health Care Finance and Administration/Bureau of TennCare
Vendor: AON Consulting, Inc.
Summary: The vendor is responsible for actuarial and rate setting services relevant to Managed Care Organization participants in the TennCare program as well as federally required independent audits of Disproportionate Share Hospital payments. The proposed amendment increases the maximum liability by $2,620,570.
Current maximum liability: $3,500,000
Proposed maximum liability: $6,120,570

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

cc: The Honorable Darin Gordon, Deputy Commissioner

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF HEALTH CARE FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

December 28, 2012

Lucian Geise, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: Aon Consulting, Inc., Amendment #2
Policy Studies, Inc., Amendment #2

Dear Mr. Geise:

The Department of Finance and Administration, Division of Health Care Finance and Administration, is submitting for consideration by the Fiscal Review Committee amendment #2 to Aon Consulting, Inc. This competitively procured contract is for actuarial services relevant to the managed care organization rate structure in the TennCare Program, as well as provision of federally required independent audits of Disproportionate Share Hospital (DSH) payments. This amendment is necessary to extend the contract term for another year, pursuant to the Request for Proposal and term extension language in the original contract, as well as provide sufficient funding to support the ongoing services and the projected term extension. The rates contained in this extension continue rates as submitted in the competitive Cost Proposal.

Additionally, we are submitting for consideration amendment #2 to Policy Studies, Inc., the competitively procured contract for consulting and technical services involving design, development, testing and initial support of systems to administer the Electronic Health Record incentive payments under the Medicaid program. This amendment extends the term for one year, adds additional enhancements, including completion of testing and implementation of the FCR approval system, continued operations and maintenance, and provides funding to support the enhancements and extension of term.

The Department of Finance and Administration, Division of Health Care Finance and Administration, appreciates consideration of these amendments by the Fiscal Review Committee and respectfully requests approval.

Sincerely,

Casey Dungan

Casey Dungan
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton, Director of Contracts

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Casey Dungan	*Contact Phone:	507-6482
*Original Contract Number:	FA1131060	*Original RFS Number:	31865-00308
Edison Contract Number: *(if applicable)*	25010	Edison RFS Number: *(if applicable)*	31865-00308
*Original Contract Begin Date:	July 1, 2010	*Current End Date:	June 30, 2013

Current Request Amendment Number: *(if applicable)*	2
Proposed Amendment Effective Date: *(if applicable)*	March 1, 2013
*Department Submitting:	Department of Finance and Administration
*Division:	Division of Health Care Finance and Admin. Bureau of TennCare
*Date Submitted:	December 28, 2012
*Submitted Within Sixty (60) days:	Yes
If not, explain:	N/A
*Contract Vendor Name:	Aon Consulting, Inc.
*Current Maximum Liability:	$3,500,000.00

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

FY: 2011	FY: 2012	FY: 2013	FY	FY	FY
$ 900,000.00	$1,420,570.00	$1,179,430.00	$	$	$

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

FY: 2011	FY: 2012	FY: 2013	FY	FY	FY
$837,670.00	$1,482,900	$577,500.00	$	$	$

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	N/A
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	This contract payment methodology is based on hourly rates as submitted in competitive Cost Proposal. The maximum liability is calculated by FY to include the projected expenditures based on need for contractor's services and programmatic need within the Bureau of TennCare. Any unused funds for a Fiscal Year roll forward for availability throughout the term of the contract.
IF Contract Expenditures exceeded	

Supplemental Documentation Required for Fiscal Review Committee

Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	N/A			
*Contract Funding Source/Amount:	State:	$1,750,000.00	Federal:	$1,750,000.00
Interdepartmental:			*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)*			
N/A				
Method of Original Award: *(if applicable)*	Request for Proposal			
*What were the projected costs of the service for the entire term of the contract prior to contract award?	The costs associated with this contract were predicated on the cost proposals submitted in response to the RFP and the ultimate need for contractor services based on competitively procured rates. These cost proposal documents are public information and available upon request.			

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.

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

a. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.

b. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

Service Description	**Amount** (per compensable increment)
Actuarial Services	$ 250.00 per Hour
Certified Public Accountant	$ 150.00 per Hour

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.

Amendment #2 to AON Consulting, Inc., the competitively procured contract for the provision of TennCare actuarial and rate setting services relevant to Managed Care Organizations participants in the TennCare program as well as federally mandated DSH audits, does not reflect proposed savings to be realized by the state. It does provide services that were competitively procured and are reimbursed at a 50% federal match.

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.

Supplemental Documentation Required for Fiscal Review Committee

The state released a Request for Proposal to identify a contractor to provide a actuarial services relevant to the TennCare program. An RFP was released by TennCare and AON Consulting, Inc. was the competitive winner, achieving the highest combined score of experience, technical and cost. Since an RFP is the optimum state procurement method, no other options were explored.

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2013	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
AON Consulting, Inc.	12537

Service Caption (one line only)

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

FUNDING REVISION: Moving $20,570 from FY 2013 to FY 2012

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$710,285.00	$710,285.00			$1,420,570.00
2013	$589,715.00	$589,715.00			$1,179,430.00
TOTAL:	**$1,750,000.00**	**$1,750,000.00**			**$3,500,000.00**

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

Ownership/Control

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

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

Contract # **FA1131060-01**

Payments to
Aon Consulting, Inc.
FA1131060

Funding Year	Unit	Sum Amount	Edison Contract ID	Vendor ID	Vendor Name	Pymt Date
2011	31865	$ 40,975.00	19687	0000012537	AON Consulting	10/19/2010
2011	31865	$ 41,250.00	19687	0000012537	AON Consulting	11/4/2010
2011	31865	$ 81,375.00	19687	0000012537	AON Consulting	1/13/2011
2011	31865	$ 74,125.00	19687	0000012537	AON Consulting	1/31/2011
2011	31865	$ 80,125.00	19687	0000012537	AON Consulting	2/17/2011
2011	31865	$ 105,770.00	19687	0000012537	AON Consulting	3/23/2011
2011	31865	$ 60,009.00	19687	0000012537	AON Consulting	4/12/2011
2011	31865	$ 93,575.00	19687	0000012537	AON Consulting	5/13/2011
2011	31865	$ 81,850.00	19687	0000012537	AON Consulting	6/7/2011
2011	31865	$ 102,366.00	19687	0000012537	AON Consulting	7/7/2011
		$ 76,250.00	19687	0000012537	AON Consulting	8/9/2011

TOTAL FY 2011 $ 837,670.00

Funding Year	Unit	Sum Amount	Edison Contract ID	Vendor ID	Vendor Name	Pymt Date
2012	31865	$ 75,025.00	19687	0000012537	AON Consulting	12/12/2011
2012	31865	$ 47,062.50	19687	0000012537	AON Consulting	4/12/2012
2012	31865	$ 280,325.00	19687	0000012537	AON Consulting	4/12/2012
2012	31865	$ 94,250.00	19687	0000012537	AON Consulting	4/12/2012
2012	31865	$ 128,997.50	19687	0000012537	AON Consulting	4/12/2012
2012	31865	$ 78,562.50	19687	0000012537	AON Consulting	4/12/2012
2012	31865	$ 73,500.00	19687	0000012537	AON Consulting	4/24/2012
2012	31865	$ 207,820.00	19687	0000012537	AON Consulting	4/25/2012
2012	31865	$ 116,750.00	19687	0000012537	AON Consulting	6/7/2012
2012	31865	$ 163,420.00	19687	0000012537	AON Consulting	8/15/2012
2012	31865	$ 217,187.50	19687	0000012537	AON Consulting	8/16/2012

TOTAL FY 2012 $ 1,482,900.00

Funding Year	Unit	Sum Amount	Edison Contract ID	Vendor ID	Vendor Name	Pymt Date
2013	31865	$ 178,000.00	19687	0000012537	AON Consulting	9/28/2012
2013	31865	$ 118,063.00	19687	0000012537	AON Consulting	11/2/2012
2013	31865	$ 130,375.00	19687	0000012537	AON Consulting	12/11/2012
2013	31865	$ 151,062.50	19687	0000012537	AON Consulting	Pending

TOTAL FY 2013 $ 577,500.50

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
CENTRAL PROCUREMENT OFFICE

Request Tracking #	**31865-00308**
1. Procuring Agency	**Department of Finance and Administration Bureau of TennCare**
2. Contractor	**AON Consulting, Inc.**
3. Contract #	**FA1131060**
4. Proposed Amendment #	**2**
5. Edison ID #	**19687**

6. Contract Begin Date	**July 1, 2010**
7. Current Contract End Date *– with ALL options to extend exercised*	**June 30, 2013**
8. Proposed Contract End Date *– with ALL options to extend exercised*	**June 30, 2014**
9. Current Maximum Contract Cost *– with ALL options to extend exercised*	**$3,500,000.00**
10. Proposed Maximum Contract Cost *– with ALL options to extend exercised*	**$6,120,570.00**
11. Office for Information Resources Endorsement *– information technology service (N/A to THDA)*	**x Not Applicable** ☐ **Attached**
12. eHealth Initiative Support *– health-related professional, pharmaceutical, laboratory, or imaging*	**x Not Applicable** ☐ **Attached**
13. Human Resources Support *– state employee training service*	**x Not Applicable** ☐ **Attached**

14. Explanation Need for the Proposed Amendment

This competitively procured contract with AON Consulting, Inc. is for actuarial services relevant to managed care organization rate structure in the TennCare program, as well as provision of federally required independent audits of Disproportionate Share Hospital (DSH) payments. The amendment is necessary to extend the contract term for another year, pursuant to the Request for Proposal and term extension language in the original contract. Additionally, the amendment provides sufficient funding to support the ongoing services as well as term extension. The existing maximum liability and payment structure of this contract are based on hourly rates submitted in the competitive Cost Proposal. Federal regulations surrounding the

Request Tracking #	31865-00308

scope of work provided by this contractor and the hours necessary to adequately complete the required work necessitates an increase in the maximum liability to insure availability of funds.

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

Greg Case, President and CEO
AON Consulting, Inc.
200 East Randolph St.
Chicago, IL 60601 USA

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

AON Consulting, Inc. is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing, with more than 62,000 colleagues worldwide, AON delivers client value via innovative and effective risk management and workforce productivity solutions. In addition, it provides specialized services, such as actuarial and financial consulting, and employee and compensation survey. They have global resources, technical expertise and industry knowledge that is delivered locally through more than 500 offices in more than 120 countries. AON was ranked by A.M. Best as the No. 1 global insurance brokerage in 2009, based on brokerage revenues, and voted best insurance intermediary, best reinsurance intermediary and best captives manager in 2010 by the readers of *Business Insurance.* AON has in recent years had a contract to provide actuarial services relevant to Managed Care Organization participants in the TennCare program and also a contract with the Tennessee Comptroller of the Treasury. The Bureau of TennCare released a competitive Request for Proposal (RFP) in 2009 to identify independent actuarial and audit services and the AON proposal had the highest combined technical and cost proposal score.

17. Efforts to Identify Reasonable, Competitive, Procurement Alternatives

This contract resulted from a competitive process. TennCare released an RFP and identified AON as the proposer with highest combined technical and cost proposal score.

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

This competitively procured contract with AON Consulting, Inc. is for actuarial services relevant to managed care organization rate structure in the TennCare program, as well as provision of federally required independent audits of Disproportionate Share Hospital (DSH) payments. The amendment is necessary to provide sufficient funding to cover projected expenses for the remainder of the contract period and to extend the term in this competitively procured contract for an additional year, pursuant to RFP and contract term extension language. The existing maximum liability and payment structure of this contract is based on hourly rates submitted in the competitive Cost Proposal. The Bureau of TennCare respectfully requests approval of this contract amendment request.

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*

Mark C. Emker 12/13/12

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31865-00308	19687	FA1131060	02

Contractor Legal Entity Name	Edison Vendor ID
Aon Consulting, Inc.	0000012537

Amendment Purpose & Effect(s)

Increases Maximum Liability and Extends Term for the Continued Provision of Actuarial Services

Amendment Changes Contract End Date: ☒ YES ☐ NO **End Date:** June 30, 2014

TOTAL Contract Amount INCREASE or DECREASE per this Amendment (zero if N/A): **$ 2,620,570.00**

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$710,285.00	$710,285.00			$1,420,570.00
2013	$950,000.00	$950,000.00			$1,900,000.00
2014	$950,000.00	$950,000.00			$1,900,000.00
TOTAL:	**$3,060,285.00**	**$3,060,285.00**			**$6,120,570.00**

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE

AMENDMENT #2
CONTRACT FA1131060
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
AND
AON CONSULTING, INC.

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

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

   B.1. This Contract shall be effective for the period beginning July 1, 2010, and ending on June 30, 2014. The Contractor hereby acknowledges and affirms that the State shall have no obligation for services rendered by the Contractor which were not performed within this specified contract period.

2. 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 Six Million One Hundred Twenty Thousand Five Hundred Seventy Dollars ($6,120,570.00). The payment rates in section C.3 shall constitute the entire compensation due the Contractor for all service and Contractor 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.

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).

The revisions set forth herein shall be effective March 1, 2013. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

AON CONSULTING, INC.

SIGNATURE	2/13/12 **DATE**

DAVID W. BATTEN, SVP

PRINTED NAME AND TITLE OF SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE:

Mark A. Emkes, CD — 2/14/2013

MARK A. EMKES, COMMISSIONER — **DATE**

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2013	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
AON Consulting, Inc.	12537

Service Caption (one line only)

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

FUNDING REVISION: Moving $20,570 from FY 2013 to FY 2012

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
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2013	$589,715.00	$589,715.00			$1,179,430.00
TOTAL:	**$1,750,000.00**	**$1,750,000.00**			**$3,500,000.00**

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

Ownership/Control

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

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

Contract # **FA1131060-01**

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
Brian Kelsey, Ken Yager
Eric Stewart
Randy McNally, *ex officio*
Lt. Governor Ron Ramsey, *ex officio*

Rep. Curtis Johnson, Vice-Chairman
Representatives
Tommie Brown, David Shepard
Jim Coley, Tony Shipley
Charles Curtiss, Curry Todd
Johnny Shaw, Mark White
Charles Sargent, *ex officio*
Speaker Beth Harwell, *ex officio*

MEMORANDUM

TO: Jessica Robertson, Chief Procurement Officer
Department of General Services

FROM: Senator Bill Ketron, Chairman BK
Representative Curtis Johnson, Vice-Chairman CJ

DATE: August 28, 2012

SUBJECT: **Contract Comments**
(Fiscal Review Committee Meeting 8/27/12)

RFS# 318.65-00308 (Edison # 19687)
Department: Finance & Administration
Division: Health Care Finance & Administration/Bureau of TennCare
Vendor: AON Consulting, Inc.
Summary: The vendor is responsible for actuarial and rate setting services relevant to Managed Care Organization participants in the TennCare program as well as federally required independent audits of Disproportionate Share Hospital payments. The proposed amendment increases the maximum liability by $800,000.
Current maximum liability: $2,700,000
Proposed maximum liability: $3,500,000

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

cc: The Honorable Darin Gordon, Deputy Commissioner

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF HEALTH CARE FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

June 29, 2012

Lucian Geise, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: AON Consulting, Inc., Amendment #1
Public Partnerships, LLC, Amendment #1
Public Consulting Group, Inc., Amendment #3
Health Management Associates, Inc., Amendment #2
Gorman Actuarial, LLC, Amendment #2

Dear Mr. Geise:

The Department of Finance and Administration, Division of Health Care Finance and Administration, is submitting for consideration by the Fiscal Review Committee amendment #2 to Gorman Actuarial, LLC, amendment #3 to Public Consulting Group, Inc., and amendment #2 to Health Management Associates, Inc., all of which are competitively procured contracts for actuarial and benefit consulting services for the Health Insurance Exchange. Because of the continuing policy changes at the federal level and the magnitude of the market impacts in Tennessee, the State sought additional planning federal funds which were awarded in November, 2011 and February, 2012. The purpose of these amendments is to provide additional funding for consulting services regarding health insurance exchanges and for making evidence-based recommendations to the State. The State indicated in both the RFP and resulting contract that contract funding would be increased as needed and as availability of additional federal funding dictated. These amendments are all 100% federally funded.

Additionally, we are submitting amendment #1 to the existing competitively procured contract with AON Consulting, Inc., the contract for provision of actuarial services relevant to managed care organization rate structure in the TennCare program, as well as federally required independent audits of Disproportionate Share Hospital (DSH) payments. This amendment is necessary to provide sufficient funding to cover projected expenses for the remainder of the contract period.

Finally, we are submitting amendment #1 to Public Partnerships, LLC, the competitively procured contract for financial administration and supports brokerage functions for the TennCare CHOICES program. This amendment provides required language updates relevant to the *Money Follows the Person (MFP) Rebalancing Demonstration Operational Protocol* for the state to increase the number of persons receiving Medicaid-reimbursed Home and Community Based Services (HCBS) participating in consumer direction during each year of the demonstration. Additional language is being added to the contract to include the CHOICES 3 population as eligible population for consumer direction. Sufficient funding is available in the existing contract, therefore, no additional funds are necessary.

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

Sincerely,

Casey Dungan
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton, Director of Contracts

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Casey Dungan	*Contact Phone:	507-6482
*Original Contract Number:	FA1131060	*Original RFS Number:	31865-00308
Edison Contract Number: (*if applicable*)	25010	Edison RFS Number: (*if applicable*)	31865-00308
*Original Contract Begin Date:	July 1, 2010	*Current End Date:	June 30, 2013

Current Request Amendment Number: (*if applicable*)	1
Proposed Amendment Effective Date: (*if applicable*)	September 1, 2012
*Department Submitting:	Department of Finance and Administration
*Division:	Division of Health Care Finance and Admin. Bureau of TennCare
*Date Submitted:	June 26, 2012
*Submitted Within Sixty (60) days:	Yes
If not, explain:	N/A
*Contract Vendor Name:	Aon Consulting, Inc.
*Current Maximum Liability:	$2,700,000.00

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

FY: 2011	FY: 2012	FY: 2013	FY	FY	FY
$ 900,000.00	$1,400,000.00	$400,000.00	$	$	$

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

FY: 2011	FY: 2012	FY: 2013	FY	FY	FY
$837,670.00	$1,102,292.50	$	$	$	$

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	N/A
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	This contract payment methodology is based on hourly rates as submitted in competitive Cost Proposal. The maximum liability is calculated by FY to include the projected expenditures based on need for contractor's services and programmatic need within the Bureau of TennCare. Any unused funds for a Fiscal Year roll forward for availability throughout the term of the contract.
IF Contract Expenditures exceeded	

Supplemental Documentation Required for Fiscal Review Committee

Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	N/A			
*Contract Funding Source/Amount:	State:	$1,350,000.00	Federal:	$1,350,000.00
Interdepartmental:			*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*)			
N/A				
Method of Original Award: (*if applicable*)	Request for Proposal			
*What were the projected costs of the service for the entire term of the contract prior to contract award?	The costs associated with this contract were predicated on the cost proposals submitted in response to the RFP and the ultimate need for contractor services based on competitively procured rates. These cost proposal documents are public information and available upon request.			

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.

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

a. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.

b. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

Service Description	Amount (per compensable increment)
Actuarial Services	$ 250.00 per Hour
Certified Public Accountant	$ 150.00 per Hour

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.

Amendment #1 to AON Consulting, Inc., the competitively procured contract for the provision of TennCare actuarial and rate setting services relevant to Managed Care Organizations participants in the TennCare program as well as federally mandated DSH audits, does not reflect proposed savings to be realized by the state. It does provide services that were competitively procured and are reimbursed at a 50% federal match.

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.

Supplemental Documentation Required for Fiscal Review Committee

The state released a Request for Proposal to identify a contractor to provide a actuarial services relevant to the TennCare program. An RFP was released by TennCare and AON Consulting, Inc. was the competitive winner, achieving the highest combined score of experience, technical and cost. Since an RFP is the optimum state procurement method, no other options were explored.

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2013	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
AON Consulting, Inc.	12537

Service Caption (one line only)

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

FUNDING REVISION: Moving $500,000 from FY 2013 to FY 2012

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$700,000.00	$700,000.00			$1,400,000.00
2013	$200,000.00	$200,000.00			$400,000.00
TOTAL:	**$1,350,000.00**	**$1,350,000.00**			**$2,700,000.00**

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

Ownership/Control

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

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

Contract # **FA1131060**

Payments to
Aon Consulting, Inc.
FA1131060

Funding Year	Unit	Sum Amount	Edison Contract ID	Vendor ID	Vendor Name	Pymt Date
2011	31865	$ 40,975.00	19687	0000012537	AON Consulting	10/19/2010
2011	31865	$ 41,250.00	19687	0000012537	AON Consulting	11/4/2010
2011	31865	$ 81,375.00	19687	0000012537	AON Consulting	1/13/2011
2011	31865	$ 74,125.00	19687	0000012537	AON Consulting	1/31/2011
2011	31865	$ 80,125.00	19687	0000012537	AON Consulting	2/17/2011
2011	31865	$ 105,770.00	19687	0000012537	AON Consulting	3/23/2011
2011	31865	$ 60,009.00	19687	0000012537	AON Consulting	4/12/2011
2011	31865	$ 93,575.00	19687	0000012537	AON Consulting	5/13/2011
2011	31865	$ 81,850.00	19687	0000012537	AON Consulting	6/7/2011
2011	31865	$ 102,366.00	19687	0000012537	AON Consulting	7/7/2011
		$ 76,250.00	19687	0000012537	AON Consulting	8/9/2011

TOTAL FY 2011 $ 837,670.00

Funding Year	Unit	Sum Amount	Edison Contract ID	Vendor ID	Vendor Name	Pymt Date
2012		$ 75,025.00	19687	0000012537	AON Consulting	12/12/2011
2012		$ 47,062.50	19687	0000012537	AON Consulting	4/12/2012
2012		$ 280,325.00	19687	0000012537	AON Consulting	4/12/2012
2012		$ 94,250.00	19687	0000012537	AON Consulting	4/12/2012
2012		$ 128,997.50	19687	0000012537	AON Consulting	4/12/2012
2012		$ 78,562.50	19687	0000012537	AON Consulting	4/12/2012
2012		$ 73,500.00	19687	0000012537	AON Consulting	4/24/2012
2012		$ 207,820.00	19687	0000012537	AON Consulting	4/25/2012
2012		$ 116,750.00	19687	0000012537	AON Consulting	6/7/2012

TOTAL FY 2012 $ 1,102,292.50

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
COMMISSIONER OF FINANCE & ADMINISTRATION

Request Tracking #	31865-00308
1. Procuring Agency	Department of Finance and Administration Bureau of TennCare
2. Contractor	AON Consulting, Inc.
3. Contract #	FA1131060
4. Proposed Amendment #	1
5. Edison ID #	19687

6. Contract Begin Date	July 1, 2010
7. Current Contract End Date *– with ALL options to extend exercised*	June 30, 2013
8. Proposed Contract End Date *– with ALL options to extend exercised*	June 30, 2013
9. Current Maximum Contract Cost *– with ALL options to extend exercised*	$2,700,000.00
10. Proposed Maximum Contract Cost *– with ALL options to extend exercised*	$3,500,000.00
11. Office for Information Resources Endorsement *– information technology service (N/A to THDA)*	x Not Applicable ☐ Attached
12. eHealth Initiative Support *– health-related professional, pharmaceutical, laboratory, or imaging*	x Not Applicable ☐ Attached
13. Human Resources Support *– state employee training service*	x Not Applicable ☐ Attached

14. Explanation Need for the Proposed Amendment

This competitively procured contract with AON Consulting, Inc. is for actuarial services relevant to managed care organization rate structure in the TennCare program, as well as provision of federally required independent audits of Disproportionate Share Hospital (DSH) payments. The amendment is necessary to provide sufficient funding to cover projected expenses for the remainder of the contract period. The existing maximum liability and payment structure of this contract is based on hourly rates submitted in the competitive Cost Proposal. Federal regulations surrounding the scope of work provided by this contractor and the hours necessary to adequately complete the required work necessitates an increase in the maximum liability to

Request Tracking #	31865-00308

insure availability of funds.

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

Greg Case, President and CEO
AON Consulting, Inc.
200 East Randolph St.
Chicago, IL 60601 USA

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

AON Consulting, Inc. is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing, with more than 62,000 colleagues worldwide, AON delivers client value via innovative and effective risk management and workforce productivity solutions. In addition, it provides specialized services, such as actuarial and financial consulting, and employee and compensation survey. They have global resources, technical expertise and industry knowledge that is delivered locally through more than 500 offices in more than 120 countries. AON was ranked by A.M. Best as the No. 1 global insurance brokerage in 2009, based on brokerage revenues, and voted best insurance intermediary, best reinsurance intermediary and best captives manager in 2010 by the readers of *Business Insurance*. AON has in recent years had a contract to provide actuarial services relevant to Managed Care Organization participants in the TennCare program and also a contract with the Tennessee Comptroller of the Treasury. The Bureau of TennCare released a competitive Request for Proposal (RFP) in 2009 to identify independent actuarial and audit services and the AON proposal had the highest combined technical and cost proposal score.

17. Efforts to Identify Reasonable, Competitive, Procurement Alternatives

This contract resulted from a competitive process. TennCare released an RFP and identified AON as the proposer with highest combined technical and cost proposal score.

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

This competitively procured contract with AON Consulting, Inc. is for actuarial services relevant to managed care organization rate structure in the TennCare program, as well as provision of federally required independent audits of Disproportionate Share Hospital (DSH) payments. The amendment is necessary to provide sufficient funding to cover projected expenses for the remainder of the contract period. The existing maximum liability and payment structure of this contract is based on hourly rates submitted in the competitive Cost Proposal. The Bureau of TennCare requests approval of this contract amendment request.

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*

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2013	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
AON Consulting, Inc.	12537

Service Caption (one line only)

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

FUNDING REVISION: Moving $20,570 from FY 2013 to FY 2012

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$710,285.00	$710,285.00			$1,420,570.00
2013	$589,715.00	$589,715.00			$1,179,430.00
TOTAL:	**$1,750,000.00**	**$1,750,000.00**			**$3,500,000.00**

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

Ownership/Control

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

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

Contract # **FA1131060-01**

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31865-00308	19687	FA1131060	01

Contractor Legal Entity Name	Edison Vendor ID
Aon Consulting, Inc.	0000012537

Amendment Purpose & Effect(s)
Increases Maximum Liability for the Continued Provision of Actuarial Services

Amendment Changes Contract End Date: ☐ YES ☒ NO **End Date:** June 30, 2013

TOTAL Contract Amount INCREASE or DECREASE per this Amendment (zero if N/A): **$ 800,000.00**

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$700,000.00	$700,000.00			$1,400,000.00
2013	$600,000.00	$600,000.00			$1,200,000.00
TOTAL:	**$1,750,000.00**	**$1,750,000.00**			**$3,500,000.00**

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE

AMENDMENT #1
CONTRACT FA1131060
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
AND
AON CONSULTING, INC.

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

1. 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 Three Million Five Hundred Thousand Dollars ($3,500,000.00). The payment rates in section C.3 shall constitute the entire compensation due the Contractor for all service and Contractor 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 September 1, 2012. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

AON CONSULTING, INC.

David W. Batten — 8/30/12

SIGNATURE — **DATE**

DAVID W. BATTEN SENIOR VICE PRESIDENT

PRINTED NAME AND TITLE OF SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE:

Mark A. Emkes /CD 8/31/2012

MARK A. EMKES, COMMISSIONER DATE

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2013	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
AON Consulting, Inc.	12537

Service Caption (one line only)

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

FUNDING REVISION: Moving $500,000 from FY 2013 to FY 2012

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$700,000.00	$700,000.00			$1,400,000.00
2013	$200,000.00	$200,000.00			$400,000.00
TOTAL:	**$1,350,000.00**	**$1,350,000.00**			**$2,700,000.00**

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

Ownership/Control

☐ African American ☐ Asian ☐ Hispanic ☐ Native American ☐ Female

☐ Person w/Disability ☐ Small Business ☐ Government ☒ NOT Minority/Disadvantaged

☐ Other:

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
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☐ Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

Contract # **FA1131060**

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2013	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
AON Consulting, Inc.	12537

Service Caption (one line only)

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

FUNDING REVISION: Moving $500,000 from FY 2013 to FY 2012

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$700,000.00	$700,000.00			$1,400,000.00
2013	$200,000.00	$200,000.00			$400,000.00
TOTAL:	**$1,350,000.00**	**$1,350,000.00**			**$2,700,000.00**

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

Ownership/Control

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

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
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☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

Contract # **FA1131060**

CONTRACT

(FA-type fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Agency Tracking #	Edison ID
31865-00308	19687

Contractor	Contractor Federal Employer Identification or Social Security #
AON Consulting, Inc.	☐ C- or ☒ V- 222232264

Service

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

Contract Begin Date	Contract End Date	Subrecipient or Vendor	CFDA #(s)
July 1, 2010	June 30, 2013	☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$450,000.00	$450,000.00			$900,000.00
2013	$450,000.00	$450,000.00			$900,000.00
TOTAL:	$1,350,000.00	$1,350,000.00			$2,700,000.00

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

OCR USE
FA

F&A Secured Document

FA1131060

Agency Contact & Telephone #
Alma Chilton
615-507-6384

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
TN00000134	70803000

Contractor Ownership/Control

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

Contractor Selection Method

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

***Procurement Process Summary**

CONTRACT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION,
BUREAU OF TENNCARE
AND
AON CONSULTING, INC.

This Contract, by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the "State" or "TennCare" and AON Consulting, Inc., hereinafter referred to as the "Contractor," is for the provision of actuarial services relevant to managed care organization participants in the TennCare Program, as further defined in the "SCOPE OF SERVICES."

The Contractor is a for profit corporation.
Contractor Federal Employer Identification or Social Security Number: 222232264
Contractor Place of Incorporation or Organization: Atlanta, Georgia

A. SCOPE OF SERVICES:

A.1. The Contractor shall provide all service and deliverables as required, described, and detailed by this Scope of Services and shall meet all service and delivery timelines specified in the Scope of Services section or elsewhere in this Contract.

A.2. The Contractor shall develop per capita costs on an actuarially sound basis to be used for compensating Managed Care Organization (MCO) participants in the TennCare Program. The Contractor's study shall include the State's assessment of the rates paid to its contracted managed care organizations each year. Included in the data analysis will be a review of payments for hospital providers for similar services for comparable populations in other state Medicaid programs. The review will be considered in determining reasonable payment rates for hospital providers, including safety net hospitals providing essential and unduplicated services and sole community provider hospitals.

A.3. The Contractor shall ensure that all services are either performed or supervised and certified by a full qualified actuary (associate of the Society of Actuaries (ASA) and member of the American Academy of Actuaries (MAAA) in accordance with all applicable laws, regulations and standards of practice.

A.4. For each fiscal year of the contract, the Contractor shall produce a written report for the State Comptroller of the Treasury, including an analysis of actual provider costs. This analysis will be used to determine reasonable costs, and will compare these costs with the provider cost assumptions used in the study. Information used to compile this study shall be public information.

A.5. The Contractor shall provide actuarial and consultative services as requested by TennCare, including but not limited to:

a. Make recommendations regarding the distribution of an actuarially based capitation rate for MCOs. The review will include the assessment of the impact of regional variations and special risk factors;

b. Develop appropriate utilization targets for MCOs based on review of TennCare data encounter and enrollment information;

c. Provide recommendations to TennCare regarding implementing any changes to the capitation rates and assist in determining the impact of any new TennCare program design on capitation rate structure and funding levels including new risk arrangements with plans;

d. Provide TennCare utilization and actuarial information to prospective MCOs as requested by TennCare, and

e. Provide assistance to TennCare in analyzing spending trends including those of the MCOs as well as other aspects of the TennCare Program including pharmacy and long term care.

A.6. The Contractor shall assist TennCare in the analysis of encounter data to identify areas for increased review and/or correction.

A.7. The Contractor shall provide assistance in reviewing and modeling data from both TennCare's encounter information and other sources to facilitate policy formulation on potential changes in the TennCare Program.

A.8. The Contractor shall complete the following summary of major tasks in the process applicable to managed care cost development:

a. Conduct a kickoff meeting with staff and deliver a data request to begin the process;

b. Build Income Data File; Income data that is captured within TennCare Eligibility Data that which is transferred to the contractor. In the event, that the State has a need to assess co pays or premiums based on income level of current enrollment, the Contractor would need this information to calculate the estimated impact on capitation rates

c. Obtain and summarize encounter data by rate categories, match to enrollee income data, current TennCare program structure and impact of delivery system changes;

d. Determine trend rates by service category and analyze actual versus expected trend rates;

e. Meet with State to discuss identified data issues and explore alternatives;

f. Identify external comparative sources of information on trend rates and develop recommendations;

g. Calculate and apply Incurred but Not Reported (IBNR) factors by service category;

h. Identify and calculate effect of benefit plan changes for TennCare Standard and other reports as requested by TennCare;

i. Determine cost per unit by the following service categories:

(i) Inpatient

(ii) Outpatient

(iii) Professional

(iv) Home Health

(v) Nursing Home

(vi) Home and Community Based Services (HCBS)

(vii) Durable Medical Equipment (DME)

j. Obtain detailed eligibility and Severely and Persistently Mentally Ill (SPMI) history data and,

(i) Match to enrollee income data

(ii) Identify possible transfers to new eligibility categories

(iii) Match eligibility and history files

(iv) Create member months under current TennCare program structure and potential changes

k. Verify data

l. Meet with State to discuss identified data issues and explore alternatives;

m. Determine trend rates by service category;

m. Identify external sources of information on trend rates and develop recommendations;

o. Identify and calculate effect of benefit plan changes for TennCare Standard and other;

p. Ascertain and provide to the State rate comparisons of other Medicaid programs;

q. Calculate per capita costs by rate cell;

r. Present draft per capita costs to the State including TennCare Medicaid and TennCare Standard and prepare draft rate development report for each fiscal year of this contract due to TennCare by May 30; modify relevant components of the state Comptroller's report as determined by agreements between Contractor and TennCare; and meet with relevant parties to discuss draft report and prepare final report;

A.9. The Contractor shall calculate rate cells for inclusion in the managed care rate structure relative to the Long Term Care Choices Act of 2008. This Act provides for the integration of nursing home into the existing at-risk capitated managed care structure.

A.10. The Contractor shall annually provide for appropriate TennCare staff a one (1) day trending information update regarding current health care provider trends.

A.11 The Contractor shall annually perform a health plan risk assessment based upon health status information derived from encounter data submitted by MCOs serving each Grand Region through the most recent twelve (12) month period. If the health plan risk assessment score for any MCO deviates from the profile for the Grand Region being served by that MCO by more than three percent (3%), whether a negative or positive change in scores, the Contractor shall adjust base capitation rates proportionately prior to submission to TennCare.

A.12. The Contractor shall provide the services of a Certified Public Accountant to perform an independent audit of Disproportionate Share Hospital (DSH) payments to verify the computation of the DSH limit and the DSH payments to hospitals. The required items in this audit are described in Title XIX of the Social Security Act, Section 1923(j)(2) which states:

2) Independent certified audit.—The State shall annually submit to the Secretary an independent certified audit that verifies each of the following:

(A) The extent to which hospitals in the State have reduced their uncompensated care costs to reflect the total amount of claimed expenditures made under this section.

(B) Payments under this section to hospitals that comply with the requirements of subsection (g).

(C) Only the uncompensated care costs of providing inpatient hospital and outpatient hospital services to individuals described in paragraph (1)(A) of such subsection are included in the calculation of the hospital-specific limits under such subsection.

(D) The State included all payments under this title, including supplemental payments, in the calculation of such hospital-specific limits.

(E) The State has separately documented and retained a record of all of its costs under this title, claimed expenditures under this title, uninsured costs in determining payment adjustments under this section, and any payments made on behalf of the uninsured from payment adjustments under this section. (see http://www.ssa.gov/OP_Home/ssact/title19/1923.htm)

A.13. All data received from the State by the Contractor, as well as data derived through calculations performed as part of this study, are considered confidential and proprietary pursuant to Tennessee Code Annotated 71-5-142, and may not be used for any other purpose without the express permission of the State. The Contractor's use of the data must conform to the rules and regulations of the Department of Finance and Administration and the Bureau of TennCare. (See http://www.state.tn.us/sos/rules/0620/0620.htm and http://www.state.tn.us/sos/rules/1200/1200-13/1200-13.htm)

A.14. All Medicaid beneficiary data including but not limited to encounter data, any individually indentifying information and protected health information, shall remain confidential. Confidential Medicaid beneficiary data shall not be accessed, used or disclosed except with the permitted uses as defined by the Health Insurance Portability Act of 1996 (HIPAA) and as amended by the American Recovery and Reinvestment Act of 2009, Public Law 111-5.

A.15. The Contractor shall provide expert testimony on TennCare actuarial and funding issues to the courts, legislators and other groups as requested by TennCare.

A.16. The work under this Contract is to be performed, completed, and managed at the Contractor's premises or at the project site, as requested by TennCare, in which case the State shall provide work-space for the Contractor.

A.17. As specified in Section C.5, the Contractor is required to submit detailed invoices accompanied by documentation supporting hourly breakouts for each project. This documentation will be reviewed and approved by TennCare staff familiar with the project requirements prior to approval for payment.

B. CONTRACT TERM:

B.1. This Contract shall be effective for the period commencing on July 1, 2010 and ending on June 30, 2013. 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 such an extension of the contract term is effected prior to the current, contract expiration date by means of 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 payment 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 Two Million Seven Hundred Thousand Dollars ($2,700,000.00). 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.

C.2. Compensation Firm. The payment 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 payment rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1.

a. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.

b. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

Service Description	Amount (per compensable increment)
Actuarial Services	$ 250.00 per Hour
Certified Public Accountant	$ 150.00 per Hour

C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.

C.5. Invoice Requirements. The Contractor shall invoice the State only for completed increments of service and for the amount stipulated in Section C.3, above, and as required below prior to any payment.

a. The Contractor shall submit invoices no more often than monthly, with all necessary supporting documentation, to:

Bureau of TennCare
310 Great Circle Road
Nashville, Tennessee 37243

b. The Contractor agrees that each invoice submitted shall clearly and accurately (all calculations must be extended and totaled correctly) detail the following required information.

(1) Invoice/Reference Number (assigned by the Contractor);
(2) Invoice Date;
(3) Invoice Period (period to which all invoiced charges are applicable);
(4) Contract Number (assigned by the State to this Contract);
(5) Account Name: Department of Finance and Administration, Bureau of TennCare
(6) Account/Customer Number (uniquely assigned by the Contractor to the above-referenced Account Name);
(7) Contractor Name;
(8) Contractor Federal Employer Identification Number or Social Security Number (as referenced in this Contract);
(9) Contractor Contact (name, phone, and/or fax for the individual to contact with billing questions);
(10) Contractor Remittance Address;
(11) Complete Itemization of Charges, which shall detail the following:

i. Service or Milestone Description (including name /title as applicable) of each service invoiced;
ii. Number of Completed Units, Increments, Hours, or Days as applicable, of each service invoiced;
iii. Applicable Payment Rate (as stipulated in Section C.3.) of each service invoiced;
iv. Amount Due by Service; and
v. Total Amount Due for the invoice period.

c. The Contractor understands and agrees that an invoice to the State under this Contract shall:

(1) include only charges for service described in Contract Section A and in accordance with payment terms and conditions set forth in Contract Section C;
(2) not include any future work but will only be submitted for completed service; and
(3) not include sales tax or shipping charges.

d. The Contractor agrees that timeframe for payment (and any discounts) begins when the State is in receipt of each invoice meeting the minimum requirements above.

e. The Contractor shall complete and sign a "Substitute W-9 Form" provided to the Contractor by the State. The taxpayer identification number contained in the Substitute W-9 submitted to the State shall agree to the Federal Employer Identification Number or Social Security Number referenced in this Contract for the Contractor. The Contractor shall not invoice the State for services until the State has received this completed form.

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 State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least sixty (60) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

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 terminate the Contract and withhold payments in excess of fair compensation for completed services.

a. The State will provide notification of termination for cause in writing. This notice will: (1) specify in reasonable detail the nature of the breach; (2) provide the Contractor with an opportunity to cure, which must be requested in writing no less than 10 days from the date of the Termination Notice; and (3) shall specify the effective date of termination in the event the Contractor fails to correct the breach. The Contractor must present the State with a written request detailing the efforts it will take to resolve the problem and the time period for such resolution. This opportunity to "cure" shall not apply to circumstances in which the Contractor intentionally withholds its services or otherwise refuses to perform. The State will not consider a request to cure contract performance where there have been repeated problems with respect to identical or similar issues, or if a cure period would cause a delay that would impair the effectiveness of State operations. In circumstances where an opportunity to cure is not available, termination will be effective immediately.

b. Notwithstanding the foregoing, 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 below pertaining to "Conflicts of Interest," "Nondiscrimination," and "Records" (as identified by the section headings). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

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

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

D.8. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

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

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

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

d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration

to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.

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

D.9. Records. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

D.10. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.

D.11. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.

D.12. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.

D.13. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

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

D.14. State Liability. The State shall have no liability except as specifically provided in this Contract.

D.15. Force Majeure. The obligations of the parties to this Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, natural disasters, riots, wars, epidemics, or any other similar cause.

D.16. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.

D.17. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.

D.18. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.

D.19. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.

D.20. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

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

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by 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:
Deputy Commissioner
Department of Finance and Administration
Bureau of TennCare
310 Great Circle Road
Nashville TN 37243
(615) 507-6443 (Phone)
(615) 741-0882 (FAX)

The Contractor:
Kenneth C. Vieira
AON Consulting, Inc.
One Piedmont Center
3565 Piedmont Road, NE, Suite 600
Atlanta, GA 30305
(404) 240-6148 Phone
(404) 240-6146 fax
ken_vieira@aon.com

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

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. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in *Tennessee Code Annotated*, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to *Tennessee Code Annotated*, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.

E.5. 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.

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

a. The Contract document and its attachments

b. All Clarifications and addenda made to the Contractor's Proposal

c. The Request for Proposal and its associated amendments

d. Technical Specifications provided to the Contractor

e. The Contractor's Proposal

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

E.9. Workpapers Subject to Review. The Contractor shall make all audit, accounting, or financial analysis workpapers, notes, and other documentation available for review by the Comptroller of the Treasury or his representatives, upon request, during normal working hours either while the analysis is in progress or subsequent to the completion of this Contract.

E.10. Prohibited Advertising. The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed. It is expressly understood and agreed that the obligations set forth in this section shall survive the termination of this Contract in perpetuity.

E.11. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:

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

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

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

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into and is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, *U.S. Code*.

E.12. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it, its current and future principals, its current and future subcontractors and their 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 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.

The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances, its principals or the principals of its subcontractors are excluded or disqualified.

E.13. Contractor Commitment to Diversity. The Contractor shall comply with and make reasonable business efforts to exceed the commitment to diversity represented by the Contractor's proposal responding to RFP-31865-00308 (Attachment 6.2) and resulting in this Contract.

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

E.14. State Ownership of Work Products. The State shall have ownership, right, title, and interest, including ownership of copyright, in all work products, including computer source code, created, designed, developed, derived, documented, installed, or delivered under this Contract subject to the next subsection and full and final payment for each "Work Product." The State shall have royalty-free and unlimited rights and license to use, disclose, reproduce, publish, distribute, modify, maintain, or create derivative works from, for any purpose whatsoever, all said Work Products.

a. To the extent that the Contractor uses any of its pre-existing, proprietary or independently developed tools, materials or information ("Contractor Materials"), the Contractor shall retain all right, title and interest in and to such Contractor Materials, and the State shall acquire no right, title or interest in or to such Contractor Materials EXCEPT the Contractor grants to the State an unlimited, non-transferable license to use, copy and distribute internally, solely for the State's internal purposes, any Contractor Materials reasonably associated with any Work Product provided under the Contract.

b. The Contractor shall furnish such information and data as the State may request, including but not limited to computer code, that is applicable, essential, fundamental, or intrinsic to any Work Product and Contractor Materials reasonably associated with any Work Product, in accordance with this Contract and applicable state law.

c. Nothing in this Contract shall prohibit the Contractor's use for its own purposes of the general knowledge, skills, experience, ideas, concepts, know-how, and techniques obtained and used during the course of providing the services requested under this Contract.

d. Nothing in the Contract shall prohibit the Contractor from developing for itself, or for others, materials which are similar to and/or competitive with those that are produced under this Contract.

E.15. Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

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

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

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

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

(2) Liquidated Damages— In the event of a Breach, the State may assess Liquidated Damages. The State shall notify the Contractor of amounts to be assessed as Liquidated Damages. The parties agree that due to the complicated nature of the Contractor's obligations under this Contract it would be difficult to specifically designate a monetary amount for a Breach by Contractor as said amounts are likely to be uncertain and not easily proven. Contractor hereby represents and covenants it has carefully reviewed the Liquidated Damages contained in Attachment B and Section E.17 below, and agree that said amounts represent a reasonable relationship between the amount and what might reasonably be expected in the event of Breach, and are a reasonable estimate of the damages that would occur from a Breach. It is hereby agreed between the parties that the Liquidated Damages represent solely the damages and injuries sustained by the State in losing the benefit of the bargain with Contractor and do not include any injury or damage sustained by a third party. The Contractor agrees that the liquidated damage amount is in addition to any amounts Contractor may owe the State pursuant to the indemnity provision or other section of this Contract.

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

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

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

The State may assess Liquidated Damages against the Contractor for any failure to perform which ultimately results in a Partial Default with said Liquidated Damages to cease when said Partial Default is effective. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken.

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

b. State Breach— In the event of a Breach of Contract by the State, the Contractor shall notify the State in writing within 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.16. Offer of Gratuities. By signing this contract, the Contractor signifies that no member of or a delegate of Congress, nor any elected or appointed official or employee of the State of Tennessee, the federal General Accounting Office, federal Department of Health and Human Services, the Center for Medicare and Medicaid Services, or any other state or federal agency has or will benefit financially or materially from this Contract. This Contract may be terminated by TennCare as provided in Section D.4, if it is determined that gratuities of any kind were offered to or received by any of the aforementioned officials or employees from the Contractor, its agent, or employees.

E.17. Liquidated Damages. The State may choose to assess Liquidated Damages in the amount of $100 for each instance in which the Contractor fails to properly perform its obligations as defined under this Contract in an appropriate and/or timely manner. Upon determination that the Contractor has failed to perform one (1) or more of the services described in Section A of this Contract in an appropriate and/or timely manner as requested by TennCare, the State will notify the Contractor in writing of the deficiency. The Contractor must work to immediately correct such deficiency. The Contractor shall have ten (10) business days from the date of notification to provide proof that such deficiency has been fully resolved to the satisfaction of the State. The Deputy Commissioner of TennCare shall determine when a deficiency has been satisfactorily cured. Resolution of the identified deficiency within ten (10) business days does not preclude the

State from assessing the above described one-time penalty of $100 for each instance of such deficiency. Should the deficiency remain more than ten (10) business days after notification by the State, the State may impose additional Liquidated Damages of $100 per calendar day for each day that the deficiency remains unresolved and/or satisfactory documentation thereof is not provided to the State. Such Liquidated Damages may, at the option of the State, be retroactive to the date of notice of deficiency. Liquidated Damages will be deducted from the monthly payments to the Contractor.

IN WITNESS WHEREOF,

AON CONSULTING, INC:

3/27/10

CONTRACTOR SIGNATURE **DATE**

Kenneth C. Vieira, Senior Vice President

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE:

3/28/10

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

ATTACHMENT A

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	
CONTRACTOR LEGAL ENTITY NAME:	AON Consulting, Inc.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	222232264

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

CONTRACTOR SIGNATURE

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

Kenneth C. Vieira, Senior Vice President

PRINTED NAME AND TITLE OF SIGNATORY

3/27/10

DATE OF ATTESTATION

ATTACHMENT B

ASSESSMENT OF LIQUIDATED DAMAGES

	PROGRAM ISSUES	LIQUIDATED DAMAGES
1.	Failure to provide actuarial and consultative services as requested by TennCare and within timeline agreed upon in writing by both TennCare and Contractor. (A.5)	$100.00 per each occurrence
2.	Failure to provide draft rate development report including per capita costs to the State for TennCare Medicaid and TennCare Standard due by May 30 each Fiscal Year of contract. (A.8.s)	$100 per occurrence. If not submitted within 10 days of due date, $100 for each additional day report is delinquent.
3.	Failure to annually perform a health plan risk assessment based on health status information derived from encounter data submitted by the MCOs serving each grand region through the most recent twelve (12) month period (A.11). Due date to be determined by TennCare and agreed upon in writing by both TennCare and the Contractor.	$100 per occurrence. If not submitted within 10 days of due date, $100 for each additional day assessment is delinquent.
4.	Failure to complete independent audit of Disproportionate Share Hospital (DSH) payments. (A.12) Due date to be determined by TennCare and agreed upon in writing by both TennCare and the Contractor.	$100 per occurrence. If not submitted within 10 days of due date, $100 for each additional day assessment is delinquent.

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
Brian Kelsey, Ken Yager
Eric Stewart
Randy McNally, *ex officio*
Lt. Governor Ron Ramsey, *ex officio*

Rep. Curtis Johnson, Vice-Chairman
Representatives
Tommie Brown, David Shepard
Jim Coley, Tony Shipley
Charles Curtiss, Curry Todd
Johnny Shaw, Mark White
Charles Sargent, *ex officio*
Speaker Beth Harwell, *ex officio*

MEMORANDUM

TO: Jessica Robertson, Chief Procurement Officer
Department of General Services

FROM: Senator Bill Ketron, Chairman BK
Representative Curtis Johnson, Vice-Chairman CJ

DATE: August 28, 2012

SUBJECT: **Contract Comments**
(Fiscal Review Committee Meeting 8/27/12)

RFS# 318.65-00308 (Edison # 19687)
Department: Finance & Administration
Division: Health Care Finance & Administration/Bureau of TennCare
Vendor: AON Consulting, Inc.
Summary: The vendor is responsible for actuarial and rate setting services relevant to Managed Care Organization participants in the TennCare program as well as federally required independent audits of Disproportionate Share Hospital payments. The proposed amendment increases the maximum liability by $800,000.
Current maximum liability: $2,700,000
Proposed maximum liability: $3,500,000

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

cc: The Honorable Darin Gordon, Deputy Commissioner

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF HEALTH CARE FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

June 29, 2012

Lucian Geise, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: AON Consulting, Inc., Amendment #1
Public Partnerships, LLC, Amendment #1
Public Consulting Group, Inc., Amendment #3
Health Management Associates, Inc., Amendment #2
Gorman Actuarial, LLC, Amendment #2

Dear Mr. Geise:

The Department of Finance and Administration, Division of Health Care Finance and Administration, is submitting for consideration by the Fiscal Review Committee amendment #2 to Gorman Actuarial, LLC, amendment #3 to Public Consulting Group, Inc., and amendment #2 to Health Management Associates, Inc., all of which are competitively procured contracts for actuarial and benefit consulting services for the Health Insurance Exchange. Because of the continuing policy changes at the federal level and the magnitude of the market impacts in Tennessee, the State sought additional planning federal funds which were awarded in November, 2011 and February, 2012. The purpose of these amendments is to provide additional funding for consulting services regarding health insurance exchanges and for making evidence-based recommendations to the State. The State indicated in both the RFP and resulting contract that contract funding would be increased as needed and as availability of additional federal funding dictated. These amendments are all 100% federally funded.

Additionally, we are submitting amendment #1 to the existing competitively procured contract with AON Consulting, Inc., the contract for provision of actuarial services relevant to managed care organization rate structure in the TennCare program, as well as federally required independent audits of Disproportionate Share Hospital (DSH) payments. This amendment is necessary to provide sufficient funding to cover projected expenses for the remainder of the contract period.

Finally, we are submitting amendment #1 to Public Partnerships, LLC, the competitively procured contract for financial administration and supports brokerage functions for the TennCare CHOICES program. This amendment provides required language updates relevant to the *Money Follows the Person (MFP) Rebalancing Demonstration Operational Protocol* for the state to increase the number of persons receiving Medicaid-reimbursed Home and Community Based Services (HCBS) participating in consumer direction during each year of the demonstration. Additional language is being added to the contract to include the CHOICES 3 population as eligible population for consumer direction. Sufficient funding is available in the existing contract, therefore, no additional funds are necessary.

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

Sincerely,

Casey Dungan
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton, Director of Contracts

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Casey Dungan	*Contact Phone:	507-6482
*Original Contract Number:	FA1131060	*Original RFS Number:	31865-00308
Edison Contract Number: (*if applicable*)	25010	Edison RFS Number: (*if applicable*)	31865-00308
*Original Contract Begin Date:	July 1, 2010	*Current End Date:	June 30, 2013

Current Request Amendment Number: (*if applicable*)	1
Proposed Amendment Effective Date: (*if applicable*)	September 1, 2012
*Department Submitting:	Department of Finance and Administration
*Division:	Division of Health Care Finance and Admin. Bureau of TennCare
*Date Submitted:	June 26, 2012
*Submitted Within Sixty (60) days:	Yes
If not, explain:	N/A
*Contract Vendor Name:	Aon Consulting, Inc.
*Current Maximum Liability:	$2,700,000.00

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

FY: 2011	FY: 2012	FY: 2013	FY	FY	FY
$ 900,000.00	$1,400,000.00	$400,000.00	$	$	$

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

FY: 2011	FY: 2012	FY: 2013	FY	FY	FY
$837,670.00	$1,102,292.50	$	$	$	$

IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	N/A
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	This contract payment methodology is based on hourly rates as submitted in competitive Cost Proposal. The maximum liability is calculated by FY to include the projected expenditures based on need for contractor's services and programmatic need within the Bureau of TennCare. Any unused funds for a Fiscal Year roll forward for availability throughout the term of the contract.
IF Contract Expenditures exceeded	

Supplemental Documentation Required for Fiscal Review Committee

Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	N/A			
*Contract Funding Source/Amount:	State:	$1,350,000.00	Federal:	$1,350,000.00
Interdepartmental:			*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*)			
N/A				
Method of Original Award: (*if applicable*)	Request for Proposal			
*What were the projected costs of the service for the entire term of the contract prior to contract award?	The costs associated with this contract were predicated on the cost proposals submitted in response to the RFP and the ultimate need for contractor services based on competitively procured rates. These cost proposal documents are public information and available upon request.			

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.

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

a. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.

b. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

Service Description	Amount (per compensable increment)
Actuarial Services	$ 250.00 per Hour
Certified Public Accountant	$ 150.00 per Hour

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.

Amendment #1 to AON Consulting, Inc., the competitively procured contract for the provision of TennCare actuarial and rate setting services relevant to Managed Care Organizations participants in the TennCare program as well as federally mandated DSH audits, does not reflect proposed savings to be realized by the state. It does provide services that were competitively procured and are reimbursed at a 50% federal match.

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.

Supplemental Documentation Required for Fiscal Review Committee

The state released a Request for Proposal to identify a contractor to provide a actuarial services relevant to the TennCare program. An RFP was released by TennCare and AON Consulting, Inc. was the competitive winner, achieving the highest combined score of experience, technical and cost. Since an RFP is the optimum state procurement method, no other options were explored.

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2013	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
AON Consulting, Inc.	12537

Service Caption (one line only)

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

FUNDING REVISION: Moving $500,000 from FY 2013 to FY 2012

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$700,000.00	$700,000.00			$1,400,000.00
2013	$200,000.00	$200,000.00			$400,000.00
TOTAL:	**$1,350,000.00**	**$1,350,000.00**			**$2,700,000.00**

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

Ownership/Control

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

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

Contract # **FA1131060**

Payments to
Aon Consulting, Inc.
FA1131060

Funding Year	Unit	Sum Amount	Edison Contract ID	Vendor ID	Vendor Name	Pymt Date
2011	31865	$ 40,975.00	19687	0000012537	AON Consulting	10/19/2010
2011	31865	$ 41,250.00	19687	0000012537	AON Consulting	11/4/2010
2011	31865	$ 81,375.00	19687	0000012537	AON Consulting	1/13/2011
2011	31865	$ 74,125.00	19687	0000012537	AON Consulting	1/31/2011
2011	31865	$ 80,125.00	19687	0000012537	AON Consulting	2/17/2011
2011	31865	$ 105,770.00	19687	0000012537	AON Consulting	3/23/2011
2011	31865	$ 60,009.00	19687	0000012537	AON Consulting	4/12/2011
2011	31865	$ 93,575.00	19687	0000012537	AON Consulting	5/13/2011
2011	31865	$ 81,850.00	19687	0000012537	AON Consulting	6/7/2011
2011	31865	$ 102,366.00	19687	0000012537	AON Consulting	7/7/2011
		$ 76,250.00	19687	0000012537	AON Consulting	8/9/2011

TOTAL FY 2011 $ 837,670.00

Funding Year	Unit	Sum Amount	Edison Contract ID	Vendor ID	Vendor Name	Pymt Date
2012		$ 75,025.00	19687	0000012537	AON Consulting	12/12/2011
2012		$ 47,062.50	19687	0000012537	AON Consulting	4/12/2012
2012		$ 280,325.00	19687	0000012537	AON Consulting	4/12/2012
2012		$ 94,250.00	19687	0000012537	AON Consulting	4/12/2012
2012		$ 128,997.50	19687	0000012537	AON Consulting	4/12/2012
2012		$ 78,562.50	19687	0000012537	AON Consulting	4/12/2012
2012		$ 73,500.00	19687	0000012537	AON Consulting	4/24/2012
2012		$ 207,820.00	19687	0000012537	AON Consulting	4/25/2012
2012		$ 116,750.00	19687	0000012537	AON Consulting	6/7/2012

TOTAL FY 2012 $ 1,102,292.50

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
COMMISSIONER OF FINANCE & ADMINISTRATION

Request Tracking #	31865-00308
1. Procuring Agency	Department of Finance and Administration Bureau of TennCare
2. Contractor	AON Consulting, Inc.
3. Contract #	FA1131060
4. Proposed Amendment #	1
5. Edison ID #	19687

6. Contract Begin Date	July 1, 2010
7. Current Contract End Date *– with ALL options to extend exercised*	June 30, 2013
8. Proposed Contract End Date *– with ALL options to extend exercised*	June 30, 2013
9. Current Maximum Contract Cost *– with ALL options to extend exercised*	$2,700,000.00
10. Proposed Maximum Contract Cost *– with ALL options to extend exercised*	$3,500,000.00
11. Office for Information Resources Endorsement *– information technology service (N/A to THDA)*	x Not Applicable ☐ Attached
12. eHealth Initiative Support *– health-related professional, pharmaceutical, laboratory, or imaging*	x Not Applicable ☐ Attached
13. Human Resources Support *– state employee training service*	x Not Applicable ☐ Attached

14. Explanation Need for the Proposed Amendment

This competitively procured contract with AON Consulting, Inc. is for actuarial services relevant to managed care organization rate structure in the TennCare program, as well as provision of federally required independent audits of Disproportionate Share Hospital (DSH) payments. The amendment is necessary to provide sufficient funding to cover projected expenses for the remainder of the contract period. The existing maximum liability and payment structure of this contract is based on hourly rates submitted in the competitive Cost Proposal. Federal regulations surrounding the scope of work provided by this contractor and the hours necessary to adequately complete the required work necessitates an increase in the maximum liability to

Request Tracking #	31865-00308

insure availability of funds.

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

Greg Case, President and CEO
AON Consulting, Inc.
200 East Randolph St.
Chicago, IL 60601 USA

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

AON Consulting, Inc. is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing, with more than 62,000 colleagues worldwide, AON delivers client value via innovative and effective risk management and workforce productivity solutions. In addition, it provides specialized services, such as actuarial and financial consulting, and employee and compensation survey. They have global resources, technical expertise and industry knowledge that is delivered locally through more than 500 offices in more than 120 countries. AON was ranked by A.M. Best as the No. 1 global insurance brokerage in 2009, based on brokerage revenues, and voted best insurance intermediary, best reinsurance intermediary and best captives manager in 2010 by the readers of *Business Insurance*. AON has in recent years had a contract to provide actuarial services relevant to Managed Care Organization participants in the TennCare program and also a contract with the Tennessee Comptroller of the Treasury. The Bureau of TennCare released a competitive Request for Proposal (RFP) in 2009 to identify independent actuarial and audit services and the AON proposal had the highest combined technical and cost proposal score.

17. Efforts to Identify Reasonable, Competitive, Procurement Alternatives

This contract resulted from a competitive process. TennCare released an RFP and identified AON as the proposer with highest combined technical and cost proposal score.

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

This competitively procured contract with AON Consulting, Inc. is for actuarial services relevant to managed care organization rate structure in the TennCare program, as well as provision of federally required independent audits of Disproportionate Share Hospital (DSH) payments. The amendment is necessary to provide sufficient funding to cover projected expenses for the remainder of the contract period. The existing maximum liability and payment structure of this contract is based on hourly rates submitted in the competitive Cost Proposal. The Bureau of TennCare requests approval of this contract amendment request.

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*

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2013	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
AON Consulting, Inc.	12537

Service Caption (one line only)

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

FUNDING REVISION: Moving $20,570 from FY 2013 to FY 2012

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$710,285.00	$710,285.00			$1,420,570.00
2013	$589,715.00	$589,715.00			$1,179,430.00
TOTAL:	**$1,750,000.00**	**$1,750,000.00**			**$3,500,000.00**

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

Ownership/Control

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

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

Contract # **FA1131060-01**

CONTRACT AMENDMENT

Agency Tracking #	Edison ID	Contract #	Amendment #
31865-00308	19687	FA1131060	01

Contractor Legal Entity Name	Edison Vendor ID
Aon Consulting, Inc.	0000012537

Amendment Purpose & Effect(s)
Increases Maximum Liability for the Continued Provision of Actuarial Services

Amendment Changes Contract End Date: ☐ YES ☒ NO **End Date:** June 30, 2013

TOTAL Contract Amount INCREASE or DECREASE per this Amendment (zero if N/A): **$ 800,000.00**

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$700,000.00	$700,000.00			$1,400,000.00
2013	$600,000.00	$600,000.00			$1,200,000.00
TOTAL:	**$1,750,000.00**	**$1,750,000.00**			**$3,500,000.00**

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE

AMENDMENT #1
CONTRACT FA1131060
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
AND
AON CONSULTING, INC.

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

1. 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 Three Million Five Hundred Thousand Dollars ($3,500,000.00). The payment rates in section C.3 shall constitute the entire compensation due the Contractor for all service and Contractor 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 September 1, 2012. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

AON CONSULTING, INC.

David W. Batten — 8/30/12

SIGNATURE — **DATE**

DAVID W. BATTEN SENIOR VICE PRESIDENT

PRINTED NAME AND TITLE OF SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE:

Mark A. Emkes /CD 8/31/2012

MARK A. EMKES, COMMISSIONER DATE

FUNDING REVISION

CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date	End Date	Agency Tracking #	Edison Record ID
July 1, 2010	June 30, 2013	31865-00308	19687

Contractor Legal Entity Name	Edison Vendor ID
AON Consulting, Inc.	12537

Service Caption (one line only)

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

FUNDING REVISION: Moving $500,000 from FY 2013 to FY 2012

Subrecipient or Vendor	CFDA #
☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$700,000.00	$700,000.00			$1,400,000.00
2013	$200,000.00	$200,000.00			$400,000.00
TOTAL:	**$1,350,000.00**	**$1,350,000.00**			**$2,700,000.00**

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

Ownership/Control

☐ African American ☐ Asian ☐ Hispanic ☐ Native American ☐ Female

☐ Person w/Disability ☐ Small Business ☐ Government ☒ NOT Minority/Disadvantaged

☐ Other:

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

☒ RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
☐ Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
☐ Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
☐ Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with all interested parties or all parties in a predetermined "class."

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 Chart (optional)	Account Code (optional)
TN00000134	70803000

OCR USE - FA

Contract # **FA1131060**

CONTRACT

(FA-type fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Agency Tracking #	Edison ID
31865-00308	19687

Contractor	Contractor Federal Employer Identification or Social Security #
AON Consulting, Inc.	☐ C- or ☒ V- 222232264

Service

Actuarial Services Relevant to Managed Care Organization Participants in the TennCare Program

Contract Begin Date	Contract End Date	Subrecipient or Vendor	CFDA #(s)
July 1, 2010	June 30, 2013	☐ Subrecipient ☒ Vendor	93.778 Dept of Health & Human Services/Title XIX

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2011	$450,000.00	$450,000.00			$900,000.00
2012	$450,000.00	$450,000.00			$900,000.00
2013	$450,000.00	$450,000.00			$900,000.00
TOTAL:	$1,350,000.00	$1,350,000.00			$2,700,000.00

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

OCR USE
FA

F&A Secured Document

FA1131060

Agency Contact & Telephone #
Alma Chilton
615-507-6384

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
TN00000134	70803000

Contractor Ownership/Control

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

Contractor Selection Method

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

***Procurement Process Summary**

CONTRACT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION,
BUREAU OF TENNCARE
AND
AON CONSULTING, INC.

This Contract, by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the "State" or "TennCare" and AON Consulting, Inc., hereinafter referred to as the "Contractor," is for the provision of actuarial services relevant to managed care organization participants in the TennCare Program, as further defined in the "SCOPE OF SERVICES."

The Contractor is a for profit corporation.
Contractor Federal Employer Identification or Social Security Number: 222232264
Contractor Place of Incorporation or Organization: Atlanta, Georgia

A. SCOPE OF SERVICES:

A.1. The Contractor shall provide all service and deliverables as required, described, and detailed by this Scope of Services and shall meet all service and delivery timelines specified in the Scope of Services section or elsewhere in this Contract.

A.2. The Contractor shall develop per capita costs on an actuarially sound basis to be used for compensating Managed Care Organization (MCO) participants in the TennCare Program. The Contractor's study shall include the State's assessment of the rates paid to its contracted managed care organizations each year. Included in the data analysis will be a review of payments for hospital providers for similar services for comparable populations in other state Medicaid programs. The review will be considered in determining reasonable payment rates for hospital providers, including safety net hospitals providing essential and unduplicated services and sole community provider hospitals.

A.3. The Contractor shall ensure that all services are either performed or supervised and certified by a full qualified actuary (associate of the Society of Actuaries (ASA) and member of the American Academy of Actuaries (MAAA) in accordance with all applicable laws, regulations and standards of practice.

A.4. For each fiscal year of the contract, the Contractor shall produce a written report for the State Comptroller of the Treasury, including an analysis of actual provider costs. This analysis will be used to determine reasonable costs, and will compare these costs with the provider cost assumptions used in the study. Information used to compile this study shall be public information.

A.5. The Contractor shall provide actuarial and consultative services as requested by TennCare, including but not limited to:

a. Make recommendations regarding the distribution of an actuarially based capitation rate for MCOs. The review will include the assessment of the impact of regional variations and special risk factors;

b. Develop appropriate utilization targets for MCOs based on review of TennCare data encounter and enrollment information;

c. Provide recommendations to TennCare regarding implementing any changes to the capitation rates and assist in determining the impact of any new TennCare program design on capitation rate structure and funding levels including new risk arrangements with plans;

d. Provide TennCare utilization and actuarial information to prospective MCOs as requested by TennCare, and

e. Provide assistance to TennCare in analyzing spending trends including those of the MCOs as well as other aspects of the TennCare Program including pharmacy and long term care.

A.6. The Contractor shall assist TennCare in the analysis of encounter data to identify areas for increased review and/or correction.

A.7. The Contractor shall provide assistance in reviewing and modeling data from both TennCare's encounter information and other sources to facilitate policy formulation on potential changes in the TennCare Program.

A.8. The Contractor shall complete the following summary of major tasks in the process applicable to managed care cost development:

a. Conduct a kickoff meeting with staff and deliver a data request to begin the process;

b. Build Income Data File; Income data that is captured within TennCare Eligibility Data that which is transferred to the contractor. In the event, that the State has a need to assess co pays or premiums based on income level of current enrollment, the Contractor would need this information to calculate the estimated impact on capitation rates

c. Obtain and summarize encounter data by rate categories, match to enrollee income data, current TennCare program structure and impact of delivery system changes;

d. Determine trend rates by service category and analyze actual versus expected trend rates;

e. Meet with State to discuss identified data issues and explore alternatives;

f. Identify external comparative sources of information on trend rates and develop recommendations;

g. Calculate and apply Incurred but Not Reported (IBNR) factors by service category;

h. Identify and calculate effect of benefit plan changes for TennCare Standard and other reports as requested by TennCare;

i. Determine cost per unit by the following service categories:

(i) Inpatient

(ii) Outpatient

(iii) Professional

(iv) Home Health

(v) Nursing Home

(vi) Home and Community Based Services (HCBS)

(vii) Durable Medical Equipment (DME)

j. Obtain detailed eligibility and Severely and Persistently Mentally Ill (SPMI) history data and,

(i) Match to enrollee income data

(ii) Identify possible transfers to new eligibility categories

(iii) Match eligibility and history files

(iv) Create member months under current TennCare program structure and potential changes

k. Verify data

l. Meet with State to discuss identified data issues and explore alternatives;

m. Determine trend rates by service category;

m. Identify external sources of information on trend rates and develop recommendations;

o. Identify and calculate effect of benefit plan changes for TennCare Standard and other;

p. Ascertain and provide to the State rate comparisons of other Medicaid programs;

q. Calculate per capita costs by rate cell;

r. Present draft per capita costs to the State including TennCare Medicaid and TennCare Standard and prepare draft rate development report for each fiscal year of this contract due to TennCare by May 30; modify relevant components of the state Comptroller's report as determined by agreements between Contractor and TennCare; and meet with relevant parties to discuss draft report and prepare final report;

A.9. The Contractor shall calculate rate cells for inclusion in the managed care rate structure relative to the Long Term Care Choices Act of 2008. This Act provides for the integration of nursing home into the existing at-risk capitated managed care structure.

A.10. The Contractor shall annually provide for appropriate TennCare staff a one (1) day trending information update regarding current health care provider trends.

A.11 The Contractor shall annually perform a health plan risk assessment based upon health status information derived from encounter data submitted by MCOs serving each Grand Region through the most recent twelve (12) month period. If the health plan risk assessment score for any MCO deviates from the profile for the Grand Region being served by that MCO by more than three percent (3%), whether a negative or positive change in scores, the Contractor shall adjust base capitation rates proportionately prior to submission to TennCare.

A.12. The Contractor shall provide the services of a Certified Public Accountant to perform an independent audit of Disproportionate Share Hospital (DSH) payments to verify the computation of the DSH limit and the DSH payments to hospitals. The required items in this audit are described in Title XIX of the Social Security Act, Section 1923(j)(2) which states:

2) Independent certified audit.—The State shall annually submit to the Secretary an independent certified audit that verifies each of the following:

(A) The extent to which hospitals in the State have reduced their uncompensated care costs to reflect the total amount of claimed expenditures made under this section.

(B) Payments under this section to hospitals that comply with the requirements of subsection (g).

(C) Only the uncompensated care costs of providing inpatient hospital and outpatient hospital services to individuals described in paragraph (1)(A) of such subsection are included in the calculation of the hospital-specific limits under such subsection.

(D) The State included all payments under this title, including supplemental payments, in the calculation of such hospital-specific limits.

(E) The State has separately documented and retained a record of all of its costs under this title, claimed expenditures under this title, uninsured costs in determining payment adjustments under this section, and any payments made on behalf of the uninsured from payment adjustments under this section. (see http://www.ssa.gov/OP_Home/ssact/title19/1923.htm)

A.13. All data received from the State by the Contractor, as well as data derived through calculations performed as part of this study, are considered confidential and proprietary pursuant to Tennessee Code Annotated 71-5-142, and may not be used for any other purpose without the express permission of the State. The Contractor's use of the data must conform to the rules and regulations of the Department of Finance and Administration and the Bureau of TennCare. (See http://www.state.tn.us/sos/rules/0620/0620.htm and http://www.state.tn.us/sos/rules/1200/1200-13/1200-13.htm)

A.14. All Medicaid beneficiary data including but not limited to encounter data, any individually indentifying information and protected health information, shall remain confidential. Confidential Medicaid beneficiary data shall not be accessed, used or disclosed except with the permitted uses as defined by the Health Insurance Portability Act of 1996 (HIPAA) and as amended by the American Recovery and Reinvestment Act of 2009, Public Law 111-5.

A.15. The Contractor shall provide expert testimony on TennCare actuarial and funding issues to the courts, legislators and other groups as requested by TennCare.

A.16. The work under this Contract is to be performed, completed, and managed at the Contractor's premises or at the project site, as requested by TennCare, in which case the State shall provide work-space for the Contractor.

A.17. As specified in Section C.5, the Contractor is required to submit detailed invoices accompanied by documentation supporting hourly breakouts for each project. This documentation will be reviewed and approved by TennCare staff familiar with the project requirements prior to approval for payment.

B. CONTRACT TERM:

B.1. This Contract shall be effective for the period commencing on July 1, 2010 and ending on June 30, 2013. 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 such an extension of the contract term is effected prior to the current, contract expiration date by means of 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 payment 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 Two Million Seven Hundred Thousand Dollars ($2,700,000.00). 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.

C.2. Compensation Firm. The payment 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 payment rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1.

a. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.

b. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

Service Description	Amount (per compensable increment)
Actuarial Services	$ 250.00 per Hour
Certified Public Accountant	$ 150.00 per Hour

C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.

C.5. Invoice Requirements. The Contractor shall invoice the State only for completed increments of service and for the amount stipulated in Section C.3, above, and as required below prior to any payment.

a. The Contractor shall submit invoices no more often than monthly, with all necessary supporting documentation, to:

Bureau of TennCare
310 Great Circle Road
Nashville, Tennessee 37243

b. The Contractor agrees that each invoice submitted shall clearly and accurately (all calculations must be extended and totaled correctly) detail the following required information.

(1) Invoice/Reference Number (assigned by the Contractor);
(2) Invoice Date;
(3) Invoice Period (period to which all invoiced charges are applicable);
(4) Contract Number (assigned by the State to this Contract);
(5) Account Name: Department of Finance and Administration, Bureau of TennCare
(6) Account/Customer Number (uniquely assigned by the Contractor to the above-referenced Account Name);
(7) Contractor Name;
(8) Contractor Federal Employer Identification Number or Social Security Number (as referenced in this Contract);
(9) Contractor Contact (name, phone, and/or fax for the individual to contact with billing questions);
(10) Contractor Remittance Address;
(11) Complete Itemization of Charges, which shall detail the following:

i. Service or Milestone Description (including name /title as applicable) of each service invoiced;
ii. Number of Completed Units, Increments, Hours, or Days as applicable, of each service invoiced;
iii. Applicable Payment Rate (as stipulated in Section C.3.) of each service invoiced;
iv. Amount Due by Service; and
v. Total Amount Due for the invoice period.

c. The Contractor understands and agrees that an invoice to the State under this Contract shall:

(1) include only charges for service described in Contract Section A and in accordance with payment terms and conditions set forth in Contract Section C;
(2) not include any future work but will only be submitted for completed service; and
(3) not include sales tax or shipping charges.

d. The Contractor agrees that timeframe for payment (and any discounts) begins when the State is in receipt of each invoice meeting the minimum requirements above.

e. The Contractor shall complete and sign a "Substitute W-9 Form" provided to the Contractor by the State. The taxpayer identification number contained in the Substitute W-9 submitted to the State shall agree to the Federal Employer Identification Number or Social Security Number referenced in this Contract for the Contractor. The Contractor shall not invoice the State for services until the State has received this completed form.

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 State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least sixty (60) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

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 terminate the Contract and withhold payments in excess of fair compensation for completed services.

a. The State will provide notification of termination for cause in writing. This notice will: (1) specify in reasonable detail the nature of the breach; (2) provide the Contractor with an opportunity to cure, which must be requested in writing no less than 10 days from the date of the Termination Notice; and (3) shall specify the effective date of termination in the event the Contractor fails to correct the breach. The Contractor must present the State with a written request detailing the efforts it will take to resolve the problem and the time period for such resolution. This opportunity to "cure" shall not apply to circumstances in which the Contractor intentionally withholds its services or otherwise refuses to perform. The State will not consider a request to cure contract performance where there have been repeated problems with respect to identical or similar issues, or if a cure period would cause a delay that would impair the effectiveness of State operations. In circumstances where an opportunity to cure is not available, termination will be effective immediately.

b. Notwithstanding the foregoing, 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 below pertaining to "Conflicts of Interest," "Nondiscrimination," and "Records" (as identified by the section headings). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

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

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

D.8. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

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

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

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

d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration

to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.

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

D.9. Records. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

D.10. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.

D.11. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.

D.12. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.

D.13. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

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

D.14. State Liability. The State shall have no liability except as specifically provided in this Contract.

D.15. Force Majeure. The obligations of the parties to this Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, natural disasters, riots, wars, epidemics, or any other similar cause.

D.16. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.

D.17. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.

D.18. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.

D.19. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.

D.20. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

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

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by 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:
Deputy Commissioner
Department of Finance and Administration
Bureau of TennCare
310 Great Circle Road
Nashville TN 37243
(615) 507-6443 (Phone)
(615) 741-0882 (FAX)

The Contractor:
Kenneth C. Vieira
AON Consulting, Inc.
One Piedmont Center
3565 Piedmont Road, NE, Suite 600
Atlanta, GA 30305
(404) 240-6148 Phone
(404) 240-6146 fax
ken_vieira@aon.com

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

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. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in *Tennessee Code Annotated*, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to *Tennessee Code Annotated*, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.

E.5. 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.

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

a. The Contract document and its attachments

b. All Clarifications and addenda made to the Contractor's Proposal

c. The Request for Proposal and its associated amendments

d. Technical Specifications provided to the Contractor

e. The Contractor's Proposal

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

E.9. Workpapers Subject to Review. The Contractor shall make all audit, accounting, or financial analysis workpapers, notes, and other documentation available for review by the Comptroller of the Treasury or his representatives, upon request, during normal working hours either while the analysis is in progress or subsequent to the completion of this Contract.

E.10. Prohibited Advertising. The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed. It is expressly understood and agreed that the obligations set forth in this section shall survive the termination of this Contract in perpetuity.

E.11. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:

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

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

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

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into and is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, *U.S. Code*.

E.12. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it, its current and future principals, its current and future subcontractors and their 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 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.

The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances, its principals or the principals of its subcontractors are excluded or disqualified.

E.13. Contractor Commitment to Diversity. The Contractor shall comply with and make reasonable business efforts to exceed the commitment to diversity represented by the Contractor's proposal responding to RFP-31865-00308 (Attachment 6.2) and resulting in this Contract.

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

E.14. State Ownership of Work Products. The State shall have ownership, right, title, and interest, including ownership of copyright, in all work products, including computer source code, created, designed, developed, derived, documented, installed, or delivered under this Contract subject to the next subsection and full and final payment for each "Work Product." The State shall have royalty-free and unlimited rights and license to use, disclose, reproduce, publish, distribute, modify, maintain, or create derivative works from, for any purpose whatsoever, all said Work Products.

a. To the extent that the Contractor uses any of its pre-existing, proprietary or independently developed tools, materials or information ("Contractor Materials"), the Contractor shall retain all right, title and interest in and to such Contractor Materials, and the State shall acquire no right, title or interest in or to such Contractor Materials EXCEPT the Contractor grants to the State an unlimited, non-transferable license to use, copy and distribute internally, solely for the State's internal purposes, any Contractor Materials reasonably associated with any Work Product provided under the Contract.

b. The Contractor shall furnish such information and data as the State may request, including but not limited to computer code, that is applicable, essential, fundamental, or intrinsic to any Work Product and Contractor Materials reasonably associated with any Work Product, in accordance with this Contract and applicable state law.

c. Nothing in this Contract shall prohibit the Contractor's use for its own purposes of the general knowledge, skills, experience, ideas, concepts, know-how, and techniques obtained and used during the course of providing the services requested under this Contract.

d. Nothing in the Contract shall prohibit the Contractor from developing for itself, or for others, materials which are similar to and/or competitive with those that are produced under this Contract.

E.15. Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

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

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

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

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

(2) Liquidated Damages— In the event of a Breach, the State may assess Liquidated Damages. The State shall notify the Contractor of amounts to be assessed as Liquidated Damages. The parties agree that due to the complicated nature of the Contractor's obligations under this Contract it would be difficult to specifically designate a monetary amount for a Breach by Contractor as said amounts are likely to be uncertain and not easily proven. Contractor hereby represents and covenants it has carefully reviewed the Liquidated Damages contained in Attachment B and Section E.17 below, and agree that said amounts represent a reasonable relationship between the amount and what might reasonably be expected in the event of Breach, and are a reasonable estimate of the damages that would occur from a Breach. It is hereby agreed between the parties that the Liquidated Damages represent solely the damages and injuries sustained by the State in losing the benefit of the bargain with Contractor and do not include any injury or damage sustained by a third party. The Contractor agrees that the liquidated damage amount is in addition to any amounts Contractor may owe the State pursuant to the indemnity provision or other section of this Contract.

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

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

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

The State may assess Liquidated Damages against the Contractor for any failure to perform which ultimately results in a Partial Default with said Liquidated Damages to cease when said Partial Default is effective. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken.

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

b. State Breach— In the event of a Breach of Contract by the State, the Contractor shall notify the State in writing within 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.16. Offer of Gratuities. By signing this contract, the Contractor signifies that no member of or a delegate of Congress, nor any elected or appointed official or employee of the State of Tennessee, the federal General Accounting Office, federal Department of Health and Human Services, the Center for Medicare and Medicaid Services, or any other state or federal agency has or will benefit financially or materially from this Contract. This Contract may be terminated by TennCare as provided in Section D.4, if it is determined that gratuities of any kind were offered to or received by any of the aforementioned officials or employees from the Contractor, its agent, or employees.

E.17. Liquidated Damages. The State may choose to assess Liquidated Damages in the amount of $100 for each instance in which the Contractor fails to properly perform its obligations as defined under this Contract in an appropriate and/or timely manner. Upon determination that the Contractor has failed to perform one (1) or more of the services described in Section A of this Contract in an appropriate and/or timely manner as requested by TennCare, the State will notify the Contractor in writing of the deficiency. The Contractor must work to immediately correct such deficiency. The Contractor shall have ten (10) business days from the date of notification to provide proof that such deficiency has been fully resolved to the satisfaction of the State. The Deputy Commissioner of TennCare shall determine when a deficiency has been satisfactorily cured. Resolution of the identified deficiency within ten (10) business days does not preclude the

State from assessing the above described one-time penalty of $100 for each instance of such deficiency. Should the deficiency remain more than ten (10) business days after notification by the State, the State may impose additional Liquidated Damages of $100 per calendar day for each day that the deficiency remains unresolved and/or satisfactory documentation thereof is not provided to the State. Such Liquidated Damages may, at the option of the State, be retroactive to the date of notice of deficiency. Liquidated Damages will be deducted from the monthly payments to the Contractor.

IN WITNESS WHEREOF,

AON CONSULTING, INC:

3/27/10

CONTRACTOR SIGNATURE **DATE**

Kenneth C. Vieira, Senior Vice President

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE:

3/28/10

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

ATTACHMENT A

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	
CONTRACTOR LEGAL ENTITY NAME:	AON Consulting, Inc.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	222232264

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

CONTRACTOR SIGNATURE

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

Kenneth C. Vieira, Senior Vice President

PRINTED NAME AND TITLE OF SIGNATORY

3/27/10

DATE OF ATTESTATION

ATTACHMENT B

ASSESSMENT OF LIQUIDATED DAMAGES

	PROGRAM ISSUES	LIQUIDATED DAMAGES
1.	Failure to provide actuarial and consultative services as requested by TennCare and within timeline agreed upon in writing by both TennCare and Contractor. (A.5)	$100.00 per each occurrence
2.	Failure to provide draft rate development report including per capita costs to the State for TennCare Medicaid and TennCare Standard due by May 30 each Fiscal Year of contract. (A.8.s)	$100 per occurrence. If not submitted within 10 days of due date, $100 for each additional day report is delinquent.
3.	Failure to annually perform a health plan risk assessment based on health status information derived from encounter data submitted by the MCOs serving each grand region through the most recent twelve (12) month period (A.11). Due date to be determined by TennCare and agreed upon in writing by both TennCare and the Contractor.	$100 per occurrence. If not submitted within 10 days of due date, $100 for each additional day assessment is delinquent.
4.	Failure to complete independent audit of Disproportionate Share Hospital (DSH) payments. (A.12) Due date to be determined by TennCare and agreed upon in writing by both TennCare and the Contractor.	$100 per occurrence. If not submitted within 10 days of due date, $100 for each additional day assessment is delinquent.