Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

April 8, 2008

CHANGE NOTICE NO. 7
TO
CONTRACT NO. 071B1001382
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE Sheila Powell **(248) 443-1046**
Health Alliance Plan **2850 West Grand Boulevard** **Detroit, MI 48202** **Spowell1@hapcorp.org**	VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-1916 **Jim Wilson**
Contract Compliance Inspector: Phil Stoddard **Claims Payment/HMO Health Coverage for Southeast Michigan – Department of Management & Budget/Michigan Public School Employees Retirement System (MPSERS)**	
CONTRACT PERIOD: From: **November 1, 2000** To: **December 31, 2008**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective December 31, 2007, this Contract is hereby EXTENDED through December 31, 2008. Additionally, the DMB Buyer for this Contract has been changed to Jim Wilson (517) 241-1916. All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request (PRF dated 1/18/2008) and DMB/Purchasing Operations Services' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: $23,574,600.50

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

December 28, 2006

CHANGE NOTICE NO. 6
TO
CONTRACT NO. 071B1001382
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE Sheila Powell **(248) 443-1046**
Health Alliance Plan **2850 West Grand Boulevard** **Detroit, MI 48202** **Spowell1@hapcorp.org**	VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-1647 **Irene Pena**
Contract Compliance Inspector: Phil Stoddard **Claims Payment/HMO Health Coverage for Southeast Michigan – Department of Management & Budget/Michigan Public School Employees Retirement System (MPSERS)**	
CONTRACT PERIOD: From: **November 1, 2000** To: **December 31, 2007**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective immediately this contract is hereby EXTENDED through December 31, 2007 and INCREASED by $9,764,943.00.

AUTHORITY/REASON:

Per agency request (Brian McLane on 12/04/2006) and DMB/Purchasing Operations Services approval.

INCREASE: $9,764,943.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: $23,574,600.50

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

February 13, 2006

CHANGE NOTICE NO. 5
TO
CONTRACT NO. 071B1001382
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE Sheila Powell **(248) 443-1046**
Health Alliance Plan **2850 West Grand Boulevard** **Detroit, MI 48202** **Spowell1@hapcorp.org**	VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-1647 **Irene Pena**
Contract Compliance Inspector: Phil Stoddard **Claims Payment/HMO Health Coverage for Southeast Michigan – Department of Management & Budget/Michigan Public School Employees Retirement System (MPSERS)**	
CONTRACT PERIOD: From: **November 1, 2000** To: **December 31, 2006**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective immediately this contract is hereby EXTENDED through December 31, 2006. Also this contract is hereby INCREASED by $7,410,713.00.

AUTHORITY/REASON:

Per agency request (Ben Louagie) on 11/9/04 and DMB/Acquisition Services approval.

INCREASE: $7,410,713.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: $13,809,657.00

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

December 22, 2004

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B1001382
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE Sheila Powell **(248) 443-1046**
Health Alliance Plan **2850 West Grand Boulevard** **Detroit, MI 48202** **Spowell1@hapcorp.org**	VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-1647 **Irene Pena**
Contract Compliance Inspector: Phil Stoddard **Claims Payment/HMO Health Coverage for Southeast Michigan – Department of Management & Budget/Michigan Public School Employees Retirement System (MPSERS)**	
CONTRACT PERIOD: From: **November 1, 2000** To: **January 1, 2006**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

This contract is hereby EXTENDED through January 1, 2006. In addition, the attached rates and benefits are effective January 1, 2005 through December 31, 2005.

AUTHORITY/REASON:

Per agency request (Ben Louagie) on 11/9/04 and DMB/Acquisition Services approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $2,377,030.50

EXHIBIT B

HEALTH ALLIANCE PLAN

UNDERWRITING & RATING DEPARTMENT

TO: SHEILA POWELL
FROM: STEVEN JONES

DATE: 09/30/04

(UNDERWRITER)

PROPOSED ALTERNATE

AUTHORIZATION OF GROUP SUBSCRIPTION CHARGES (RATES)

GROUP NAME:	MICHIGAN PUBLIC SCHOOL RETIREMENT SYSTEMS (MPSERS)	
GROUP NO./SUFFIX:	1-97159RA	
RATE RENEWAL DATE:	January 01, 2005	
EFF. PERIOD OF RATES:	January 01, 2005 Through December 31, 2005	
REGULAR BENEFIT CODE:	YP	MODIFIED WITH $10 OV/UC & $7/$15/$30 RX & $50 ER COPAY RIDER
MEDICARE BENEFIT CODE	YP	MODIFIED WITH $10 OV/UC & $7/$15/$30 RX & $50 ER COPAY RIDER
DEP.CHILD CONT.:	Y	
RATE BASIS:	C4DX	

ALTERNATE QUOTE.

TYPE OF CONTRACT/RIDER		MONTHLY RATES
(ROG)	SUBSCRIBER ONLY	510.71
(ROL)	SUBSCRIBER & SPOUSE	1,021.42
(ROR)	SUBSCRIBER & CHILD(REN)	829.23
(ROW)	SUBSCRIBER, SPOUSE & CHILD(REN)	1,374.23
(COH)	SUBSCRIBER ONLY (W/MEDICARE)	340.94
(COP)	SUBS (W/MED) & SPOUSE	851.65
(COS)	SUBS (W/MED) & CHILD(REN)	659.46
(COZ)	SUBS (W/MED),SPOUSE & CHILD(REN)	1,204.46
(CON)	SUBS & SPOUSE (W/MED)	851.65
(COY)	SUBS, SPOUSE (W/MED) & CHILD(REN)	1,204.46
(COM)	SUBS (W/MED) & SPOUSE (W/MED)	661.88
(COX)	SUBS(W/MED),SP(W/MED) & CHILD(REN)	1,034.69
(CSR)	SENIOR RIDER	340.94
(RSD)	SPONSORED DEPENDENT RIDER	638.39

MEDICARE PART A ONLY	$323.53
MEDICARE PART B ONLY	$400.74
MEDICARE WITHOUT A & B	$724.27

REMARKS:
RENEWAL (552 ACTUAL CONTRACTS); Based on the 8/31/04 enrollment.

THE ABOVE RATES ARE BASED ON THE INFORMATION AVAILABLE AT THIS TIME; UNDERWRITING RESERVES THE RIGHT TO RE-EVALUATE THE INFORMATION AND UPDATE THE RATES ACCORDINGLY.

EMPLOYERS MUST CONTRIBUTE AT LEAST 50% OF GROUP PREMIUMS EXCEPT FOR COBRA GROUPS.

Effective with your next renewal, Health Alliance Plan (HAP) will closely monitor individuals who have reached the Medicare eligible age. HAP's Subscriber Contract requires that Medicare eligible members be enrolled in Medicare Parts A and B to participate in our Medicare/Complementary program. Failure to provide employees' full Medicare information will result in higher, incremental premiums as shown in the 3 additional Medicare rider premiums above. These rates will be invoiced separately.

NA = NOT APPLICABLE, NSC = NO SEPARATE CHARGE, RNA = RIDER NOT AVAILABLE

	HAP COVERAGE:
PREVENTIVE SERVICES:	$10 copay per visit
Well Baby Care	
Periodic Health Evaluations, Screening Tests, Physical Exams and Immunizations	
Breast & Pelvic Exams and Pap Smears	
Breast Cancer Screenings (mammography)	
Eye and Hearing Exams	
OUTPATIENT SERVICES:	$10 copay per visit may apply
Outpatient Surgery and Related Services Operating, Recovery and other Treatment Rooms	
Diagnostic Laboratory Tests; X-rays and Pathology Services	
Radiation Therapy	
Anesthesia Services	
Family Planning Services	
Infertility and Related Services	
Physical, Speech and Occupational Therapy	Up to 60 visits per condition lifetime
INPATIENT HOSPITAL SERVICES:	
Days of Care	Unlimited
Semi-Private Room (Specialty Care Units; when medically necessary)	Covered
Surgery and Related Services	Covered
Anesthesia	Covered
Lab Tests, EKGs, EEGs and similar tests	Covered
Physical Therapy	Covered
Physician Services	Covered
Diagnostic & Therapeutic X-Ray Services	Covered
HOME HEALTH CARE:	
Home Health Care (by RN or LPN)	Covered
Hospice Care	Covered; 210 days lifetime
MATERNITY SERVICES:	
Outpatient Prenatal and Postnatal Care	Covered
Delivery in Hospital	Covered
Newborn Care in Hospital	Covered
EMERGENCY/URGENT CARE: Covered in any hospital or urgent care facility when unable to reach a HAP facility; usually billed directly to HAP	
Emergency Room Services	$50 copay per visit
Emergency Ambulance	Covered
Urgent Care Facility Services	$10 copay per visit

	HAP COVERAGE:
CHEMICAL DEPENDENCY:	
Inpatient Chemical Dependency Treatment	45 days, renewable after 60 days or state mandated annual aggregate dollar amount, whichever is greater
Outpatient Chemical Dependency Treatment	$10 copay per visit; 35 visits per member per calendar year or state mandated annual aggregate dollar amount, whichever is greater
MENTAL HEALTH:	
Inpatient Mental Health Hospital Services	45 days, renewable after 60 days
Outpatient Professional Mental Health Services	$10 copay per visit; 20 visits per member per calendar year
ADDITIONAL BENEFITS:	
Prescription Drugs, including Birth Control Pills	$7 1st Tier, $15 2nd Tier, $30 3rd copay per prescription
Eyeglasses	One pair every 12 months, with prescription change; otherwise, one pair every 24 months.
Contact Lens Allowance	Covered, if medically necessary; covered up to $80 for voluntary purchase in place of eyeglasses.
Durable Medical Equipment (Wheelchairs, Special Beds, etc.)	Covered for authorized equipment
Prosthetic Appliances	Covered for authorized equipment
Orthotic Devices (Special Back Braces, etc.)	Covered for authorized equipment
Hearing Aids	Covered for authorized conventional hearing aids.
Skilled Nursing Care in Convalescent Facility	Up to 730 days, renewable after 60 days
Assisted Reproductive Technologies	One attempt of artificial insemination per lifetime.

Exhibit B

Subscriber	**$510.71**
Subscriber & Spouse	**$1,021.42**
Subscriber & Child(ren)	**$829.23**
Subscriber, Spouse & Child(ren)	**$1,374.23**

YP 01/03

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

November 21, 2003

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B1001382
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE Sheila Powell **(248) 443-1046**
Health Alliance Plan **2850 West Grand Boulevard** **Detroit, MI 48202** **Spowell1@hapcorp.org**	VENDOR NUMBER/MAIL CODE BUYER (517) 241-1647 **Irene Pena**
Contract Administrator: Phil Stoddard **Claims Payment/HMO Health Coverage for Southeast Michigan – Department of Management & Budget/Michigan Public School Employees Retirement System (MPSERS)**	
CONTRACT PERIOD: From: **November 1, 2000** To: **December 31, 2004**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective 11/21/2003, this contract is hereby EXTENDED through December 31, 2004. In addition, the attached new rates are effective from January 1, 2004 through December 31, 2004.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $2,377,030.50

Health Alliance Plan

Instructions:

This premium sheet is specific for the HMO shown above and the service counties defined within its Request for Quality Information submission. The maximum allowable monthly per person premiums you may charge are listed below.

Maximum Allowable Per Person Monthly Premiums:

Effective 1/01/2004 – 12/31/2004:

Categories	
Non-Medicare	$510.12
Medicare	N/A
Child	$318.15

Your Monthly Contract Premium Remittance Sheet:

Contract Categories:	Your Monthly Premium
Without Medicare	
Self	$510.12
Self & Spouse	$1,020.24
Self & Children	$828.27
Self, Spouse & Children	$1,372.64
With Medicare	
Self	N/A
Self & Spouse	N/A
Self & Children	N/A
Self, Spouse & Children	N/A
Split	
Self w/o, Spouse w	N/A
Self w, Spouse w/o	N/A
Self w/o, Spouse w & Children	N/A
Self w, Spouse w/o & Children	N/A

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

August 31, 2003

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B1001382
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE Sheila Powell **(248) 443-1046**
Health Alliance Plan **2850 West Grand Boulevard** **Detroit, MI 48202**	VENDOR NUMBER/MAIL CODE
	BUYER (517) 241-1647 **Irene Pena**

Contract Administrator: Phil Stoddard

Claims Payment/HMO Health Coverage for Southeast Michigan – Department of Management & Budget/Michigan Public School Employees Retirement System (MPSERS)

CONTRACT PERIOD:	From: **November 1, 2000**	To: **December 31, 2003**
TERMS **N/A**	SHIPMENT **N/A**	
F.O.B. **N/A**	SHIPPED FROM **N/A**	
MINIMUM DELIVERY REQUIREMENTS **N/A**		

NATURE OF CHANGE(S):

Effective 12/31/2002, this contract is hereby EXTENDED until December 31, 2003. In addition, the attached new rates in appendix C are effective from 1/1/03 through 12/31/03.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $2,377,030.50

Health Alliance Plan

Instructions:

This premium sheet is specific for the HMO shown above and the service counties defined within its Request for Quality Information submission. The maximum allowable monthly per person premiums you may charge are listed below.

Maximum Allowable Per Person Monthly Premiums:

Effective 1/01/2003 – 12/31/2003:

Categories	
Non-Medicare	$468.00
Medicare	N/A
Child	$291.88

Your Monthly Contract Premium Remittance Sheet:

Contract Categories:	Your Monthly Premium
Without Medicare	
Self	$468.00
Self & Spouse	$936.00
Self & Children	$759.88
Self, Spouse & Children	$1,259.3
With Medicare	
Self	N/A
Self & Spouse	N/A
Self & Children	N/A
Self, Spouse & Children	N/A
Split	
Self w/o, Spouse w	N/A
Self w, Spouse w/o	N/A
Self w/o, Spouse w & Children	N/A
Self w, Spouse w/o & Children	N/A

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

October 31, 2001

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B1001382
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE Sheila Powell **(248) 443-1046**
Health Alliance Plan **2850 West Grand Boulevard** **Detroit, MI 48202**	VENDOR NUMBER/MAIL CODE
	BUYER (517) 241-1647 **Irene Pena**

Contract Administrator: Phil Stoddard

Claims Payment/HMO Health Coverage for Southeast Michigan – Department of Management & Budget/Michigan Public School Employees Retirement System (MPSERS)

CONTRACT PERIOD:	From: **November 1, 2000**	To: **December 31, 2002**
TERMS **N/A**	SHIPMENT **N/A**	
F.O.B. **N/A**	SHIPPED FROM **N/A**	
MINIMUM DELIVERY REQUIREMENTS **N/A**		

NATURE OF CHANGE(S):

Effective 10/31/2001, this contract is hereby EXTENDED until December 31, 2002. In addition, the attached rates are hereby incorporated into this contract and in effect for the period of 11/01/01 through 12/31/02.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $2,377,030.50

Health Alliance Plan

Instructions:

This premium sheet is specific for the HMO shown above and the service counties defined within its Request for Quality Information submission. The maximum allowable monthly per person premiums you may charge are listed below.

Maximum Allowable Per Person Monthly Premiums:

Effective 11/01/2001 – 12/31/2002:

Categories	
Non-Medicare	$407.99
Medicare	N/A
Child	$254.45

Your Monthly Contract Premium Remittance Sheet:

Contract Categories:	Your Monthly Premium
Without Medicare	
Self	$407.99
Self & Spouse	$815.98
Self & Children	$662.44
Self, Spouse & Children	$1,097.82
With Medicare	
Self	N/A
Self & Spouse	N/A
Self & Children	N/A
Self, Spouse & Children	N/A
Split	
Self w/o, Spouse w	N/A
Self w, Spouse w/o	N/A
Self w/o, Spouse w & Children	N/A
Self w, Spouse w/o & Children	N/A

Form No. DMB 234A (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Failure to deliver in accordance with Contract terms and conditions and this notice,may be considered in default of Contract

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
OFFICE OF PURCHASING
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

March 30, 2001 , 2001

NOTICE
OF
CONTRACT NO. 071B1001382
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE Shla Powell Sheila (248) 443-1046
Health Alliance Plan **2850 W. Grand Blvd.** **Detroit, MI 48202**	VENDOR NUMBER/MAIL CODE
	BUYER (517) 241-1647 **Irene L. Pena**

Contract Administrator: Phil Stoddard

Claims Payments / HMO Health Coverage for Southeast Michigan -- Department of Management & Budget / Michigan Public School Employees Retirement System (MPSERS)

CONTRACT PERIOD:	From: **January 1, 2001**	To: **December 31, 2001**
TERMS **N/A**	SHIPMENT **N/A**	
F.O.B. **N/A**	SHIPPED FROM **N/A**	
MINIMUM DELIVERY REQUIREMENTS **N/A**		

The terms and conditions of this Contract are those of this Contract Agreement and the vendor's proposal . In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.

Total Contract Period Estimated Contract Cost: $2,377,030.50

Health Alliance Plan

Instructions:

This premium sheet is specific for the HMO shown above and the service counties defined within its Request for Quality Information submission.

The maximum allowable monthly per person premiums you may charge are listed below. In counties designated as Southeast Michigan Counties (*Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne*) you MUST offer Medicare + Choice only coverage for Medicare-eligible members.

If your service area includes counties not designated as Southeast Counties, all such counties are included in the Remainder of the State column(s) and treated as a separate unit of your HMO. If you have Medicare + Choice coverage available in **any** of these counties, you may elect to offer either Medicare + Choice contracts within that service area only or Medicare Wraparound contracts in all remaining counties, **but not both**.

Maximum Allowable Per Person Monthly Premiums:

Per Person Categories	SouthEast Region- *Medicare +Choice*	Remainder of State- *Medicare + Choice Service Area Only*	Remainder of State- *Medicare wrap around Entire Service Area*
Non-Medicare	$329.32	**$329.32**	**N/A**
Medicare	**$150.00**	**$150.00**	**N/A**
Child	**$125.51**	**$125.51**	**N/A**

You must complete the *Your Monthly Premium* column below within the areas you would like to offer coverage. Your individual adult rate may, but need not, mirror our Maximum Allowable Monthly Premiums. For example, you may charge more for an adult member and less for an adult spouse. However, in the aggregate your total monthly premiums may not exceed what they would have been if you had mirrored our Maximum Allowable Monthly Premiums. After your initial enrollment has been completed, your total premiums will be compared with those based on our Maximum Allowable Monthly Rates. If your total is greater your rates must be adjusted.

Your Monthly Contract Premium Remittance Sheet:

Contract Categories:	**Your Monthly Premium**	**Your Monthly Premium**
Without Medicare	**Southeast Michigan**	**Remainder of State**
Self	**$329.32**	
Self & Spouse	**$658.64**	
Self & Children	**$534.70**	
Self, Spouse & Children	**$886.13**	
With Medicare		
Self	**$150.00**	
Self & Spouse	**$300.00**	
Self & Children	**$355.38**	
Self, Spouse & Children	**$527.49**	
Split		
Self w/o, Spouse w	**$479.32**	
Self w, Spouse w/o	**$479.32**	
Self w/o, Spouse w & Children	**$706.81**	
Self w, Spouse w/o & Children	**$706.81**	

SECTION I
CONTRACTUAL SERVICES TERMS AND CONDITIONS

I-A PURPOSE

The purpose of this Contract is to provide health care services to retirees and dependents of the Michigan Public School Employees Retirement System through an HMO. This Contract covers Southeastern portion of the State of Michigan.

Contract awarded from this solicitation will be the following type:

-- Unit price Contract

I-B TERM OF CONTRACT

The State of Michigan is not liable for any cost incurred by any bidder prior to signing of this Contract by all parties. The health care services specified in this Contract cover the period from January 1, 2001 through December 31, 2001. The State fiscal year is October lst through September 30th. The Contractor should realize that payments in any given fiscal year are contingent upon enactment of legislative appropriations to the School Aid Fund.

I-C ISSUING OFFICE

This Contract is issued by the State of Michigan, Department of Management and Budget (DMB), Office of Purchasing, hereafter known as the Office of Purchasing, for the State of Michigan, Michigan Public School Employees Retirement System (the Retirement System). Where actions are a combination of those of the Office of Purchasing and the Retirement System, the authority will be known as the State.

The Office of Purchasing is the sole point of contact in the State with regard to all procurement and contractual matters relating to the services described herein. The Office of Purchasing is the only office authorized to change, modify, amend, alter, clarify, etc., the prices, specifications, terms, and conditions of this Invitation to Bid and any Contract(s) awarded as a result of this Request. The OFFICE OF PURCHASING will remain the SOLE POINT OF CONTACT throughout the procurement process, until such time as the Director of Purchasing shall direct otherwise in writing. All communications concerning this procurement must be addressed to:

Irene Pena
Technology and Professional Services Division
DMB, Office of Purchasing
2nd Floor, Mason Building
P.O. Box 30026
Lansing, MI 48909
(517) 241-1647
Penai1@state.mi.us

I-D CONTRACT ADMINISTRATOR

Upon receipt at the Office of Purchasing of the properly executed Contract Agreement, it is anticipated that the Director of Purchasing will direct that the person named below or any other person so designated be authorized to administer the Contract on a day-to-day basis during the term of the Contract. However, administration of this Contract implies no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions, and specifications of such Contract. That authority is retained by the Office of Purchasing. The Contract Administrator for this project is:

Phillip J. Stoddard
Department of Management & Budget
Office of Retirement Services
PO Box 30171
Lansing, MI 48909-7671

I-E COST LIABILITY

The State of Michigan assumes no responsibility or liability for costs incurred by the Contractor prior to the signing of any Contract. Total liability of the State is limited to the terms and conditions of this Contract.

I-F CONTRACTOR RESPONSIBILITIES

The Contractor will be required to assume responsibility for all contractual activities offered in this proposal whether or not that Contractor performs them. Further, the State will consider the Prime Contractor to be the sole point of contact with regard to contractual matters, including but not limited to payment of any and all costs resulting from the anticipated Contract. If any part of the work is to be subcontracted, the contractor must notify the state and identify the subcontractor(s), including firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning subcontractor's organizational abilities. The State reserves the right to approve subcontractors for this project and to require the Contractor to replace subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the subcontractor to all provisions of the Contract.

I-G NEWS RELEASES

News releases pertaining to this document or the services, study, data, or project to which it relates will not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the program are to be released without prior approval of the State and then only to persons designated.

I-H DISCLOSURE

All information in a bidder's proposal and this Contract is subject to the provisions of the Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, *et seq*.

I-I ACCOUNTING RECORDS

The Contractor will be required to maintain all pertinent financial and accounting records and evidence pertaining to the Contract in accordance with generally accepted principles of accounting and other procedures specified by the State of Michigan. Financial and accounting records shall be made available, upon request, to the State of Michigan, its designees, or the Michigan Department of Auditor General at any time during the Contract period and any extension thereof, and for three (3) years from the expiration date and final payment on the Contract or extension thereof.

I-J INDEMNIFICATION

1. General Indemnification

The Contractor shall indemnify, defend and hold harmless the State from and against all lawsuits, liabilities, damages and claims or any other proceeding brought against the State by any third party (which for the purposes of this provision shall include, but not be limited to, employees of the State, the Contractor and any of its subcontractors), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:

(a) any breach of this Contract or negligence or intentional tortuous act by the Contractor or any of its subcontractors, or by anyone else for whose acts any of them may be liable, in the performance of this Contract;

(b) the death or bodily injury of any person or the damage, loss or destruction of any real or personal property in connection with the performance of this Contract by the Contractor, or any of its subcontractors, or by anyone else for whose acts any of them may be liable provided, and to the extent that the injury or damage was caused by the fault or negligence of the Contractor.

(c) any act or omission of the Contractor or any of its subcontractors in their capacity as an employer in the performance of this Contract;

(d) any claim, demand, action or legal proceeding against the State arising out of or related to occurrences, if any, that the Contractor is required to insure against as provided in this Contract.

2. Indemnification for Treatment Liability

The Contractor shall indemnify, defend and hold harmless the State against all suits, claims, demands or actions, liabilities, judgments, costs and attorney's fees arising out of or in any manner predicated upon allegations of improper or inadequate medical

coverage or treatment of any beneficiary by the Contractor or its agent or affiliated provider including all reasonable expenses (including without limitation reasonable attorneys' fees, other reasonable litigation costs, judgments, and amounts paid in settlement) incurred by the State in connection with any threatened, pending or completed civil suit in which the State is claimed or found to be liable under any legal theory. If the State is found to have acted in a manner for which the State is not immune from liability under MCL 691.1401 *et seq.*, and such acts are a proximate cause of liability, the Contractor shall only be responsible for that percentage of damages corresponding to the percentage of responsibility for the claim attributable to the act or omission of the Contractor.

3. Indemnification Obligation Not Limited

In any and all claims against the State by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefits acts, or any other employee benefits acts. This indemnification clause is intended to be comprehensive. Any overlap in subclauses, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other subclause.

4. Continuation of Indemnification Obligation

The duty to indemnify will continue in full force and effect, not withstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred prior to expiration or cancellation.

I-K LIMITATION OF LIABILITY

Except as set forth herein, neither the Contractor nor the State shall be liable to the other party for indirect or consequential damages, even if such party has been advised of the possibility of such damages. Such limitation as to indirect or consequential damages shall not be applicable for claims arising out of gross negligence, willful misconduct, or Contractor's indemnification responsibilities to the State as set forth in Section I-J with respect to third party claims, action and proceeding brought against the State.

I-L NON INFRINGEMENT/COMPLIANCE WITH LAWS

The Contractor warrants that in performing the services called for by this Contract it will not violate any applicable law, rule, or regulation, any contracts with third parties, or any intellectual rights of any third party, including but not limited to, any United States patent, trademark, copyright, or trade secret.

I-M WARRANTIES AND REPRESENTATIONS

The Contract will contain customary representations and warranties by the Contractor, including, without limitation, the following:

1. The Contractor will perform all services in accordance with high professional standards in the industry;

2. The Contractor will use adequate numbers of qualified individuals with suitable training, education, experience and skill to perform the services;

3. The Contractor will perform the services in a manner that complies with all applicable laws and regulations;

4. The Contractor has duly authorized the execution, delivery and performance of the Contract;

5. The Contractor has not provided any gifts, payments or other inducements to any officer, employee or agent of the State.

I-N CONTRACTOR'S LIABILITY INSURANCE

The Contractor shall purchase and maintain such insurance as will protect him/her from claims set forth below which may arise out of or result from the Contractor's operations under the Contract (Purchase Order), whether such operations be by himself/herself or by any subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

1. Claims under workers' disability compensation, disability benefit and other similar employee benefit act. A non-resident Contractor shall have insurance for benefits payable under Michigan's Workers' Disability Compensation Law for any employee resident of and hired in Michigan; and as respects any other employee protected by workers' disability compensation laws of any other State the Contractor shall have insurance or participate in a mandatory State fund to cover the benefits payable to any such employee.

2. Claims for damages because of bodily injury, occupational sickness or disease, or death of his/her employees.

3. Claims for damages because of bodily injury, sickness or disease, or death of any person other than his/her employees, subject to limits of liability of not less than $300,000.00 each occurrence and, when applicable $1,000,000.00 annual aggregate, for non-automobile hazards and as required by law for automobile hazards.

4. Claims for damages because of injury to or destruction of tangible property, including loss of use resulting therefrom, subject to a limit of liability of not less

than $50,000.00 each occurrence for non-automobile hazards and as required by law for automobile hazards.

5. Insurance for Subparagraphs (3) and (4) non-automobile hazards on a combined single limit of liability basis shall not be less than $300,000.00 each occurrence and when applicable, $1,000,000.00 annual aggregate.

6. Claims for damages because of Medical Malpractice in the performance of duties inherent to the profession of medical practice, subject to a limit of liability of not less than $300,000.00 each occurrence and, when applicable, $1,000,000.00 annual aggregate. For this coverage, the State requires that it be named as a co-insured party.

The insurance shall be written for not less than any limits of liability herein specified or required by law, whichever is greater, and shall include contractual liability insurance as applicable to the Contractor's obligations under the Indemnification clause of the Contract (Purchase Order).

BEFORE STARTING WORK THE CONTRACTOR'S INSURANCE AGENCY MUST FURNISH TO THE DIRECTOR OF THE OFFICE OF PURCHASING, ORIGINAL CERTIFICATE(S) OF INSURANCE VERIFYING LIABILITY COVERAGE. THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING. These Certificates shall contain a provision that coverage's afforded under the policies will not be canceled until at least fifteen days prior written notice bearing the Contract Number or Purchase Order Number has been given to the Director of Purchasing.

I-O NOTICE AND RIGHT TO CURE

In the event of a curable breach by the Contractor, the State shall provide the Contractor written notice of the breach and a time period to cure said breach described in the notice. This section requiring notice and an opportunity to cure shall not be applicable in the event of successive or repeated breaches of the same nature or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage or destruction of any real or tangible personal property.

I-P CANCELLATION

The State may cancel this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents and employees for any of the following reasons:

1. Material Breach by the Contractor. In the event that the Contractor breaches any of its material duties or obligations under the Contract, which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State, or pose a serious and imminent threat

to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of cancellation to the Contractor, cancel this Contract in whole or in part, for cause, as of the date specified in the notice of cancellation.

In the event that this Contract is cancelled for cause, in addition to any legal remedies otherwise available to the State by law or equity, the Contractor shall be responsible for all costs incurred by the State in canceling the Contract, including but not limited to, State administrative costs, attorneys fees and court costs, and any additional costs the State may incur to procure the services required by this Contract from other sources. All excess reprocurement costs and damages shall not be considered by the parties to be consequential, indirect or incidental, and shall not be excluded by any other terms otherwise included in the Contract.

In the event the State chooses to partially cancel this Contract for cause charges payable under this Contract will be equitably adjusted to reflect those services that are cancelled.

In the event this Contract is cancelled for cause pursuant to this section, and it is therefore determined, for any reason, that the Contractor was not in breach of contract pursuant to the provisions of this section, that cancellation for cause shall be deemed to have been a cancellation for convenience, effective as of the same date, and the rights and obligations of the parties shall be limited to that otherwise provided in the Contract for a cancellation for convenience.

2. Cancellation for Convenience by the State. The State may cancel this Contract for its convenience, in whole or part, if the State determines that such a cancellation is in the State's best interest. Reasons for such cancellation shall be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Contract services no longer practical or feasible, and (c) unacceptable prices for additional services requested by the State. The State may cancel the Contract for its convenience, in whole or in part, by giving the Contractor written notice 30 days prior to the date of cancellation. If the State chooses to cancel this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those services that are cancelled.

3. Non-Appropriation. In the event that funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available. The Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this project. If funds are not appropriated or otherwise made available, the State shall have the right to cancel this Contract at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of cancellation to the Contractor. The State shall give the Contractor written notice

of such non-appropriation or unavailability within 30 days after it receives notice of such non-appropriation or unavailability.

4. Criminal Conviction. In the event the Contractor, an officer of the Contractor, or an owner of a 25% or greater share of the Contractor, is convicted of a criminal offense incident to the application for or performance of a State, public or private Contract or subcontract; or convicted of a criminal offense including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State, reflects upon the Contractor's business integrity.

5. Failure to Maintain Capabilities. In the event that the contractor shall fail to maintain any of the capabilities specified in the Request for Quality Information submitted by the Contractor, or if the Contractor shall, during the term of the contract, lose its accreditation from the National Association for Quality Assurance, such failure or loss of accreditation shall be deemed a material breach of the contract

I-Q RIGHTS AND OBLIGATIONS UPON CANCELLATION

1. If the Contract is canceled by the State for any reason, the Contractor shall continue to provide Services to end of the period for which premiums have been paid. The State and the contractor may agree to extend such period in consideration of premium payment for a period not to exceed 90 days.

2. In the event the State cancels this Contract prior to its expiration for its own convenience, the State shall pay the Contractor for all charges due for services provided prior to the date of cancellation. Regardless of the basis for the cancellation, the State shall not be obligated to pay, or otherwise compensate, the Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

I-R ASSIGNMENT

The Contractor shall not have the right to assign this Contract or to assign or delegate any of its duties or obligations under this Contract to any other party (whether by operation of law or otherwise), without the prior written consent of the State. Any purported assignment in violation of this section shall be null and void. Further, the Contractor may not assign the right to receive money due under the Contract without the prior written consent of the State Purchasing Director.

I-S DELEGATION

The Contractor shall not delegate any duties or obligations under this Contract to a subcontractor other than a subcontractor named in the bid unless the State Purchasing Director has given written consent to the delegation.

I-T NON-DISCRIMINATION CLAUSE

In the performance of any Contract or purchase order resulting herefrom, the bidder agrees not to discriminate against any employee or applicant for employment, with respect to their hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position. The bidder further agrees that every subcontract entered into for the performance of any Contract or purchase order resulting herefrom will contain a provision requiring non-discrimination in employment, as herein specified, binding upon each subcontractor. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 Public Act 453, as amended, MCL 37.2101, *et seq*, and the Persons with Disabilities Civil Rights Act, 1976 Public Act 220, as amended, MCL 37.1101, *et seq*, and any breach thereof may be regarded as a material breach of the Contract or purchase order.

I-U NOTICES

Any notice given to a party under this Contract must be written and shall be deemed effective, if addressed to such party as addressed below upon (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this section; (iii) the third (3rd) Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

For the Contractor: **Sheila Powell** **Health Alliance Plan** **2850 West Grand Blvd** **Detroit, MI 48202**

For the State: **Irene Pena, Buyer**
Office of Purchasing
530 W. Allegan St.
Lansing, MI 48933

Either party may change its address where notices are to be sent giving written notice in accordance with this section.

I-V ENTIRE AGREEMENT

The contents of this document and the vendor's proposal will become contractual obligations. Failure of the Contractor to accept these obligations may result in cancellation of the Contract.

This Contract shall represent the entire agreement between the parties and supersedes all proposals or other prior agreements, oral or written, and all other communications between the parties relating to this subject.

I-W NO WAIVER OF DEFAULT

The failure of a party to insist upon strict adherence to any term of this Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Contract.

I-X SEVERABILITY

Each provision of the Contract shall be deemed to be severable from all other provisions of the Contract and, if one or more of the provisions of the Contract shall be declared invalid, the remaining provisions of the Contract shall remain in full force and effect.

I-Y HEADINGS

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of this Contract.

I-Z RELATIONSHIP OF THE PARTIES

The relationship between the State and the Contractor is that of client and independent Contractor. No agent, employee, or servant of the Contractor or any of its subcontractors shall be or shall be deemed to be an employee, agent, or servant of the State for any reason. The Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and subcontractors during the performance of this Contract.

I-AA UNFAIR LABOR PRACTICES

Pursuant to 1980 Public Act 278, as amended, MCL 423.231, et seq, the State shall not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled pursuant to section 2 of the Act. This information is compiled by the United States National Labor Relations Board.

A Contractor of the State, in relation to the Contract, shall not enter into a Contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to section 4 of 1980 Public Act 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of the Contractor as an employer, or the name of the subcontractor, manufacturer or supplier of the Contractor appears in the register.

I-BB SURVIVOR

Any provisions of the Contract that impose continuing obligations on the parties including, but not limited to the Contractor's indemnity and other obligations shall survive the expiration or cancellation of this Contract for any reason.

I-CC GOVERNING LAW

This Contract shall in all respects be governed by, and construed in accordance with, the laws of the State of Michigan. Any dispute arising herein shall be resolved in the State of Michigan.

I-DD CONTRACT DISTRIBUTION

The Office of Purchasing shall retain the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by the Office of Purchasing.

SECTION II

WORK STATEMENT

II-A BACKGROUND/PURPOSE

The Office of Retirement Services is a State agency which is responsible, together with DMB, for management of the Michigan Public School Employees Retirement System (the Retirement System) created in 1979 by PA 300. It provides health benefit coverage for approximately 140,000 public school retirees and their dependents, including the payment of premiums or subscription fees for hospital, medical-surgical, prescription drug, hearing and ancillary health services.

As of November 1, 1997, the Retirement System adopted a program to offer HMO coverage to all members in two areas of the State, Southeast and West Central. The pilot has run in these areas for two years; it will now be extended to the rest of the State effective November 1, 2000. The Retirement System has agreed to include contracting HMOs within its authorized plan for medical benefits under a pilot program; and pursuant to the terms and conditions specified herein, the HMO may provide or arrange for the provision of medical benefits to the members and their eligible beneficiaries (hereinafter referred to as "subscribers") who elect to join the HMO under the pilot program.

To identify HMOs that are qualified to offer health care services to the Retirement System's retirees and dependents, the Office of Purchasing issued a Request for Quality Information (RFQI) to all HMOs known to have achieved certification by the National Council for Quality Assurance (NCQA), a national organization that evaluates HMO quality. The RFQI process is ongoing. Any Michigan HMO achieving NCQA certification may apply. Further information can be found on the Office of Purchasing Website.

The purpose of this Contract is to identify a qualified HMO that is willing and able to meet the requirements specified herein for the provision of health care services to the Retirement System's retirees and dependents.

Note: **For all purposes of this Contract, unless otherwise specified, the term HMO means:**

(1) For organizations having only one contiguous service area under the control of one business unit, that organization is considered to be one HMO

(2) For organizations having two or more separate, contiguous service areas under the control of one business unit, each separate service area is considered to be one HMO

These distinctions are made:

- To facilitate the rules for required form of coverage for Medicare-eligible retirees
- To allow for establishment of appropriate premiums in each service area.

II-B REQUIREMENTS

1. General

   (a) Except as otherwise specified herein, the only benefit requirement is that coverage must be comparable to or exceed coverage offered under MPSERS' Master Health Care Plan (MHCP), a description of which is included as Appendix A. That is, all areas covered by the MHCP, including the hearing care benefit, must be covered by the HMO contract. In addition, the actuarial value of the HMO coverage, as determined by MPSERS, must be at least equal to the actuarial value of the MHCP coverage. It is important to note that retiree contributions to the plan are separately determined and will not provide a disincentive/incentive for HMO coverage.

   (b) As noted in paragraph (a) there is a hearing benefit; essentially one hearing aid per ear every three years. This benefit was adopted by the legislature as a standalone benefit. It is MPSERS interpretation that, whatever health benefits are offered, the statutory hearing benefit must be offered.

2. Coverage Outside Service Area

   Many MPSERS retirees travel outside of Michigan, in some instances for three to six months of the year. As part of the bidder's submission, the bidder must explain, in detail, its rules for coverage outside its service area, especially outside of Michigan.

3. Coverage for Non-Medicare-Eligibles

   Coverage for individuals who have not reached Medicare eligibility will be in the form of a traditional HMO contract.

   IMPORTANT: See Continuity of Coverage in (4) (c) below.

4. Coverage for Medicare-Eligibles

   Coverage for Medicare-eligible individuals will be in the form of either a Medicare-complimentary plan (called a wraparound plan) or a Medicare+Choice plan.

(a) Southeast Michigan

For purposes of this Contract, Southeast Michigan means the Counties of Livingston, Macomb, Monroe, Oakland, St Clair, Washtenaw and Wayne. If the bidder's service area includes any of these counties the bidder MUST offer a Medicare+Choice contract to any Medicare-eligible individual residing in such county. The bidder MAY NOT offer a wraparound contract to any such individual. This limitation does not limit the bidder's ability to offer a wraparound contract in any other county. In other words, if a particular HMO (as defined herein) has a service area that includes one or more Southeast Michigan counties and one or more non-Southeast Michigan counties, that HMO must offer only Medicare+Choice to residents of the Southeast Michigan counties, but may offer either type of contract (but not both) to outside counties as a separate group. For purposes of form of coverage rules and premium rating, that HMO is treated as two separate HMOs. One rate is developed for the defined Southeast region.

(b) Remainder of State

With respect to that portion of the State not previously defined as Southeast Michigan, an HMO (as defined) may offer either a Medicare+Choice contract or a wraparound contract, but not both in its service area.

For example, if the bidder has a service area that encompasses six counties where it has a wraparound contract available, and within that service area it also offers a Medicare+Choice contract in one or more counties, the bidder may offer one or the other, but not both. However, if the bidder offers Medicare+Choice and Medicare+Choice is not available in all counties in the service area, then the bidder is precluded from offering any coverage to individuals in the portion of the service area where Medicare+Choice is not available.

(c) Continuity of Coverage

It is important that retirees who begin HMO coverage before reaching Medicare eligibility be able to continue HMO coverage after reaching Medicare eligibility. Therefore, a bidder may not offer coverage for non-Medicare-eligibles in any area where it is not also offering coverage for Medicare-eligibles. For example, assume that the bidder has a seven county service area, that it has a Medicare+Choice contract available in two counties and that it elects to offer the Medicare+Choice contract in those two counties. Based on paragraph (b) above, it will be precluded from offering wraparound coverage in the remaining five counties. Further, under this paragraph it will be precluded from offering any coverage for non-Medicare-eligibles in those five counties as well.

5. Coverage Rules

To avoid unacceptable administrative complexity, there are several rules for who may be covered by which health plan. The primary rule is that retirees and their dependents must be covered by the same health plan. Specifically:

(a) If either the retiree or a dependent elects to be covered by an HMO, then all members of that unit must be covered **by the same HMO**

(b) If one or more members of a unit is non-Medicare-eligible and one or more is Medicare-eligible, then the non-Medicare-eligible(s) must be covered by the basic non-Medicare HMO plan and the Medicare-eligible(s) must be covered by the Medicare plan **of the same HMO.**

(c) In cases where two members of a unit are both non-Medicare-eligible at the beginning of their HMO coverage, and one attains Medicare eligibility, that individual must become covered by the Medicare plan **of the HMO that covers the non-Medicare member.**

(d) In the case of those families where both members are MPSERS retirees, each may be treated as an individual contract-holder if they so elect. Thus, either, or both, may elect HMO coverage without regard to any election by the other

6. Population

Appendix B contains a CD with Microsoft Office 1997 Access Population tables. These tables contain data on the non-Medicare and Medicare populations for all of the counties throughout Michigan. Population is reported by "contract type" as follows:

Non-Medicare

(a) Single contracts under which a single individual is covered (a retiree or surviving beneficiary)

(b) Single contracts under which a single individual is covered (a retiree or surviving beneficiary) and there are (one or more) children

(c) Two person contracts under which a retiree and spouse are covered where both are under age 65

(d) Family contracts under which a retiree and spouse are covered where both are under age 65 and there are (one or more) children.

Splits (1 Medicare/1 non-Medicare)

(a) Split two person contracts under which there is a retiree and a spouse where one is under age 65 and one is over age 65

(b) Split two person contracts under which there is a retiree and a spouse where one is under age 65 and one is over age 65 and there are (one or more) children.

(c) Medicare

Single contracts under which a single individual is covered (a retiree or surviving beneficiary)

(a) Single contracts under which a single individual is covered (a retiree or surviving beneficiary) and there are (one or more) children

(b) Two person contracts under which a retiree and spouse are covered where both are over age 65

(c) Family contracts under which a retiree and spouse are covered where both are over age 65 and there are (one or more) children.

Again, Appendix B is a Microsoft Office 1997 Access document. It includes a separate line for each contract (which may cover more than one individual). Each line includes:

(a) ZIP code

(b) Date of birth of the primary beneficiary

(c) Sex of the primary beneficiary

In the case of contract types A and B, a bidder will know the number of single members (or surviving spouses) by date of birth and sex, but in the case of type **B** contracts it will only know that there is one or more children (not, number, ages or sex).

In the case of contract types C and D, a bidder will know the number **of retirees** by date of birth and sex. You will also know that there is a spouse of the opposite sex, but you will not know the age of the spouses (except that they are under age 65). Further, in type D contracts, you will only know that there are one or more children (not, number, ages or sex).

In type E and F contracts, a bidder will know the date of birth and sex of the retiree. Further, in type F contracts, a bidder will only know that there are one or more children (not number, age(s) or sex).

7. Premiums

The Retirement System, through its contractor, The MEDSTAT Group, maintains an extensive, detailed health care database. With this database, the Retirement System can determine accurately its actual costs under the Master Health Care Plan on a per person basis in any geographic area for any period, and can project future costs with reasonable accuracy. Using this approach, and with consideration for rates currently being charged by HMOs already participating in the pilot, the Retirement System has established, **on an HMO-by-HMO basis**, the **maximum** premium it is willing to pay for HMO coverage for each plan of benefits for the period January 1, 2001 through December 31, 2001 for each service area reported by the HMO.

Maximum premiums have been determined separately for each HMO, as defined by its own unique coverage area.

(a) Southeast Michigan

(1) Non-Medicare-Eligibles

For each HMO, a maximum premium has been determined for that HMO's service area (as specified in the response to the Request for Quality Information) within our defined Southeast region.

(2) Medicare-Eligibles

A maximum premium has been determined for each HMO's Medicare+Choice service area, which may include contiguous counties outside the defined Southeast Michigan area. If the HMOs service area includes counties outside of the defined Southeast Michigan area, a separate premium has been determined for that area under Remainder of State.

(b) Remainder of State

(1) Non-Medicare-Eligibles

For each HMO, a maximum premium has been determined for that HMO's service area as specified in the response to the Request for Quality Information. Additionally, if an HMO offers Medicare+Choice within its service area, then two non-Medicare rates were calculated. A second premium is shown for the portion of the service area where Medicare+Choice is offered.

(2) Medicare Eligibles

If an HMO offers only a wraparound contract, a premium is calculated for the entire service area. Again, if an HMO offers a Medicare+Choice contract then two rates are calculated. One is a Medicare+Choice rate for the portion of the service area where Medicare+Choice is offered. The second is a wraparound rate for the entire service area. Note that if the Medicare+Choice area is smaller than the entire service area, and the HMO elects to offer Medicare+Choice, it is precluded from offering any coverage in the remainder of the service area.

(c) Renewals

Maximum premium rates shall be adjusted annually in a similar manner as maximum premiums are being determined in this Invitation to Bid process. That is, each subsequent year a Contractor will be notified of the maximum allowable premium. At that time, the Contractor may wish to review the benefit design and adjust according to its estimate of needed premiums. Not later than the January 1 renewal date, the Contractor must notify the system of its willingness to continue participation and specify any adjustments it intends to make to benefits.

If the bidder is participating in the pilot and elects to discontinue such participation, the bidder's current contracts will be continued at the current premium (or at such premium and timeframe may be agreed upon by the bidder and the State) until such contracts are terminated.

(d) General

The maximum allowable premiums are per person per month. There is a separate premium for all children. A Contractor can charge up to the maximum allowable premium, **but its premiums must not exceed its community rates for the plan(s) of benefits offered** (adjusted for age and sex).

The per person premiums applicable to the bidder to which this ITB applies are shown in Appendix C.

8. Solicitation/Enrollment

(a) The Retirement System will print a Benefit Comparison to be included in all retirement application packets.

(b) The Contractor will provide to the Retirement System an accurate comparison of its benefits with those of the Retirement System in both hard copy and as an MS Word2000 document as part of its response to this ITB.

(c) The Contractor will cooperate with other HMO Contractors in the joint production and presentation of enrollment communications and informational meetings, especially in overlapping service territories when required by the Retirement System.

(d) The Contractor will submit for approval by Retirement System, no later than 30 days prior to distribution, any material which will be distributed to retires and their dependents during or in conjunction with enrollment opportunities.

(e) It is anticipated the Contractor will begin enrolling new members for coverage effective January 2001. All enrollments will first be sent to the Retirement System and then forwarded to the applicable Contractor for processing.

() (f)To enroll new members, the Contractor must use the Retirement System'scommon insurance application. This document is currently being drafted and will be delivered to the Contractor at the inception of the contract for review and comment. Again, a contractor may not actually begin enrolling an individual until the application has been certified by the Retirement System.

()(g) In the event MPSERS requests that the HMO determine eligibility and process enrollment applications, the HMO will do so in accordance with 1980 PA 300, MCL 38.1301 *et seq*; MSA 15.893(111) *et seq*.

9. Data

The Retirement System wishes to receive Retirement System-specific encounter data, utilization data and financial and claims date on an annual basis. It is understand that not all Contractors have the capability to provide client-specific data at this time. Accordingly, this will be waived as a requirement. **However, Contractors should be warned that at the end of the pilot program we anticipate that there will be a re-solicitation of Contractors. At that time, it is likely that encounter, utilization and financial data on a Retirement System-specific basis will be mandatory.** Anything in this paragraph notwithstanding, you must provide the Retirement System with copies of Michigan-specific HEDIS reports according to the most current NCQA specifications and
timelines.

II-C. PRICE PROPOSAL

The maximum per person premiums allowed are specified in the sheets attached. All rates quoted will be firm for the duration of the Contract. No price changes will be permitted.

II-D CONTRACT PAYMENT

1. The Retirement System will remit monthly premiums for or on behalf of MPSERS subscribers at the rates specified for coverage in the system approved Contractor's response to this ITB. Premium rates shall not be increased throughout the duration of this contract.

2. The Retirement System will use its best efforts to assure that premiums are pre-paid by it for or on behalf of the subscribers, however, payments made within 45 days of the payment due date shall be considered timely.

3. In the event that premiums for one or more members remain unpaid more than 45 days after the due date, the Contractor shall have the right to cancel this Agreement. Any services rendered or benefits paid during the default period shall be the sole responsibility of the Retirement System. In no event shall the Contractor seek reimbursement from a subscriber without the express written consent of the Retirement System. In the case of an enrollee whose coverage may be continued under provisions of the Consolidated Budget Reconciliation Act of 1986 (COBRA), cancellation under this paragraph (3) shall not apply so long as election of coverage and premium payment is made to the Contractor within the time limits established by COBRA. The contractor will be responsible for administering COBRA to eligible recipients.

PRICING & LOCATIONS

(see e:\common\contract\2001\1001382 pricing.pdf)