CONTRACT #5
RFS # 317.86-027

Department of Finance & Administration

Insurance Administration

VENDOR:
United HealthCare Services Co. of the River Valley, Inc. (formerly John Deere Healthcare, Inc.)

Chattanooga Area

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION
312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Richard Chapman

Date: August 9, 2007

RE: Amendment for UnitedHealthcare Services Co. of the River Valley, Inc. Chattanooga

Please find attached a Non-Competitive Amendment request to add language to the existing contract with UnitedHealthcare Services Co. of the River Valley, Inc. signed by Commissioner Goetz. The amendment to this contract provides for the extension of the term through December 31, 2008 and continuation at the current rate of compensation. Under the risk sharing arrangement, the guaranteed trend factor will be revised to 15% for calendar year 2008. For the first three years of the contract the guaranteed trend factor was equal to 30% for each year. The option to extend the contract for up to an additional two years was included in the original contract.

Additionally, the amendment adds responsibilities for the Contractor regarding data interface with the Edison project. The amendment also updates the name of the company reflecting the acquisition of John Deere Health, Inc. by UnitedHealthcare Services Co. of the River Valley, Inc.

The base contract and amendment # 1 are included as is a draft of amendment # 2 for your review.

Thank you for your consideration of this request.

RECEIVED
AUG 10 2007
FISCAL REVIEW

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED
Commissioner of Finance & Administration Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.	
1) RFS #	317.86-027
2) State Agency Name :	Finance and Administration
EXISTING CONTRACT INFORMATON	
3) Service Caption :	Self insured Health Maintenance Organization (HMO) administrative services in the Chattanooga area.
4) Contractor :	John Deere Health, Inc. name change to UnitedHealthcare Services Co. of the River Valley, Inc.
5) Contract #	FA-05-16227-00
6) Contract Start Date :	January 1, 2005
7) Current Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2007
8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$5,000,000
PROPOSED AMENDMENT INFORMATON	
9) Proposed Amendment #	# 2
10) Proposed Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	November 1, 2007
11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised :	December 31, 2009
12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised :	$7,700,000
13) Approval Criteria : (select one)	☒ use of Non-Competitive Negotiation is in the best interest of the state
	☐ only one uniquely qualified service provider able to provide the service
14) Description of the Proposed Amendment Effects & Any Additional Service :	
Extends the contract term for an additional year at the current premium rates, revises the risk sharing arrangement, updates the Contractor's name and adds additional responsibilities for the Contractor regarding data interface with the Edision project.	
15) Explanation of Need for the Proposed Amendment :	

The option to extend the term was included in the original contract and the Contractor has agreed to maintain premiums in the amount in effect during calendar year 2007 for calender year 2008. The Edision interface must be implemented by January 1, 2008.

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

UnitedHealthcare Services Co. of the River Valley, Inc., 408 North Cedar Bluff Rd., Suite 400, Knoxville, TN, 37923

17) Documentation of Office for Information Resources Endorsement :
(required only if the subject service involves information technology)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :
(required only if the subject service involves training for state employees)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

19) Documentation of State Architect Endorsement :
(required only if the subject service involves construction or real property related services)

select one:	☒ Documentation Not Applicable to this Request	☐ Documentation Attached to this Request

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

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

21) Justification for the Proposed Non-Competitive Amendment :

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

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

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

AMENDMENT TWO
TO CONTRACT NUMBER FA-06-16227-00

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

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

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

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

   C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Six Million Three Hundred Thousand Dollars, ($6,300,000). The Per Member Per Month (PMPM) Administrative Fees 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. PMPM Administrative Fees include, but are not limited to, all applicable taxes, fees, overheads, profit, and all other direct and indirect costs incurred or to be incurred by the Contractor.

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

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

   C.3. Payment Methodology. The Contractor shall be compensated based on the PMPM Administrative Fees herein for service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The State shall compensate the Contractor monthly for the services outlined in this contract, at the PMPM rates indicated in the following table, based upon the number of members certified by the State to the Contractor. Monthly payments will be made for each month extending from and including January 2005 to December 2008.

PMPM Administrative Fee

	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008
State Plan	$13.00	$13.00	$13.00	$13.00
Local Education Plan	$13.00	$13.00	$13.00	$13.00
Local Government Plan	$13.00	$13.00	$13.00	$13.00

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

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

C.4.1. Target Claims Cost: The Contractor agrees to the Target Claims/Trend Cost contained in this Contract. Calculation of the Target Claims Cost, for use in determining Risk Sharing Percentages (Section C.4.3 below), will be as follows:

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

Year	Claims, by plan	**For claims incurred during...**	**And paid during...**
2005	State, Local Education, and Local Government weighted HMO Cost Per Member Per Month (PMPM) claims	January 1, 2005 through December 31, 2005	January 1, 2005 through June 30, 2006
2006		January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008
2008		January 1, 2008 through December 31, 2008	January 1, 2008 through June 30, 2009

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

Contract Year	Contractor's Guaranteed Claims Trend Adjustment
2005	30%
2006	30%
2007	30%
2008	15%

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

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

The State:

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

The Contractor:

Craig Petersen, Regional Marketing Director
UnitedHealthcare Services Co. of the River Valley, Inc.
408 North Cedar Bluff Rd., Suite 400
Knoxville, TN 37923

Phone #: 865-769-1556
Fax #: 865-690-2741
Email Address: Craig_M_Petersen@uhc.com

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

6. The following provision is added as Contract Section A.8.7.:

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

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

7. The following provision is added as Contract Section E.11.:

E.11. Contractor Name. All references to "John Deere Healthcare, Inc." shall be deleted and replaced with "UnitedHealthcare Services Co. of the River Valley, Inc."

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

IN WITNESS WHEREOF:

UNITEDHEALTHCARE SERVICES CO. OF THE RIVER VALLEY, INC.:

GARLAND SCOTT, III, CEO OF THE MIDSOUTH **DATE**

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY

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

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

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

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

DATE

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY

DATE

CONTRACT SUMMARY SHEET

8-8-05

RFS #	Contract #
317.86-027	FA05-16227-01

State Agency	State Agency Division
Finance & Administration	Insurance Administration Paul Hauser 741-9896

Contractor Name	Contractor ID # (FEIN or SSN)
John Deere Health, Inc.	☐ C- or ☒ V- 36-3355110

Service Description

Self insured Health Maintenance Organization (HMO) – Chattanooga service area

F:\Contracts\!VENDORS\JDH 2005 - HMO\Contract Administration\Chattanooga\K Summary\summary - Chatt 1-1-06.doc

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
January 1, 2005	December 31, 2007		

Mark, if Statement is TRUE

☒ Contractor is on STARS as required

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

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.86	62	891	55, 56, 58		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2005			3,500,000		3,500,000
2006			500,000		500,000
2007			500,000		500,000
2008			500,000		500,000
TOTAL:			5,000,000		5,000,000

OCT 10 2005

TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
FY: 2005	3,500,000	
FY: 2006	500,000	
FY: 2007	500,000	
FY: 2008	500,000	
TOTAL:	5,000,000	
End Date:	12-31-07	12-31-07

State Agency Fiscal Contact & Telephone #

John Anderson
13th Fl., WRS Tennessee Tower
312 Eighth Ave. No.
Nashville, TN 37243

State Agency Budget Officer Approval

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

RECEIVED
2005 OCT -6 AM 11:19
CONTROLLER'S OFFICE
OFFICE OF
MANAGEMENT SERVICES

Contractor Ownership

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

Contractor Selection Method

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

Procurement Process Summary

PROC
OCT 21 2005
DIRECTOR OF ACCOUN

011503

CONTRACT SUMMARY SHEET

RFS Number:	317.86-027	Contract Number:	tbd FA-05-16227-00
State Agency:	Finance & Administration	Division:	Insurance Administration Paul Hauser 741-9896

Contractor	Contractor Identification Number	
John Deere Health, Inc.	☒ V- ☐ C-	36-3355110

Service Description

Self insured Health Maintenance Organization (HMO) – Chattanooga service area

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

Allotment Code	Cost Center	Object Code	Fund	Grant	Grant Code	Subgrant Code
317.86	62	891	55, 56, 58	☐ on STARS		

FY	State Funds	Federal Funds	Interdepartmental Funds	Other Funding	Total Contract Amount (including ALL amendments)
2005			3,500,000		3,500,000
2006			500,000		500,000
2007			500,000		500,000
2008			500,000		500,000
Total:			5,000,000		5,000,000

CFDA #

State Fiscal Contact

Name: John Anderson
Address: 13th Fl., WRS Tennessee Tower
Phone: 312 Eighth Ave. No.
Nashville, TN 37243

Procuring Agency Budget Officer Approval Signature

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

COMPLETE FOR ALL AMENDMENTS (only)

	Base Contract & Prior Amendments	This Amendment ONLY
END DATE →	12-31-07	
FY: 2005	3,500,000	
FY: 2006	500,000	
FY: 2007	500,000	
FY: 2008	500,000	
FY:		
Total:	5,000,000	

Funding Certification

Pursuant to T.C.A., Section 9-6-113, I, M. D. Goetz, Jr., Commissioner of Finance and Administration, do hereby certify that there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred.

PROCESSED JAN 26 DIRECTOR OF ACCOUNTS

RECEIVED 2005 JAN -6 AM 11:01 COMPTROLLER'S OFFICE OFFICE OF MANAGEMENT SERVICES