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

October 1, 2009

CHANGE NOTICE NO. 8
TO
CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE (517) 347-5709 **Lisa Eggert**
Delta Dental Plan of Michigan Inc. **4100 Okemos Road** **Okemos, MI 48864** **leggert@deltadentalmi.com**	VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Susan Kant (517) 335-3068 **Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- DCS**	
CONTRACT PERIOD: From: **October 1, 2002** To: **June 30, 2010**	
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 June 30, 2010, and INCREASED by $70,000,000.00.

Additionally, effective October 1, 2009, the Administrative Fee per Contract holder per month is $2.80.

All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request, Ad Board approval on 9/30/2009, and DMB/Purchasing Operations' approval.

REVISED CURRENT AUTHORIZED SPEND LIMIT: $601,690,484.00

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
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

August 25, 2009

CHANGE NOTICE NO. 7
TO
CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE (517) 347-5709 **Lisa Eggert**
Delta Dental Plan of Michigan Inc. **4100 Okemos Road** **Okemos, MI 48864** **leggert@deltadentalmi.com**	VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Susan Kant (517) 335-3068 **Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- DCS**	
CONTRACT PERIOD: From: **October 1, 2002** To: **September 30, 2009**	
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 September 1, 2009, the Administrative Fee per Contract holder per month is $2.54. All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request and DMB/Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: $531,690,484.00

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
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

November 26, 2007

CHANGE NOTICE NO. 6
TO
CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE (517) 347-5709 **Lisa Eggert**
Delta Dental Plan of Michigan Inc. **4100 Okemos Road** **Okemos, MI 48864** **leggert@deltadentalmi.com**	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Susan Kant (517) 335-3068 **Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- DCS**	
CONTRACT PERIOD: From: **October 1, 2002** To: **September 30, 2009**	
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 September 30, 2009 and INCREASED by $181,600,000.00. Additionally, the Administrative Fee for FY08 is $2.76 per subscriber, per month. The Administrative Fee for FY09 is $2.80 per subscriber, per month. All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request, Ad Board approval on 11/06/07 and DMB/Purchasing Operations.

TOTAL REVISED ESTIMATED CONTRACT VALUE: $531,690,484.00

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
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

October 15, 2007

CHANGE NOTICE NO. 5
TO
CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Delta Dental Plan of Michigan Inc.** **4100 Okemos Road** **Okemos, MI 48864** **leggert@deltadentalmi.com**	TELEPHONE (517) 347-5709 **Lisa Eggert** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Susan Kant (517) 335-3068 **Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- DCS**	
CONTRACT PERIOD: From: **October 1, 2002** To: **November 30, 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 October 15, 2007, this Contract is hereby EXTENDED through November 30, 2007. Additionally, the Administrative Fee for FY08 is $2.76 per member, per month. All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per agency/vendor agreement and DMB/Purchasing Operations.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $350,090,484.00

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 **September 28, 2007**
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE (517) 347-5709 **Lisa Eggert**
Delta Dental Plan of Michigan Inc. **4100 Okemos Road** **Okemos, MI 48864** **leggert@deltadentalmi.com**	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Susan Kant (517) 335-3068 **Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- DCS**	
CONTRACT PERIOD: From: **October 1, 2002** To: **October 14, 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 October 14, 2007. Additionally, the Contract Compliance Inspector is now:

Susan Kant
Civil Service Commission
(517) 335-3068

Finally, the vendor contact is changed to:

Lisa Eggert
Delta Dental Plan of Michigan Inc.
(517) 347-5709

AUTHORITY/REASON:

Per agency/vendor agreement and DMB/Purchasing Operations.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $350,090,484.00

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
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

July 18, 2006

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE **Tom Dimmer** **(517) 349-6000**
Delta Dental Plan of Michigan Inc. **4100 Okemos Road** **Okemos, MI 48864** **tdimmer@deltadentalmi.com**	VENDOR NUMBER/MAIL CODE **(2) 38-1791480 (001)** BUYER (517) 373-1080 **Melissa Castro** MC
Contract Administrator: Peggy Moczul **Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- DCS**	
CONTRACT PERIOD: From: **October 1, 2002**	To: **September 30, 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):

The attached revised Performance Standards and Guarantees are hereby incorporated into this Contract. All other terms, conditions, specifications and pricing remain unchanged. NOTE: Buyer is now Melissa Castro (517) 373-1080.

AUTHORITY/REASON:

Per agency/vendor agreement and DMB/Purchasing Operations approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $350,090,484.00

1. Performance Standards and Guarantees (Revised 6/1/2006)

As part of the 2002 implementation, the State requires your organization to agree to reduce administrative fees by at least 20%, based on meeting the performance goals outlined below.

Complete the table below. In the column "Expected Standard/Result" state your performance objective and measurement criteria. In the last column indicate the percent of State's annual premium committed to meeting the performance goal. In some instances goals and/or financial standards have been predetermined.

Service Requirements	Expected Standard/Results	% of Admin. Reduction
Network Access	In all States where the SOM has employees, 90% of plan enrollees have access to 2 providers within a 10 mile radius. **Measured on a calendar year basis based on a GeoAccess Analysis report using State's December census. Results will be presented within 75 days after December 31.**	6%
Patient Satisfaction Surveys	The carrier must administer employee satisfaction surveys annually, to a statistically valid random sample of the State's enrollees. The survey instrument must be prepared by the carrier with the State's review. Results will be tabulated by the carrier and reported to the State within 75 days after December 31. We will develop a State-specific satisfaction survey and administer it in September of each year. Results will be reported to the State within 75 days after December 31.	2%
Monitoring of Plan Performance	Ongoing monitoring and periodic reporting of utilization management (UM) plan performance is an essential plan activity. A formal, written and distributed UM program must be in place. The UM program must, at a minimum, contain policy, enforcement, and reporting for the following activities: ▪ Enforcement of encounter form filing requirement. ▪ Clinical review of specialty claims meeting review criteria. ▪ Post-treatment statistical review to identify potentially inappropriate treatment patterns. ▪ Ability to "flag" provider files for focused review. ▪ Regular UM reports provided to the State, as described in this RFP. **Our UM program contains the elements described above. We will provide the State with a calendar year UM report based on our FAMS/Focused Review results.**	4%
Customer Service Response Time	Average speed of answer will be 30 seconds or less. Call abandonment rate will be less than 5%. Measured on a calendar year basis. Results will be reported	2% 2%

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

May 18, 2005

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE **Tom Dimmer** **(517) 349-6000**
Delta Dental Plan of Michigan Inc. **4100 Okemos Road** **Okemos, MI 48864**	VENDOR NUMBER/MAIL CODE **(2) 38-1791480 (001)** BUYER (517) 241-1647 **Irene Pena**
Contract Administrator: Peggy Moczul **Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- DCS**	
CONTRACT PERIOD: From: **October 1, 2002**	To: **September 30, 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):

Please note the following, administrative fee changes:
Effective 10/1/05 administrative fees are $2.89 pepm.
Effective 10/1/06 administrative fees are $2.92 pepm.

AUTHORITY/REASON:

Per DMB/Acquisition Services and agency contact (Peggy Moczul) dated 4/25/05.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $350,090,484.00

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

March 24, 2003

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Delta Dental Plan of Michigan Inc.** **4100 Okemos Road** **Okemos, MI 48864**	TELEPHONE **Tom Dimmer** **(517) 349-6000** VENDOR NUMBER/MAIL CODE BUYER (517) 241-1647 **Irene Pena**
Contract Administrator: Peggy Moczul **Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- DCS**	
CONTRACT PERIOD: From: **October 1, 2002** To: **September 30, 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):

The contract administrator is now:

Peggy Moczul, DCS
Director, Employee Benefits Division
Department of Civil Service
(517) 373-1846

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $350,090,484.00

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 **October 25, 2002**
ACQUISITION SERVICES
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

NOTICE
TO
CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Delta Dental Plan of Michigan Inc.** **4100 Okemos Road** **Okemos, MI 48864**	TELEPHONE **Tom Dimmer** **(517) 349-6000** VENDOR NUMBER/MAIL CODE BUYER (517) 241-1647 **Irene Pena**
Contract Administrator: Rita Swanson **Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- Department of Management & Budget / Office of the State Employer**	
CONTRACT PERIOD: From: **October 1, 2002** To: **September 30, 2007**	
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 ITB #071I2000208, 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.

Estimated One (1) Year Contract Value: **$ 70,018,096.80**
Estimated Contract Value: **$350,090,484.00**

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

CONTRACT NO. 071B3001010
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE **Tom Dimmer** **(517) 349-6000**
Delta Dental Plan of Michigan Inc. **4100 Okemos Road** **Okemos, MI 48864**	VENDOR NUMBER/MAIL CODE
	BUYER (517) 241-1647 **Irene Pena**

Contract Administrator: Rita Swanson

Dental Program for Eligible State Employees, Retirees, and Eligible Dependents -- Department of Management & Budget / Office of the State Employer

CONTRACT PERIOD: From: **October 1, 2002** To: **September 30, 2007**

TERMS	SHIPMENT
N/A	**N/A**
F.O.B.	SHIPPED FROM
N/A	**N/A**

MINIMUM DELIVERY REQUIREMENTS
N/A

MISCELLANEOUS INFORMATION:
The terms and conditions of this Contract are those of ITB #071I2000208, 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.

Estimated One (1) Year Contract Value: $ 70,018,096.80
Estimated Contract Value: $350,090,484.00

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the ITB No. 071I2000208. Orders for delivery of equipment will be issued directly by the Department of Management & Budget through the issuance of a Purchase Order Form.

All terms and conditions of the invitation to bid are made a part hereof.

FOR THE VENDOR:	**FOR THE STATE:**
Delta Dental Plan of Michigan Inc. Firm Name	Signature
Authorized Agent Signature	**Kathryn Jones, Director** Name
Authorized Agent (Print or Type)	**Acquisition Services** Title
Date	Date

DEFINITION OF TERMS

TERMS	DEFINITIONS
Contract	A binding agreement entered into by the State of Michigan resulting from a bidder's proposal; see also "Blanket Purchase Order."
Contractor	Delta Dental Corporation
DMB	Michigan Department of Management and Budget
ITB	Invitation to Bid - A generic form used by Acquisition Services to solicit quotations for services or commodities. The ITB serves as the document for transmitting the RFP to interested potential bidders.
State	The State of Michigan For Purposes of Indemnification as set forth in section I-J, State means the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents.
Blanket Purchase Order	Alternate term for "Contract" used in the State's Computer system (Michigan Automated Information Network [MAIN])
Expiration	Except where specifically provided for in the Contract, the ending and termination of the contractual duties and obligations of the parties to the Contract pursuant to a mutually agreed upon date.
Cancellation	Ending all rights and obligations of the State and Contractor, except for any rights and obligations that are due and owing.

DEFINITION OF TERMS *(con't.)*

TERMS	DEFINITIONS
Work Product	Work Product means any data compilations, reports, and any other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of and in furtherance of performing the services required by this Contract.
OSE	State of Michigan, Office of the State Employer
Coinsurance **Co-pay**	A cost-sharing provision that requires participants to pay a set percentage of total eligible expenses. A cost-sharing provision that requires participants to pay a set dollar amount per service.
Network	Dental service providers under contract to the vendor to provide services.

SECTION I

CONTRACTUAL SERVICES TERMS AND CONDITIONS

I-A PURPOSE

The purpose of this Contract is to provide a self-funded dental program for eligible state employees, retirees and eligible dependents on behalf of the State. The contract is to be for five (5) years, effective October 1, 2002. The selected services provider must provide all staffing, systems, and procedures required to perform the services described herein.

The State offers the State Dental Plan (both traditional and Preferred Provider Organization [PPO]), which requires a modest employee contribution, and a Preventive Dental Plan, (an alternative to the Standard and DMO plans), which is paid at 100% by the State. The State also offers a Dental Maintenance Organization (a DMO), which is paid at 100% by the State, administered by a separate vendor. This DMO plan is not covered by this Contract.

Reimbursement for the Contract will be priced on a fee per enrolled employee/retiree per month basis.

I-B TERM OF CONTRACT

The activities in this Contract cover the initial period **October 1, 2002 through September 30, 2007**. The Contract may be renewable, based on acceptable renewal rates and plan performance, for an indefinite number of extensions of up to two years each beyond this period. 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.

I-C ISSUING OFFICE

This Contract is issued by the State of Michigan, Department of Management and Budget (DMB), Office of Acquisition Services, hereafter known as Acquisition Services, for the State of Michigan, **Employee Benefits Division, Office of State Employer.** Where actions are a combination of those of Acquisition Services and **Office of State Employer,** the authority will be known as the State.

Acquisition Services is the sole point of contact in the State with regard to all procurement and contractual matters relating to the services described herein. Acquisition Services is the only office authorized to change, modify, amend, alter, clarify, etc., the prices, specifications, terms, and conditions of this Contract. The OFFICE OF ASCQUISITON SERVICES will remain the SOLE POINT OF CONTACT throughout the procurement process, until such time as the Director of Acquisition Services shall direct otherwise in writing. See Paragraph II-C below.

All communications concerning this procurement must be addressed to:

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

I-D CONTRACT ADMINISTRATOR

Upon receipt at Acquisition Services of the properly executed Contract Agreement, the person named below or any other person so designated is 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 Acquisition Services. The Contract Administrator for this project is:

Rita Swanson, Director
Employee Benefits Division
Office of State Employer
Department of Management and Budget
P. O. Box 30026
Lansing, MI 48909
SwansonR1@Michigan.gov

I-E COST LIABILITY

The State of Michigan assumes no responsibility or liability for costs incurred by the Contractor prior to the signing of this 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 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 tortious 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 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.

3. 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 use its best efforts to use efficiently any resources or services necessary to provide the services that are separately chargeable to the State;

4. The Contractor will use its best efforts to perform the services in the most cost effective manner consistent with the required level of quality and performance;

5. The Contractor will perform the services in a manner that does not infringe the proprietary rights of any third party;

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

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

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

I-N TIME IS OF THE ESSENCE

The Contractor agrees that time is of the essence in the performance of the Contractor's obligations under this Contract.

I-O STAFFING OBLIGATIONS

The State reserves the right to approve the Contractor's assignment of Key Personnel to this project and to recommend reassignment of personnel deemed unsatisfactory by the State.

The Contractor shall not remove or reassign, without the State's prior written approval any of the Key Personnel until such time as the Key Personnel have completed all of their planned and assigned responsibilities in connection with performance of the Contractor's obligations under this Contract. The Contractor agrees that the continuity of Key Personnel is critical and agrees to the continuity of Key Personnel. Removal of Key Personnel without the written consent of the State may be considered by the State to be a material breach of this Contract. The prohibition against removal or reassignment shall not apply where Key Personnel must be replaced for reasons beyond the reasonable control of the Contractor including but not limited to illness, disability, resignation or termination of the Key Personnel's employment.

I-P WORK PRODUCT AND OWNERSHIP

1. Work Products shall be considered works made by the Contractor for hire by the State and shall belong exclusively to the State and its designees, unless specifically provided otherwise by mutual agreement of the Contractor and the State. If by operation of law any of the Work Product, including all related intellectual property rights, is not owned in its entirety by the State automatically upon creation thereof, the Contractor agrees to assign, and hereby assigns to the State and its designees the ownership of such Work Product, including all related intellectual property rights. The Contractor agrees to provide, at no additional charge, any assistance and to execute any action reasonably required for the State to perfect its intellectual property rights with respect to the aforementioned Work Product.
2. Notwithstanding any provision of this Contract to the contrary, any preexisting work or materials including, but not limited to, any routines, libraries, tools, methodologies, processes or technologies (collectively, the "Development Tools") created, adapted or used by the Contractor in its business generally, including any all associated intellectual property rights, shall be and remain the sole property of the Contractor, and the State shall have no interest in or claim to such preexisting work, materials or Development Tools, except as necessary to exercise its rights in the Work Product. Such rights belonging to the State shall include, but not be limited to, the right to use, execute, reproduce, display, perform and distribute copies of and prepare derivative works based upon the Work Product, and the right to authorize others to do any of the foregoing, irrespective of the existence therein of preexisting work, materials and Development Tools, except as specifically limited herein.
3. The Contractor and its subcontractors shall be free to use and employ their general skills, knowledge and expertise, and to use, disclose, and employ any generalized ideas, concepts, knowledge, methods, techniques or skills gained or learned during the course of performing the services under this Contract, so long as the Contractor or its subcontractors acquire and apply such information without disclosure of any confidential or proprietary information of the State, and without any unauthorized use or disclosure of any Work Product resulting from this Contract.

I-Q CONFIDENTIALITY OF DATA AND INFORMATION

1. All financial, statistical, personnel, technical and other data and information relating to the State's operation which are designated confidential by the State and made available to the Contractor in order to carry out this Contract, or which become available to the Contractor in carrying out this Contract, shall be protected by the Contractor from unauthorized use and disclosure through the observance of the same or more effective procedural requirements as are applicable to the State. The identification of all such confidential data and information as well as the State's procedural requirements for protection of such data and information from unauthorized use and disclosure shall be provided by the State in writing to the Contractor. If the methods and procedures employed by the Contractor for the protection of the Contractor's data and information are deemed by the State to be adequate for the protection of the State's confidential information, such methods and procedures may be used, with the written consent of the State, to carry out the intent of this section.

2. The Contractor shall not be required under the provisions of this section to keep confidential, (1) information generally available to the public, (2) information released by the State generally, or to the Contractor without restriction, (3) information independently developed or acquired by the Contractor or its personnel without reliance in any way on otherwise protected information of the State. Notwithstanding the foregoing restrictions, the Contractor and its personnel may use and disclose any information which it is otherwise required by law to disclose, but in each case only after the State has been so notified, and has had the opportunity, if possible, to obtain reasonable protection for such information in connection with such disclosure.

I-R REMEDIES FOR BREACH OF CONFIDENTIALITY

The Contractor acknowledges that a breach of its confidentiality obligations as set forth in section I-Q of this Contract shall be considered a material breach of the Contract. Furthermore the Contractor acknowledges that in the event of such a breach the State shall be irreparably harmed. Accordingly, if a court should find that the Contractor has breached or attempted to breach any such obligations, the Contractor will not oppose the entry of an appropriate order restraining it from any further breaches or attempted or threatened breaches. This remedy shall be in addition to and not in limitation of any other remedy or damages provided by law.

I-S 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 $300,000.00 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, $300,000.00 annual aggregate.

   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 ASCQUISITON SERVICES, 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 Acquisition Services.

I-T 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-U 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. Approval(s) Rescinded. In the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, section 5, and Civil Service Rule 4-6. Cancellation may be in whole or in part and may be immediate as of the date of the written notice to the Contractor or may be effective as of the date stated in such written notice.

I-V RIGHTS AND OBLIGATIONS UPON CANCELLATION

1. If the Contract is canceled by the State for any reason, the Contractor shall, (a) stop all work as specified in the notice of cancellation, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Work Product or other property derived or resulting from the Contract that may be in the Contractor's possession, (c) return all materials and property provided directly or indirectly to the Contractor by any entity, agent or employee of the State, (d) transfer title and deliver to the State, unless otherwise directed by the Contract Administrator or his or her designee, all Work Product resulting from the Contract, and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or cancellation settlement costs, to the maximum practical extent, including, but not limited to, canceling or limiting as otherwise applicable, those subcontracts, and outstanding orders for material and supplies resulting from the canceled Contract.

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 and if applicable as a separate item of payment pursuant to the Contract, for partially completed Work Product, on a percentage of completion basis. In the event of a cancellation for cause, or any other reason under the Contract, the State will pay, if applicable, as a separate item of payment pursuant to the Contract, for all partially completed Work Products, to the extent that the State requires the Contractor to submit to the State any such deliverables, and for all charges due under the Contract for any cancelled services provided by the Contractor prior to the cancellation date. All completed or partially completed Work Product prepared by the Contractor pursuant to this Contract shall, at the option of the State, become the State's property, and the Contractor shall be entitled to receive just and fair compensation for such Work Product. 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.

3. If any such cancellation by the State is for cause, the State shall have the right to set-off against any amounts due the Contractor, the amount of any damages for which the Contractor is liable to the State under this Contract or pursuant to law and equity.

4. Upon a good faith cancellation, the State shall have the right to assume, at its option, any and all subcontracts and agreements for services and materials provided under this Contract, and may further pursue completion of the Work Product under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

I-W EXCUSABLE FAILURE

1. Neither party shall be liable for any default or delay in the performance of its obligations under the Contract if and to the extent such default or delay is caused, directly or indirectly, by: fire, flood, earthquake, elements of nature or acts of God; riots, civil disorders, rebellions or revolutions in any country; the failure of the other party to perform its material responsibilities under the Contract (either itself or through another contractor); injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of such party; provided the non-performing party and its subcontractors are without fault in causing such default or delay, and such default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans. In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its best efforts to recommence performance or observance whenever and to whatever extent possible without delay provided such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.

2. If any of the above enumerated circumstances substantially prevent, hinder, or delay performance of the services necessary for the performance of the State's functions for more than 14 consecutive days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected services from an alternate source, and the State shall not be liable for payments for the unperformed services under the Contract for so long as the delay in performance shall continue; (b) the State may cancel any portions of the Contract so affected and the charges payable thereunder shall be equitably adjusted to reflect those services canceled; or (c) the Contract will be canceled without liability of the State to the Contractor as of the date specified by the State in a written notice of cancellation to the Contractor. The Contractor will not have the right to any additional payments from the State as a result of any excusable failure occurrence or to payments for services not rendered as a result of the excusable failure condition. Defaults or delays in performance by the Contractor which are caused by acts or omissions of its subcontractors will not relieve the Contractor of its obligations under

the Contract except to the extent that a subcontractor is itself subject to any excusable failure condition described above and the Contractor cannot reasonably circumvent the effect of the subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

I-X 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 Acquisition Services Director.

I-Y 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 Acquisition Services Director has given written consent to the delegation.

I-Z NON-DISCRIMINATION CLAUSE

In the performance of this Contract the Contractor 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-AA MODIFICATION OF SERVICE

The Director of Acquisition Services reserves the right to modify this service during the course of this Contract. Such modification may include adding or deleting tasks that this service shall encompass and/or any other modifications deemed necessary.

This Contract may not be revised, modified, amended, extended, or augmented, except by a writing executed by the parties hereto, and any breach or default by a party shall not be waived or released other than in writing signed by the other party.

The State reserves the right to request from time to time, any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. The Contractor shall provide a change order process and all requisite

forms. The State reserves the right to negotiate the process during contract negotiation. At a minimum, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

1. Within five (5) business days of receipt of a request by the State for any such change, or such other period of time as to which the parties may agree mutually in writing, the Contractor shall submit to the State a proposal describing any changes in products, services, timing of delivery, assignment of personnel, and the like, and any associated price adjustment. The price adjustment shall be based on a good faith determination and calculation by the Contractor of the additional cost to the Contractor in implementing the change request less any savings realized by the Contractor as a result of implementing the change request. The Contractor's proposal shall describe in reasonable detail the basis for the Contractor's proposed price adjustment, including the estimated number of hours by task by labor category required to implement the change request.

2. If the State accepts the Contractor's proposal, it will issue a change notice and the Contractor will implement the change request described therein. The Contractor will not implement any change request until a change notice has been issued validly. The Contractor shall not be entitled to any compensation for implementing any change request or change notice except as provided explicitly in an approved change notice.

3. If the State does not accept the Contractor's proposal, the State may:
   a) withdraw its change request; or
   b) modify its change request, in which case the procedures set forth above will apply to the modified change request.

If the State requests or directs the Contractor to perform any activities that are outside the scope of the Contractor's responsibilities under the Contract ("New Work"), the Contractor must notify the State promptly, and before commencing performance of the requested activities, that it believes the requested activities are New Work. If the Contractor fails to so notify the State prior to commencing performance of the requested activities, any such activities performed before notice is given by the Contractor shall be conclusively considered to be In-scope Services, not New Work.

If the State requests or directs the Contractor to perform any services or functions that are consistent with and similar to the services being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the scope of the Contractor's responsibilities and charges as set forth in the Contract, then prior to performing such services or function, the Contractor shall promptly notify the State in writing that it considers the services or function to be an "Additional Service" for which the Contractor should receive additional compensation.

If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing such services or functions. If the Contractor does so notify the State, then such a service or function shall be governed by the change request procedure set forth in the preceding paragraph.

IN THE EVENT PRICES ARE NOT ACCEPTABLE TO THE STATE, THE CONTRACT SHALL BE SUBJECT TO COMPETITIVE BIDDING BASED UPON THE NEW SPECIFICATIONS.

I-BB 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: ***Thomas Dimmer,*** *Account Manager*
4100 Okemos Rd.
Okemos, MI 48864

For the State: ***Irene Pena,*** *Buyer*
Acquisition Services
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-CC ENTIRE AGREEMENT

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

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-DD 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-EE 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-FF 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-GG 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-HH 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-II 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-JJ 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-KK CONTRACT DISTRIBUTION

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

I-LL TRANSITION ASSISTANCE

If this Contract is not renewed at the end of this term, or is canceled prior to its expiration, for any reason, the Contractor must provide for up to ***60 days*** after the expiration or cancellation of this Contract, all reasonable transition assistance requested by the State, to allow for the expired or canceled portion of the Services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this Contract, (notwithstanding this expiration or cancellation) except for those Contract terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Contractor for any resources utilized in performing such transition assistance at the most current rates provided by the Contract for Contract performance. If the State cancels this Contract for cause, then the State will be entitled to off set the cost of paying the Contractor for the additional resources the Contractor utilized in providing transition assistance with any damages the State may have otherwise accrued as a result of said cancellation.

SECTION II

WORK STATEMENT

II-A BACKGROUND/PROBLEM STATEMENT

The State provides dental benefit services, including a Standard Plan, a PPO, and a Preventive Plan to employees, retirees and their eligible dependents. These plans are currently administered through on a self-funded ASO (Administrative Services Only) basis. Note that changes in certain maximums are scheduled for October 1, 2002 and October 1, 2003. These three plans are covered by this Contract.

Note: in addition, the State also provides a DMO administered by Midwestern, which is **not** included as part of this Contract. Current membership in this plan is approximately 1,200 employees, and this enrollment has been declining in recent years.

The State dental plan covers approximately 57,000 active employees and COBRA participants, plus dependents, as well as 35,000 retirees, plus dependents, for a total of approximately 208,000 eligible members.

(Note: university and public school employees and retirees are NOT included in this Contract.)

II-B OBJECTIVES

The objectives of this dental program Contract is to:

- continue to make available a dental program to active employees, retirees and eligible dependents described in Sec. II-A;
- obtain competitive pricing and effective management for dental program services;
- maintain a high level of member satisfaction with the program;
- obtain timely utilization reporting; and
- provide quality customer service and account service features, including performance guidelines.

The objective of this Contract is to provide and manage the administration of the dental benefit program for the State of Michigan.

II-C TASKS/PLAN REQUIREMENTS

The Contractor must meet the following requirements.

1. Plan Design

The Contractor will be asked to provide the plan design shown in Appendix A, including the scheduled changes noted.

2. Covered Services

Covered services are described in the benefit summaries attached as Appendix A.

3. Administrative Services

Administrative services must include, but need not be limited to, the following:

Information Systems:

- Ability to accept premium deduction and eligibility information from the State for active employee participants in the form of magnetic tapes, diskette, CD-ROM, or a dial-up connection or the Internet. Data for active participants will be supplied through the Human Resource Management Network (HRMN) (format attached as Appendix B).
- Ability to accept eligibility information from the State for retirees in the form of magnetic tapes, diskette, CD-ROM, or a dial-up connection or the Internet. See Appendix B for the pension payroll layout. At some future date, it may be possible to offer retirees the option to perform the premium deductions from the State pension system. It is expected that the vendor will be able to accept a feed from this system, when available.
- Ability to administer eligibility and claims administration in accordance with the plan design.
- Ability to accept COBRA membership
- Compliance with all requirements of HIPAA, including electronic data interchange (EDI), data confidentiality, security, etc.
- Maintenance of records for auditing and management information reporting and analysis.
- Monthly, quarterly and annual reporting, on an accurate, timely basis, of plan activity and experience data to the State.

Financial Arrangements:

- Competitive contracted reimbursement rates with participating providers.
- Maintenance of schedules of maximum payment levels, based on Usual, Customary and Reasonable (UCR) or other basis, for reimbursing non-participating providers.
- A contracted fixed administrative fee per covered employee or retiree per month (the same fee for actives and retirees).
- Accept electronic fund transfers of claims costs on a weekly basis, and administrative fees on a monthly basis.

Participant Services:

- Customized participant communications (with all communications subject to the State's approval).

- Customer service activities to include but not be limited to:
  - Access, at a minimum, for extended hours on business days and limited weekend hours on weekends,
  - a single front-end toll-free telephone number with touch-tone routing (if necessary) for member services to respond to requests for participating provider locations, authorizations for care, inquiries on claims, and complaints about provider practices and services, and
  - a voice response system (if necessary) with a user-friendly menu that customers find easy to understand.
- Initial credentialing, monitoring, auditing, and re-credentialing of network providers (for vendors with network arrangements).
- Quality assurance and utilization management.
- Comprehensive patient and provider education services.

Account Management:

- An assigned account representative, and assigned service representatives, responsive to inquiries, requests and issues raised by the State.
- A clinician (such as a *dentist or dental professional)* available to provide a reasonable amount of clinical advice to the State.

4. Subcontracting

Provisions regarding use of subcontractors are given in Section I-D. The State expects that all essential services associated with delivery of this program will be provided directly by the Contractor, and that use of subcontractors will be minimal, with the possible exception of certain peripheral services such as printing, communications design, etc.

5. Funding

The State shall to fund the dental program on an Administrative Services Only (ASO) basis, for the duration of the Contract.

6. Eligibility

Eligibility information will be maintained by the vendor. Premium deduction and eligibility information for active employees and their participating dependents will be transferred by the State via tape, diskette, CD-ROM, EDI, Email or the Internet on a weekly basis. Eligibility information for pension recipients will be transferred by the Office of Retirement Services via tape, diskette, CD-ROM, EDI, Email or the Internet on a monthly basis. The Contractor must have the capabilities to accept electronic data transfer, and to administer membership information in compliance with HIPAA requirements. The data format for active employees is attached under Appendix B.

7. Performance Standards

The State requires the Contractor to contractually agree to Performance Standards, administrative fees subject to a reduction of a minimum of 20%, subject to performance under those standards. The Contractor is expected to maintain specific documentation to support performance results reported, making it available to the State or it's designated agent. Failure to adhere to these standards, or to take corrective action to meet these standards, may result in termination of the Contract. The objective of these standards is to encourage an acceptable level of performance in key contract administration areas. These include:

- Eligibility,
- Claim turnaround time,
- Claim payment accuracy on both a dollar and per occurrence basis,
- Member satisfaction, and
- Inquiry handling.

a. Eligibility

The Contractor shall update (i.e., additions, deletions, corrections of addresses, names, social security numbers, etc.) eligibility files with the State eligibility input within 2 business days of receipt.

b. Claim Turnaround Time

1. The maximum time period between date of receipt of billings by the Contractor and the date of payment (or denial) is required to be no greater than 10 business days for 90% of all claims, and 20 business days for 99%. Requests for additional data from either the beneficiary or the provider shall be within the same standards.

   The Contractor should make clear their approach to including/excluding claims that require additional data. (For example, some exclude claims from TAT results, while others measure the time from the original submission to resolution after receiving the data and still others count the original (date received through date data is requested) and the new data as separate and independent transactions including both in the TAT results.)

2. The Contractor must ensure that the performance guarantees are measurable using the Contractor's standard systems in place.

c. Claims Accuracy

The State shall audit the Contractor's administration of claims for accuracy. The State's approach has been to audit two (2) Plan Years at one time, conducted within 12 months of the end of the second year audited. This approach may change without prior notice.

The Contractor will not be liable for errors caused by the State, nor will the State be liable for errors caused by the Contractor. The errors will be established by using statistically significant sampling methods resulting in a 95% confidence level with precision of +/- 3%. The State will include adjustments made up to four months after the close of the audited year. If claims samples are selected using a financially stratified methodology, the results will be extrapolated to the entire population of claims during the audit period using a weighted average method for each category.

Financial Payment Accuracy: measures the dollar value of errors. Calculated as total audited paid dollars minus the absolute value of over- and underpayments, divided by total audited paid dollars. The acceptable error rate for the first year of the contract will be 1% (i.e., a 99% accuracy rate), and 0.7% for subsequent contract years (99.3% accuracy rate).

The acceptable error value is the acceptable error rate multiplied by net paid claims during the review period. The standards are as shown below:

FINANCIAL PAYMENT ACCURACY

Review Period	Error Standard as a % of Dollars Paid
Year One	1.0% of net claims
Year Two	0.7% of net claims
Year Three and Thereafter	0.7% of net claims

Payment Incidence Accuracy: Measures the incidence of claims processed without payment error. It is defined as the percentage of audited claims processed without payment error. The definition of error includes any type of error (e.g., coding, procedural, system, payment, etc.) that results in a payment error. It is calculated as the total number of audited claims minus the number of claims processed with "payment" errors, divided by the total number of audited claims. The acceptable error rate for the first year of the Contract will be 3% (97% accuracy rate), and 2.5% (97.5% accuracy rate) for subsequent contract years.

Claims Processing Accuracy: Measures the overall claims processing accuracy, based on whether or not the claims were processed without an error. Claims processing accuracy is calculated as the total number of audited claims minus the number of claims with errors, divided by the total number of audited claims. The acceptable error rate for the first year of the contract will be 5% (95% accuracy rate), and 4% (96% accuracy rate) for subsequent contract years.

d. Inquiry Handling

95% of written inquiries that the Contractor receives either from the State or members will be answered within 5 business days, and 100% within 10 business days. The response time is calculated from the date of receipt by the Contractor to final resolution. Final resolution will be defined as any written response that either resolves the issue or requests additional information in order to resolve the issue.

100% of phone inquiries will be returned within 24 hours.

The inquiry telephone line for members will have no more than 5% lost calls.

The inquiry telephone system must maintain sufficient staffing to respond to telephone calls by not allowing in excess of 30 seconds on hold for more than 90% of the calls received.

At least 85% of participants must be satisfied with the Contractor's customer service. This will be determined through periodic Patient Satisfaction Surveys (see table under Performance Standards and Guarantees") with the question(s) identified, and approved by the State, in the survey for measuring this standard.

8. Systems and Reporting Requirements

a. Claim Information

Maintenance of detailed claims information is necessary to facilitate claims review and cost containment functions. It is also essential to produce reports to be submitted to the State for use in effectively administering the program.

Data collected on behalf of the State program is not to be distributed to any party without the written consent of the State and is not to be used by the Contractor for any purposes unless specifically approved by the State. All data identifying specific enrollees or their dependents are highly confidential and are to be treated accordingly.

b. Contractor/State Interface

The following are additional Contractor requirements related to the necessary systems interface between the Contractor and the State.

1. Capability to accept the State's computerized enrollment files (see Appendix B) and pension recipient data and process change transactions to maintain up-to-date information for claims certification.

2. A staff of systems professionals to provide timely programming required to implement system changes and produce reports.

3. Designation of a high-level management staff member to serve as liaison for systems related matters.

4. Ability to interface directly with the State's personnel information system, through a secure access method implemented with the State. The pension payroll will not be accessible.

c. Reports

The State expects to receive the Contractor's standard report package and those reports described below. Failure to adhere to the timeframes indicated will result in reductions in administrative fees.

- Monthly reports, including:
  - A brief summary (in letter form) of significant activities, issues or problems identified or addressed during the month, or anticipated in subsequent months,
  - Claims Report, showing claims paid in the month, split by plan (Standard, PPO, and Preventative), split between Actives, COBRA, and Retirees, and by major category of service (preventative, restorative, major procedures, orthodontia, etc.), showing number of claims, plan charges, employee copays, and plan payments.
  - Claims "lag" report, accumulated year-to-date,
  - Number of subscribers and number of dependents covered, split between Actives, COBRA and Retirees, by tier (EE/Ret only, w/Spouse, etc.),
  - Produced within 30 calendar days of the end of the month,
  - Monthly administrative fees will be reduced a minimum of 5% if this report is not available within the timeframe stated.

- Quarterly reports, including:
  - Quarterly and YTD summaries of Monthly Claims Report.
  - A report on the PPO plan, showing in-network and out-of-network utilization.
  - Utilization review summaries, which provide the following items:
    … number of reconsideration claims submitted and length of time (in days) to make reconsideration,
    … reversal rate for necessity decisions for both internal reconsideration and external appeals,
  - Network management report, including the following items:
    … number of providers identified as requiring further investigation,
    … number of providers for which more details were requested and are currently pending, with number concluded with no adverse recommendations,
    … percent of providers reviewed in monitoring patterns of abuse,
    … average time from identification of the problem to conclusion of the investigation,
    … number of complaints made and number unresolved,
    … summary of all reconsiderations and appeals, and
    … number of providers and ratio of providers to claims.
  - Produced within 60 calendar days of the end of the quarter,
  - The quarterly administrative fees will be reduced a minimum of 5% if this report is not available within the timeframe stated.

- Annual Report (results through September 30th), including:
  - Management summary,
  - Full financial and enrollment experience, including the items shown in monthly and quarterly reports, summarized to an annual basis,
  - Totals accumulated by ADA procedure codes, split plan, by Actives, COBRA and Retirees, showing services, charges, employee copayments, and payments,
  - Claims coordinated, split by claims coordinated with the State-sponsored health plans, and by spouse's employer-sponsored medical and/or dental plans,
  - Produced within 90 calendar days of the end of the year,
  - Annual administrative fees will be reduced a minimum of 5% if this report is not available within the timeframe stated.

9. Network Match

The Contractor is to maintain a network of preferred dental providers in areas where State employees and retirees reside. A data disk of the detailed enrollment information, including zip codes, is available, as described in Appendix D.

General standards are at least two dentists within 10 miles in urban/suburban areas and two dentists in 20 miles in rural areas. (see Section IV-D, 5). GeoAccess reports should be run separately for active employees and retirees.

10. Communication Materials

Contractor will prepare and cover the cost of all announcements, letters, notices, brochures, forms, postage and other supplies and services for U.S. mail distribution to employees and retirees homes.

The State will have approval of drafts of communication materials. All information/ materials must be approved by the State prior to use.

11. Audits

It is the State's intention to periodically (no less often than once every three years) perform on-site audits of plan administrators. The Contractors shall make records associated with the administration of the State plan available to, and must cooperate with, such auditors and audits as the State may designate. The Contractor should maintain and make available to the State's auditors one or all of the following claim source documents for audit, after which the Contractor, at its discretion and subject to local statutes regarding maintenance of documentation, may destroy or maintain the claim documentation:

- Paper claim submission - Original document or microfilm or print-out of imaged claim document
- Optical Character Recognition (OCR) - Copy of original paper document

- Electronic Data Interchange (EDI) - Documentation in a readable format of original submitted data as it appeared when received by administrator.

The State's current approach as been to audit two (2) Plan Years at one time, conducted within 12 months of the end of the second year audited. For example, for plan years October 1, 2002 through September 30, 2004, the State would request an audit of dental claims to be completed by September 30, 2005. This approach may change without prior notice.

II-D PROJECT CONTROL AND REPORTS

l. Project Control

a. The Contractor will provide these services under the direction and control of the Office of the State Employer.

b. Although there will be continuous liaison with the Contractor team, the contract administrator will meet quarterly during the first contract year as a minimum, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.

c. The Contractor will submit, as part of the monthly report (see II-C 8.c) brief written summaries of significant activities during the month, issues or problems, real or anticipated, which should be brought to the attention of the client agency's project director, and significant activities anticipated for subsequent months.

II-E PRICE PROPOSAL

All rates quoted by the Contractor will be firm for the duration of the Contract. No price changes will be permitted.

II-F CONTRACT PAYMENT SCHEDULE

The specific payment schedule for this Contract will be mutually agreed upon by the State and the Contractor. The schedule should show due dates for premiums. As a general policy statements shall be forwarded to the designated representative by the 15th day of the following month.

SECTION III
CONTRACTOR RESPONSE

III–A STATEMENT OF THE PROBLEM

The State of Michigan wants a qualified dental benefits administrator who can administer the State's Standard, PPO and Preventative Dental Plans on a self-insured basis beginning October 1, 2002.

Delta Dental Plan of Michigan agrees to meet all of the State's requirements as stated throughout ITB #071I2000208, and we accept all elements of that invitation to bid.

As the State's current contractor, we fully understand the State's unique contractual requirements and its expectations for our panels of participating dentists, our program administration, our service and our reporting. As in the past, we are committed to meeting and exceeding those requirements and expectations.

We value the lengthy relationship we have with the State and its employees and retirees. Since 1982, we have administered your plans in accordance with your requirements. The overall results of a 2000 audit by William M. Mercer Incorporated were positive, with the audit report noting that "the State is receiving highly accurate administration of their dental benefit plan." We have included a copy of this audit report as Exhibit B in the Exhibits section of this proposal.

As well, we have provided the State with expert benefit consultation and enhanced the State's Dental Plans as appropriate. For example, the State in 1988 became the first group in the Midwest to adopt our DeltaPreferred Option (point-of-service) program and provide participants with the advantages available through Michigan's two largest panels of participating dentists. This program has been highly successful, saving both the State and State Dental Plan participants money while providing participants with improved benefits.

We are proud of this track record. And you can be assured that we will continue to dedicate all of the resources needed to ensure the level of expertise to which you have become accustomed while we have administered your dental plans.

III–B MANAGEMENT SUMMARY

1. Narrative

We are proposing our DeltaPreferred Option USA (point-of-service) program for the State's employees and retirees.
This is an extension of your existing program that will allow you to provide the advantages available through Delta Dental's comprehensive panels of participating dentists to State Dental Plan participants throughout the United States. State Dental Plan participants in Michigan already enjoy these advantages.

More than 107,000 dentists in more than 132,000 dental offices throughout the United States and its territories participate in DeltaPremier, while more than 42,000 dentists in more than 55,000 dental offices participate in DeltaPreferred Option. As a result, State Dental Plan participants will enjoy unparalleled access to participating dentists.

Our panels of participating dentists form the cornerstone of our cost and care management program. Delta Dental Plans saved more than $2.1 billion for their groups through this program in 2000. (2001 savings are not yet available.)

Our full-time participating agreement requires that all of our participating dentists accept their fee or the maximum fee allowed by their local Delta Dental Plan, whichever is less, as full payment for covered services. This guaranteed acceptance ultimately reduces claim costs for our groups and their group members. And it eliminates the problem of balance billing.

Participating dentists also agree to abide by our processing policies, which prevent cost shifting of inappropriate charges to our subscribers.
Almost 100 of our processing policies (policy numbers ending in 00-49) state that our participating dentists cannot balance bill their patients for the services if we determine the services to be unnecessary or inappropriate. We have included a copy of our processing policies as Exhibit C in the Exhibits section of this proposal.

Ten of our processing policies saved $1,450,724 for the State last year. We have provided a chart on the following page:

Policy #	Description	Savings
102	A panographic radiograph with bitewings is the same as a full mouth series and is paid as such.	$56,842
109	The fee for diagnostic casts is part of the fee for the restorative or prosthodontic procedure.	$37,522
201	Payment is made for a surface once within a 24-month period, regardless of the number or combination of restorations placed on that surface. An allowance was made deducting the fee for the restoration that was previously paid.	$95,604
207	Payment is made for a surface once within a 24-month period, regardless of the number or combination of restorations placed on that surface. Procedure code and/or surface(s) were changed/denied based upon the surfaces previously paid.	$798,496
271	Dental Dental's records indicate that a crown was provided for this tooth within the past five years. Additional restorations are not a benefit except under special consideration, by report.	$39,146
569	Specialized techniques are not covered benefits.	$66,782
702	The patient's history indicates that this tooth was previously extracted.	$191,646
900	Palliative treatment is not a benefit when any other service is provided on the same date except radiographs and tests necessary to diagnose the emergency condition.	$21,296
906	This fee is part of the fee for the total procedure.	$87,324
952	General anesthesia/I.V. sedation is not payable in conjunction with the services performed and/or reasons documented.	$56,066

Our contracts with our participating dentists are the cornerstone of our cost management program. They give us the industry's most effective controls on costs and care. And our contracts require full-time participation by dentists, rather than participation on a case-by-case basis, like some other carriers. That means Delta Dental can prevent them from shifting excess charges to their patients.

2. Technical Work Plans

We have included the PERT-type display you requested on the following page. This chart outlines the steps that will be needed for us to implement your program successfully.

Implementing a program of this size and scope normally would require an extraordinary amount of effort. We would need to establish key computer systems contacts, transfer your eligibility and claims history information from your previous carrier and load it into our system, establish your group records in our

system, establish banking arrangements, create your contract, print claim kits and customized benefit booklets for plan participants and train our staff on your program specifications before we could begin processing your claims. We would also need to notify dentists that we were taking over your program.

We have already done all of this. Because we are currently administering your program, very few implementation steps are needed.

After an initial implementation meeting, we will extend your contract to September 30, 2007. We will let dentists know through an article in our quarterly newsletter that we are continuing to administer the State's Dental Plans. And on October 1, 2002, we will continue processing your claims as we always have – quickly and correctly.

If the State of Michigan expands its current scope to include our DeltaUSA program, there is a simple additional plan to communicate the benefits of this program to out-of-state participants. (In-state participants will not notice a change.)

We will also plan to meet with the State of Michigan and William M. Mercer Incorporated to review the State's expectations to ensure that we continue to meet and exceed them.

3. Key Personnel/Account Management

We will continue to provide the State with dental plans that are managed efficiently and effectively by experienced professionals who are familiar with your program requirements.

We have included a copy of our corporate organizational chart as Exhibit D in the Exhibits section of this Contract, and most of the employees who appear on this chart will continue to work closely with the State's Dental Plans.

Chuck Floyd, who currently manages the State account and will continue to do so, appears on this chart as well. Tom Dimmer, who currently services your account and will continue to do so, reports to Chuck Floyd.

4. Subcontractors

We do not currently use subcontractors in the service of the State's contract, nor do we intend to do so in the future. We contract directly with both DeltaPremier and DeltaPreferred Option dentists, rather than relying on so-called "rental networks."

We do use a combination of our own staff dentists and part-time contracting dentists to review difficult claims for us.

III–C QUESTIONNAIRE

1. Company Overview

A. Provide a brief history of your organization. Describe the number of years your organization has been in business, the number of years it has been providing dental benefit services, and the number of covered members in each of the past three years.

Delta Dental Plan of Michigan is a nonprofit dental care corporation specializing in dental benefits. We were initially incorporated (as Michigan Dental Service Corporation) 45 years ago, and we began administering our first dental programs 41 years ago.

We currently cover more than 3.5 million people in more than 1,800 groups, making us the Midwest's largest and most experienced dental benefits carrier. With the Delta Dental Plans of Ohio and Indiana, our affiliates, we cover more than 4.5 million people in almost 3,500 groups.

Number of covered members as of:	Michigan only	MI, OH and IN
o **12/31/2001**	3,504,433	4,556,820
o **12/31/2000**	3,419,702	4,291,531
o **12/31/1999**	3,100,206	3,796,594

B. Describe your company's dental care philosophy, and approaches to provider contracting, administration, quality control and customer service.

Delta Dental's corporate purpose is to improve oral health, while our mission is to be the number one dental plan – setting the standard against which all other dental plans are measured – and a major force in improving the oral health of the public.

To improve oral health, we work to provide dental care for the underserved in our communities – through partnerships with the State of Michigan that make dental care more accessible to children, through the Delta Dental Fund, and through our corporate community relations programs. For example:

- We contracted with the Michigan Department of Community Health in 2000 to administer a demonstration project called Healthy Kids Dental, which replaced a portion of the state-administered Medicaid dental program. This program now serves more than 113,000 children and young adults in 37 counties.

- We were one of the first dental carriers to participate in MIChild, a program developed by the State of Michigan in 1998 to provide low-cost health and dental coverage to the state's uninsured children who do not qualify for Medicaid. We currently cover more than 15,500 children under our MIChild program.

- We formed the Delta Dental Fund in 1980 to promote the improvement of oral health, encourage advances in dentistry and support dental education and research. Since then, the Fund has granted $6 million toward the advancement of dental science and the improvement of the oral health of the public and awarded nearly $500,000 in research grants.

- We contribute both time and money to charitable organizations throughout the state and encourage our employees to do the same.

To achieve our goal of setting the standard against which all other dental plans are measured, it is essential that we provide our groups and their group members with the best value possible for their dental benefits dollars.

This process begins when we choose and credential our participating dentists. Before we will permit any dentist to participate in our panels, he or she must agree to comply with the terms of our participating agreement and meet our credentialing standards.

Of course, we expect the dentists who render treatment under our programs to provide care that is both needed and rendered within accepted standards of dental practice. We can monitor their practice patterns and the quality of the dental care they provide through the use of sophisticated technology, including automated edits built into our state-of-the-art claims processing system and IBM's Fraud and Abuse Management System software.

We use technology in other innovative ways to bring additional value to our programs. Our e-commerce initiatives (like our Dental Office Toolkit and our soon-to-be-released Benefit Managers Toolkit) and a comprehensive data warehouse that provides us with more and better information help to save our groups money and decrease our administrative costs.

Technological advances also allow people to access information about our programs in a variety of ways, including through our Web site and our automated DASI system. Our DASI system is available 24 hours a day, six days a week, and can handle the majority of the routine inquiries we receive. This frees our expert Customer and Claims Services representatives to spend time on more difficult inquiries.

Without human expertise, however, any amount of sophisticated technology is wasted. Because we specialize in dental benefits, we have more than 600 employees who are dental benefits experts. In fact, our employees have an average of more than 11 years of experience with our company. As a result, we can offer our groups unmatched expertise.

We believe our approach to providing the best dental benefit programs possible works. And our results substantiate this belief: We retain nearly 99 percent of our subscribers each year, demonstrating the continued satisfaction of our groups.

C. Describe any features of your organization that distinguish it from your competitors, and why the State should consider selecting your organization over other dental care vendors.

There are a number of valuable features that distinguish us from our competitors:

- *Because our corporate purpose is to improve oral health, there is no confusion about our priorities. Dental benefits are our top – and only – priority. And having a licensed dentist as our president and CEO makes this priority even more clear.*

- *We can provide State Dental Plan participants with access to two of the nation's largest panels of participating dentists. More than 107,000 dentists throughout the United States and its territories participate in DeltaPremier, while more than 42,000 dentists participate in DeltaPreferred Option.*

- We can provide national benefit administration with an important local presence:

  - Network development takes place at the local level, enabling local Professional Relations representatives to work directly with the dentists in their states and more readily respond to their unique concerns.

  - Each individual Delta Dental Plan establishes its fee levels, enabling us to use payment levels that obtain the largest discounts with the greatest access. Our participating dentists agree to accept their fee or the maximum fee approved by their local Delta Dental Plan, whichever is less, as full payment for covered services.

- *In addition to competitive fee agreements, we have processing policies to ensure that State Dental Plan participants receive appropriate and necessary dental care and that program abuses like upcoding and unbundling are managed effectively. Our participating dentists agree to abide by all of these policies. Our competitors focus on fee agreements alone.*

- We invented and reinvented dental claims review. We have moved away from reviewing all claims with specified procedure codes to a highly focused review process that zeroes in on claims submitted by dentists whose practice patterns are significantly different from their peers.

- *We are committed to quality in every aspect of our operation. The best illustration of this commitment is our project to obtain ISO 9001:2000 certification. Because there are no accreditation programs (such as NCQA and HEDIS) for free-standing dental programs, we are working to fill this void with objective outside confirmation of our quality. Deloitte and Touche will begin an on-site audit of our operations against the ISO certification requirements April 29.*

While all of these features provide reasons why the State should consider selecting us over our competitors, we can add one final reason: We are the State's current carrier, and we are doing a good job. We have served the State professionally, efficiently and effectively for almost 20 years. And we would value the opportunity to continue doing so.

D. Provide your current standings for the following measures:

- **A.M. Best rating and financial size category, and history of these over the last 5 years,**
- **Standard and Poors claims paying ability or qualified solvency rating,**
- **Moody's financial strength,**
- **Duff and Phelps claims paying ability.**

Standard & Poor's rated us in 1998, 1999, 2000 and 2001 through their public information rating process, and we received financial strength ratings of BBBpi each time. We expect our upcoming interactive S&P rating (scheduled for summer 2002) to result in an A rating, which is comparable to that received by other Delta Dental Plans with financial reserves similar to or less than ours.

A.M. Best, Moody's and Duff and Phelps have not rated us. (Most financial rating organizations have not made it a practice to rate nonprofit corporations, as their standards are generally designed to measure the performance of for-profit entities.

2. Account Servicing

A. What office do you propose to use to service the State's dental plan? From which of your office(s) will claims be paid?

State of Michigan account manager Chuck Floyd and service manager Tom Dimmer both work out of our main office at 4100 Okemos Rd., Okemos, MI 48864, which is conveniently located just 11 miles from the State's Group Insurance department.

With the exception of electronic claims, which are sent directly to our Okemos office, claims are sent to and data entered at our office at 27500 Stansbury St., Farmington Hills, MI 48334. We then transfer them electronically to our Okemos office for adjudication and payment.

B. Describe, in two paragraphs or less each, your services for the following:

- **routine administrative support, including attendance at meetings with the State as needed,**

Account manager Chuck Floyd and account service manager Tom Dimmer will continue to work proactively with the State of Michigan Group Insurance department to keep the State updated on program administration issues and trends in dental benefits and technology. They will also continue to attend regularly scheduled service meetings and make themselves available to the Group Insurance department on an as-needed basis.

- **clinician resources (may be a dentist or dental professional) available for a reasonable amount of consultation.**

We have four licensed dentists on our staff full-time, including Thomas J. Fleszar, D.D.S., M.S., our President and CEO. Jed Jacobsen, D.D.S., M.S., M.P.H., the director of our Professional Review department, will be available to the State as needed for consultations.

Dr. Jacobsen joined Delta Dental in 2001, bringing with him an enormous amount of experience in the dental field. Dr. Jacobsen has a D.D.S. degree and a master's degree in oral diagnosis-radiology from the University of Michigan. He also has a master's degree in public health, specializing in health services administration, from the University of California. Dr. Jacobsen has had a long and distinguished career in the field of dental education, including various academic appointments at the University of Michigan School of Dentistry and the UCLA School of Dentistry, most recently as an associate professor and an assistant dean.

3. Plan Design

A. Confirm that your proposal adheres strictly to all components of the current plan design described in Appendix A.

Yes. Our proposal adheres to all components of the current plan design.

B. Some State employees and retirees reside outside the United States (chiefly in Canada). Discuss the availability of dental services in Canada, including issues relating to coordination of services with Canadian governmental health plans (such as OHIP).

We will cover services rendered in Canada where applicable. Although we do not have participating dentist panels in Canada at this time, State Dental Plan participants can go to nonparticipating dentists under the DeltaPreferred Option USA (point-of-service) programs we have proposed.

We will coordinate benefits with Canadian governmental health plans as applicable. If needed, we manually convert the primary payment from Canadian dollars to U.S. dollars, using the currency exchange rate listed in the Wall Street Journal as of the date of service. Our system automatically calculates and generates our payment.

4. Customer Service

A. Describe your hours of operation, including times available: Describe your hours of operation, including times available:

i) Member inquiries – "live" customer service representatives

Our Customer and Claims Services representatives are available Monday through Friday from 8:30 a.m. to 7:50 p.m. Eastern Time.

ii) Member inquiries - voice messages

Callers can use our automated DASI (Delta's Automated Service Inquiry) system Monday through Saturday, 24 hours a day to get answers to many routine inquiries. If they call outside of staffed hours with an inquiry that DASI cannot answer, they can leave us a message. We will return their call the next working day.

iii) Member inquiries – emergencies

Because people covered under DeltaPreferred Option USA (point-of-service) are free to seek treatment from any available dentist at any time, emergency access to our Customer and Claims Services department is not necessary.

Our automated DASI system is available Monday through Saturday, 24 hours a day. Callers can speak to a Customer and Claims Services representative at any time during our normal business hours (Monday through Friday from 8:30 a.m. to 7:50 p.m. Eastern Time).

iv) Account administration – assigned client/service managers

Account manager Chuck Floyd and service manager Tom Dimmer are generally available Monday through Friday from 8 a.m. to 5 p.m. Eastern Time. They can be available at other times as needed by the State. We will continue to provide the State with their direct line phone numbers, cell phone numbers and e-mail addresses.

If either is unavailable because of another commitment, they will respond to e-mail and voice mail within 24 hours.

v) Provider inquiries.

Dentists can call our DASI system Monday through Saturday, 24 hours a day, to get eligibility information, benefit information (including time limitations and available benefits for oral exams, cleanings and X-rays), claim status information and our mailing address.

They can exit DASI to speak to a Customer and Claims Services representative at any time during normal business hours (Monday through Friday from 8:30 a.m. to 7:50 p.m. Eastern Time).

We also have a Web-based Dental Office Toolkit that enables dentists to submit claims and predeterminations, edit and delete submitted claims, check claims status, receive and review electronic payments, retrieve benefit information and check eligibility information on-line 24 hours a day, seven days a week.

B. CONFIRM THAT THE STATE WILL HAVE A TOLL FREE NUMBER.

Yes. State Dental Plan participants can continue to call us at (800) 524-0150.

C. Do you currently provide automated interactive telephone communication service? Describe the menu available to callers and indicate if a touch-tone phone is required or if a voice-response feature is available. If available for our review, please provide the phone number, and sample id/login.

Yes. Our automated DASI system is available Monday through Saturday, 24 hours a day. Although callers currently need a touch-tone phone to use this system, we are working toward providing voice-response capabilities in 2003.

Callers using DASI can:

- Press one to get eligibility information, group benefit information or a list of participating dentists faxed to them within minutes (DASI can also mail them a list of participating dentists.) They can also press one to hear eligibility information, group benefit information, claims status information, a list of participating dentists or our mailing address. DASI can provide:
  - Eligibility information for subscriber, spouse and dependents
  - Available benefits for oral exams, cleanings and X-rays
  - Annual and lifetime maximums used to date
  - Deductible amounts met
  - Copayment levels
  - Time limitations
- Press two if they have other inquiries. We will connect them to a Customer and Claims Services representative during our normal business hours. At other times, they will get a message asking them to call back during normal business hours.
- Press three if they are from a dental office and need help with our Dental Office Toolkit.
- Press six if they speak Spanish. We will connect them to a Customer and Claims Services representative during our normal business hours, and he or she will use a translation service to assist them. At other times, they will get a message asking them to call back during normal business hours.
- Stay on the line if they have a rotary dial phone. We will connect them to a Customer and Claims Service representative during our normal business

hours. At other times, they will get a message asking them to call back during normal business hours.

We have added a fictitious subscriber named John Smith to the State of Michigan (#8700) effective January 1, 2002. You can review his benefit information and our DASI system by calling (800) 524-0150 and using Social Security number 211-11-1111.

(Once you have had an opportunity to review DASI, we will terminate John Smith's eligibility back to the effective date of January 1, 2002, so the State will not have to pay for his coverage.)

D. Provide information about your customer service representatives and address the following points:

i) education requirement

We require our Customer and Claims Services associates, advisors and advisor trainees to have education equivalent to a high school diploma.

Associates and advisors must have an approved dental certificate or nine months of experience in our Customer and Claims Services department as advisor trainees. They also must pass a test on dental terminology and procedures.

ii) experience requirement

Advisor trainees must have one to three years of customer service experience, preferably in a call center.

Advisors must have a year of experience in chairside dental assisting or nine months of experience in our Customer and Claims Services department as advisor trainees.

Associates must have three years of experience in our Customer and Claims Services department as advisors or dental auditors. They must be cross-trained as both advisors and dental auditors.

iii) initial training program

We have a Customer and Claims Services training specialist who trains each of our new representatives.

Advisor trainees spend an average of two to three weeks taking a seven-unit Introduction to the Practices of Dentistry course. They must pass this course with an 85 percent or higher to advance to advisor training.

Advisors spend an average of four weeks in training on:

- Our computer system and telephone system
- Our products, processing policies and procedures
- Telephone etiquette and customer service skills
- Claims processing and adjustments
- Eligibility processing and adjustments
- Dentist information
- Group information
- Fraud awareness

During this training, our advisors also learn about any large groups we have that require special handling, including the State of Michigan. Once formal training is completed, we monitor them while they take telephone calls until we determine that they can handle incoming calls on their own.

Associates spend an average of six weeks in training on how to audit claims.

iv) on-going education

Our training specialist provides ongoing training to our Customer and Claims Services representatives in small groups as needed when we make changes to established procedures or add a group that requires special handling. She will provide additional training for individual representatives if our quality control specialist identifies an area of concern.

Our Customer and Claims Services department also holds monthly staff meetings to ensure that our representatives receive regular updates on company events that could have an impact on the service we provide. The updates include information about new groups.

In addition, we are committed to providing a culture of continuous learning for all of our employees, a concept strongly tied to assuring quality. We encourage each of our employees to get at least 40 hours of continuing education each year, and we provide many educational opportunities on-site. In addition, we offer a generous tuition reimbursement program.

v) turnover rates

Last year, the turnover rate among our Customer and Claims Services representatives was 7.1 percent. The majority transferred to other departments within our company.

E. What are your telephone standards for response time, abandonment rate and time on hold? What were your actual results compared to these standards for the last year?

	Standards	2001 results
Average speed of answer	30 seconds or less	28 seconds
Abandonment rate	5% or less	1.8%
Time on hold	Same as average speed of answer	

F. Do you employ computer-assisted telephone answering capability? If so, is there default to an individual operator? If so, how long does it typically take to reach a live operator?

Yes. Once callers choose to speak to a Customer and Claims Services representative, an automatic call distribution system ensures that the first available representative handles their call quickly and efficiently.

Last year, it took an average of 59 seconds to connect to a human being. This time was unusually high as a result of the time we spent cross-training our associates to perform both customer service and claims processing functions. However, cross-training has given us the flexibility to move them where they are needed most at any given time, enabling us to serve our groups, group members and dentists faster and more efficiently.

G. Do customer service representatives have real-time on-line access to (a) eligibility? (b) claims history/status? (c) benefit descriptions? (d) status of question/complaint?

Yes. Our representatives have on-line, real-time access to all of the above.

H. Based on the potential number of eligible lives, what is your anticipated customer service unit staffing plan for both the initial enrollment, and for ongoing customer support?

We have a total of 116 employees in our Customer and Claims Services department: a manager, four supervisors, a training specialist, an operations specialist who is responsible for quality control, seven analysts, 68 associates, 25 advisors, a dental auditor, four utility clerks, two claims clerks, a customer service clerk and a secretary.

Because we currently administer the State's Dental Plans, we are already staffed at a level that is appropriate to accommodate the State's employees and retirees.

I. Describe the process established to handle written inquiries from participants and plan sponsors including tracking procedures and follow-up steps.

To provide the best service possible, our Customer and Claims Services representatives handle written inquiries daily. We currently use a basic tracking system to log written inquiries in and out. However, we are putting an advanced tracking system into place later this year. Under this system, we will have the

ability to track who contacted us, when they contacted us, the type of question they asked, who handled the inquiry for us and how the inquiry was resolved.

J. Describe special customer services developed for the following participants:

i) seniors

Because we currently cover more than 500,000 retirees in retiree-only groups or subgroups, we are skilled in handling the special needs of senior citizens. In fact, retirees comprise almost 25 percent of our primary subscribers.

Our Customer and Claims Services representatives receive special training on how to handle calls from seniors. Among other things, we teach them to speak slowly, to explain information in depth and to be prepared to spend more time than usual on the call.

We can provide our groups with large-type versions of our subscriber materials at no additional cost. We currently provide the State with a large-type customized benefit booklet for its retirees.

ii) non-English speaking

Our Customer and Claims Services department has contracted with a translation service to accommodate callers who speak Spanish. If it becomes evident that we need to accommodate callers who speak other languages, we will do so. In addition, we have translated subscriber materials into Spanish on request.

iii) hearing impaired

Our Customer and Claims Services department has telecommunications device for the deaf (TDD) equipment that enables our representatives to communicate effectively with hearing-impaired callers.

iv) visually impaired.

We can provide our groups with large-type versions of our subscriber materials at no additional cost. We currently provide the State with a large-type customized benefit booklet for its retirees.

K. Describe your quality assurance or audit program for customer service and the grievance system that will be in place for participants. Who is responsible for the quality of the customer service unit? What monitoring results would be made available to the State?

A claim appeal usually begins when someone contacts our Customer and Claims Services department with a concern. If the problem cannot be resolved at this level, we forward the claim to a dental consultant for a determination of the appropriateness of the procedure or a clarification as to the coverage under the terms of the contract.

Contractual limitations and exclusions are not subject to a determination of dental necessity. Our Customer and Claims Services department responds to concerns in these areas immediately.

Our call management system provides daily, weekly and monthly reports that enable us to evaluate both individual and departmental performance. These reports include information about the number of calls received, average speed of answer, average talk time and abandon rate.

A quality control specialist listens to calls to monitor our Customer and Claims Services representatives for the quality of the service and the accuracy of the information they are providing. We also monitor their telephone etiquette, their verbal and written communication skills, their dental knowledge and their Delta Dental knowledge.

Customer and Claims Services supervisors meet with each of our representatives on an ongoing basis to share the results of our reviews, provide telephone statistics and let the associate know what he or she is doing well and where there is room for improvement.

In addition, our call tracking system enables us to capture information about who contacted us, the date(s) they contacted us, the type of contact, the type of question they asked, who handled the inquiry for us and how and whether the inquiry was resolved.

Later in 2002, we will be able to report aggregate information to our groups, like number of calls, average number of inquiries per subscriber and how and why a group's subscribers are contacting us.

Toni Roberts, the manager of our Customer and Claims Services department, is ultimately responsible for the department's performance.

L. Describe services available through a website, including on-line resource directories, coverage information, etc. If currently active and available for our review, provide the web address. Describe any expected enhancements.

Delta Dental is always looking for additional ways we can provide our groups, group members and dentists with outstanding service. Recognizing the growing influence of the Internet, we began expanding our e-service capabilities several years ago.

Our Web site at www.deltadentalmi.com contains a wealth of information, including Michigan dentist directories, links to DeltaUSA dentist directories, product information, lists of frequently asked questions and oral health tips. People can also use our Web site to send questions to our Customer and Claims Services department.

In addition, a Web-based Dental Office Toolkit enables dentists to check benefit and eligibility information, submit claims and predeterminations, edit and delete submitted claims, check claims status and receive and review electronic payments.

Future enhancements to this site include:

- A Benefit Managers Toolkit (scheduled to be launched this quarter) that will allow our groups' Human Resources staffs to add and update eligibility information, check and confirm benefit levels and perform other self-service functions. Later, this Toolkit will offer billing and reporting functionality.

We have included screen shots of this Toolkit as Exhibit E in the Exhibits section of this proposal.

- A Subscriber Toolkit (to follow the Benefit Managers Toolkit) that will allow participants to check and confirm their benefit information, review their eligibility information and perform other self-service functions.

M. Describe all methods used to determine participant satisfaction. Indicate the frequency of surveys. Indicate if account-specific satisfaction surveys are available. Provide results of the most recent book-of-business survey.

We monitor the satisfaction of our subscribers in a variety of ways. Calls to our Customer and Claims Services department provide us with a gauge of subscriber satisfaction, as do survey responses.

We survey DeltaPremier and DeltaPreferred Option participants annually to measure their satisfaction with us and with our panels of participating dentists. About 97 percent of the people who responded to our most recent subscriber satisfaction survey in November 2001 indicated that they were satisfied with their Delta Dental program on an overall basis. More than 91 percent indicated that they were satisfied or very satisfied with Delta Dental. And 97 percent indicated that they would recommend Delta Dental to others.

We have included survey results as Exhibit F in the Exhibits section of this proposal.

We also survey our subscribers on an average of every three years as part of the corporate tracking study we commission. The most recent such study was conducted by Yee/Minard & Associates between January and March 2000.

We will conduct State of Michigan–specific satisfaction surveys annually as requested in your Invitation to Bid.

5. CLAIMS ADMINISTRATION

Please complete the following for the office which will process the State's claims and indicate which office will be responsible:

		Claims Processing Accuracy (number of claims)[2]		
	Financial Payment Accuracy (Dollars)[1]	**Payment Accuracy Rate**	**Procedural Accuracy Rate**	**Overall Error Rate**
2000 Objectives	99%	97%	None	95%
2000 Results	99.64%	98.65%	99.38%	98.03%
2001 Objectives	99%	97%	None	95%
2001 Results	98.15%	99.01%	99.26%	98.28%

[1]Percentage of audited claims paid accurately (do not subtract underpayments from overpayments)

[2]Percentage of audited claims processed accurately. Show overall breakout and payment and non-payment (procedural and coding) results.

NOTES:

All claims will be adjudicated at our main office at 4100 Okemos Rd., Okemos, MI 48864.

For the first time in more than 10 years, our financial accuracy rate in 2001 fell below our corporate standard of 99 percent. This was due largely to an error on a single high-dollar claim in the second quarter. We took corrective action immediately, and we have enhanced our quality control activities in the department where this error occurred.

A 2000 audit by William M. Mercer Incorporated of a sample of the State of Michigan's claims showed financial, payment and processing accuracy rates of 100 percent.

Complete the following for the office which will process the State's claims and indicate which office will be responsible:

	Turnaround Time Results - Claims Processed	
	% within 0 to 14 calendar days	% within 0 to 30 calendar days
2000 Objectives	85% within 10 working days	None
2000 Results	**92.1% WITHIN 10 WORKING DAYS**	98.18% within 21 working days
2001 Objectives	**85% WITHIN 10 WORKING DAYS**	None
2001 Results	**93.6% WITHIN 10 WORKING DAYS**	98.34% within 21 working days

NOTES:

All claims will be adjudicated at our main office at 4100 Okemos Rd., Okemos, MI 48864.

Our system tracks turnaround time in working days, so the conversion to calendar days is not exact. Instead, 10 working days converts to 14.6 calendar days, while 21 working days converts to 30.66 calendar days.

Will the State have the direct dial number of the claims supervisor so a human resources representative may contact the supervisor directly without going through the customer service toll free number?

Yes. If needed, the State can contact Toni Roberts, the manager of our Customer and Claims Services department, by calling (517) 347-5755.

The State can also call (517) 347-5265 for direct access to Customer and Claims Services representatives who are very familiar with the State's Dental Plans.

Has your claim processing system undergone any major changes in the past two (2) years? If so, please describe any significant changes that are scheduled for implementation during:

1) **the next 12 months; and**
2) **the next 5 years.**

Our staff programmers constantly update our claims processing system to respond to changes in the marketplace, including regulatory changes such as HIPAA. We are on schedule to comply with HIPAA requirements by the required dates.

The last major upgrade to our system took place in October 2000, when we converted to an Amdahl 745 Millennium server.

In addition, we are currently rewriting our system in phases to provide even more functionality and flexibility, as well as reduced operating costs and real-time claims processing. We currently anticipate completing the rewrite in early 2004.

Among other features, the system rewrite will provide:

- *A state-of-the-art design that allows for decreased maintenance costs, increased speed and the flexibility to incorporate future enhancements as required by the changing needs of our customers. It will also provide us with enhanced ability to integrate with other internal and external systems.*

- *A sophisticated search-and-matching process to further reduce the number of claims that require manual review or reprocessing because a match on the patient could not be made initially. This matching process will also reduce the number of eligibility data submission errors.*

- *A credentialing database that is integrated with the dentist subsystem, thereby improving the efficiency and reliability of our credentialing process.*

- *Automatic address updates, further reducing administrative costs*

- *Fax, e-mail and Web capabilities*

- *Improved reporting capability*

Is payment released on approval day? Do you batch claims for payment? How frequently are payments released to employees? Providers?

If a completed claim is entered into our mainframe by 10 a.m. and requires no manual review, it will be adjudicated before noon. More than 70 percent of the claims we receive are processed without any manual intervention.

If the dentist submitted the claim electronically, we will print the payment check and EOB the following morning and postmark them that day. Otherwise, we pay each dentist's claims weekly based on his or her zip code, and we will print and postmark the payment check and EOB on the appropriate day for that dentist. This enables us to batch claim payments.

We can also pay dentists who submit claims through our Dental Office Toolkit via electronic funds transfer.

We follow this schedule regardless of whether we are paying the dentist or the employee. However, we make about 80 percent of our payments directly to dentists.

What information does your system maintain on spouse's employment, date of birth, other coverages, etc., for COB purposes? Do you have computer edit checks or triggers to initiate COB application? What are they?

Because COB information can change frequently, we do not maintain this information in our system at this time. However, our system rewrite (see D above) will enable us to retain a COB indicator in the patient record at an individual group's request. If this indicator is turned on and a claim comes in without COB information, we will question it.

What is your average COB recovery rate (Please describe how the rate is calculated) for the last five years?

Please see the chart below:

Year	***Savings***	***Percentage of submitted charges***
2001	*$34,798,471*	*2.3%*
2000	*$30,818,874*	*2.3%*
1999	*$29,395,548*	*2.6%*
1998	*$27,301,640*	*2.7%*
1997	*$25,094,312*	*2.9%*

What are your average savings from COB, expressed as a percent of total claims cost?

We saved almost $35 million (3.6 percent of total paid claim dollars) on our book of business in Michigan, Ohio and Indiana through our COB procedures in 2001.

Can EOB messages be customized for a client? Can they be changed quickly?

Yes. We can provide group-specific EOB messages on request. The messages will appear on all EOBs generated for a given group and can be changed as needed.

Describe your procedures for notifying the State of any appeal process.

Only 28 of the more than eight million claims we processed in 2001 were formally disputed through our disputed claims review procedure. We will notify you of any appeals and provide documentation as required.

What type of back-up coverage for claims administration can you guarantee when absences occur within the claim unit? What type of back-up will be provided for claims administration that you can guarantee when problems arise within your claim office(s)?

Because capacity issues within dedicated claim units can cause a lower level of service than is acceptable to our groups or to us, we do not use them for any of our groups. We have found we can provide our groups with the best service possible when all of our employees are available to assist them.

Management staff in our Okemos and Farmington Hills offices receive a number of regular reports that enable them to monitor our performance against our claims turnaround time standards. During periods of particularly heavy utilization or high turnover, we may use temporary reassignments or overtime to ensure that we continue to meet our standards.

We protect against loss of data and damage to equipment with state-of-the-art safeguards built into our data center. These include modern electrical systems and fire suppression equipment. We also protect against power outages by providing for more than four hours of standby battery power using a rotary UPS system.

In addition, we make daily backups of all application databases. We keep a full week of backups off-site and have a service contract with a local vendor to provide 24-hour delivery of off-site data to our data center or our disaster recovery hot site. We make an extra weekly backup of our system and store it across the state in case a regional disaster affects both us and the local vendor that stores our daily backups.

Finally, we have a business resumption contract with Sungard Recovery Services Inc., that covers our mission critical systems, including our claims processing platform, and enables us to continue critical business functions during a disaster.

Our disaster recovery plan provides for the physical space and computing infrastructure necessary to resume data center operations in one of Sungard's hot site facilities. We are committed to having our systems restored and in operation for all our business associates within 48 hours of the time we declare a disaster with Sungard.

Please describe the transition process for ensuring accurate application of the following:

i) Lifetime orthodontic maximum
ii) Annual deductible
iii) Annual maximum
iv) Work in progress

Because we currently administer the State's Dental Plans, this question is not applicable as it pertains to current State Dental Plan participants.

Where applicable, we will cover multiple-step services such as crowns, bridges and dentures for a new State Dental Plan participant when they are completed (as defined in our contracts and certificates) after the participant's coverage begins. We will also make quarterly payments for orthodontic treatment in progress after reviewing the case in question to determine our exact payment obligation.

6. Quality Monitoring and Utilization Management

A. Do you have a formal, documented quality program? Provide information which describes the program as it currently exists. Provide details regarding each of the following areas:

Yes. We have a formal, documented quality assurance program. Please see below for details:

i) Program structure, components and procedures

At Delta Dental, quality is not an initiative or program – it is our way of doing business. Our quality policy is simple but powerful:

Bringing quality to all we do

We believe this policy truly embodies the spirit of what has made us successful and a major force in improving oral health.

The best illustration of our commitment to quality is our project to earn ISO 9001:2000 certification. Compliance to the ISO standards is not a requirement of our customers, of our industry or of any regulatory or governing body. However, we believe it is imperative that we be at the forefront of registration for service organizations.

The ISO 9000 series is a set of three related standards on quality management and quality assurance. These standards were developed to effectively document the quality system elements to be implemented to maintain an efficient and effective quality system.

Deloitte and Touche will begin an on-site audit of our operations against the ISO certification requirements April 29. Upon successful completion of this audit, we will receive a registration certificate that identifies our quality system as being in compliance with ISO 9001.

We have made significant progress and are on target to achieve certification next month.

A formal process improvement program is an important aspect of ISO certification and maintenance of a quality management system. We implemented a process improvement program in 1996 after identifying administrative cost reductions as a key issue in the annual business plan.

We concluded that budget cutting was a short-term solution to a long-term problem and could erode our outstanding levels of service. Our management committee agreed that we could attain the required levels of efficiency and effectiveness by improving our business processes.

In addition, this committee established strategic goals for the process improvement program:

- Reduce administrative rates
- Generate excess capacity through efficiencies to allow growth without adding resources.
- Use technology where cost effective to enable process improvement
- Meet required service levels to customers
- Reduce non-value added administrative burdens on the dental profession
- Maintain and/or enhance value to our customers
- Eliminate non-value added processes wherever possible

Over time, these goals have served to direct many of our other initiatives and activities.

ii) Indicators currently measured and tracked

Our efforts to conform to ISO standards have assisted us in developing formal objectives where informal or undocumented measures previously existed. Continued improvement in this area will further enhance the measurement and tracking of corporate indicators.

The following are key corporate quality indicators:

- Customer service representative accuracy
- Customer service average speed of answer
- Customer service abandonment rate
- Claims data entry operator accuracy
- CRT operator accuracy
- Mail clerk accuracy
- Claims processing accuracy
- Claims payment accuracy
- Claims financial accuracy
- Claims turnaround time
- Subscriber satisfaction
- Dentist satisfaction

iii) Program documentation

Each of our quality indicators is documented and reported on by the department responsible for that indicator. This documentation is available internally on our Intranet as part of our quality management system.

iv) Program reporting (please describe both internal management reports and reporting to clients). Include copies of sample reports.

Most of the reports we produce through our quality assurance program are for our internal use only. We can provide reports of our performance against key quality indicators on request.

v) Two examples of problems that were identified, corrected and improved through follow-up action

Our process improvement program (PIP) teams have been very productive in identifying improvement opportunities. To date, they have offered more than 170 recommendations for consideration. These recommendations are in various stages of completion due to the wide variation in their costs, difficulty or complexity. However, the following are examples of completed improvements resulting from PIP recommendations:

- We successfully cross-trained our Customer and Claims Services associates, which resulted in our ability to quickly deploy resources according to greatest need. We trained our dental auditors to answer inquiries and trained our advisors to audit claims. This change has resulted in greater job satisfaction, better service to customers and increased understanding (for both the dental auditors and advisors) of the entire process.

- We created a new group implementation team that is responsible for meeting with new or potential groups early in the implementation process to identify and plan for customer requirements. This team is credited with creating smoother implementations and increasing customer satisfaction.

B. Who is responsible for your quality assurance program? If this is a committee function, how often does it meet?

At Delta Dental, every employee is responsible for maintaining the highest levels of quality. To enable this to happen, we rely on the leadership and expertise of multiple functional areas, including our management committee, our Corporate Audit and Quality Assurance departments and individual departments/process owners.

Laura L. Czelada, the director of our Corporate Audit and Quality Assurance departments, is ultimately responsible for quality assurance.

A certified public accountant and a graduate of Michigan State University, Ms. Czelada has worked at Delta Dental for the last 10 years. She is held management positions in both our Accounting and Corporate Audit departments.

She was promoted to director of our Corporate Audit and Quality Assurance departments, in 2001 where she oversees our company's quality, compliance and auditing activities. A member of our management committee, Ms. Czelada serves on the board of governors of the National Health Care Anti-Fraud Association and is a member of the American Institute of Certified Public Accountants and the Michigan Association of Certified Public Accountants.

C. Describe your utilization management (UM) program including:

i) UM plan and protocols

Utilization management is a sophisticated and delicate balance of statistics, dental knowledge and interpretive analysis. While it would be easy for us to use a standard set of criteria and eliminate dentists from our panels based on a specific standard deviation from the norm, it would not be fair or ethical. It also would not be in the best interest of those we serve.

In the past, we used traditional utilization analysis, fraud detection, contract compliance and behavior modification methods. However, we found that these techniques were intrusive to the profession, lacked a scientific dental basis, reached only a small portion of the profession, failed to account for differences in accepted dental practice and patient demographics, and were only mildly successful.

We decided that the only truly effective process would be to develop a system to evaluate treatment and billing patterns based on scientific knowledge and review claims on a pre-payment basis. This would prevent the payment of fraudulent or abusive claims and enable us to educate and modify the behavior of dentists at the same time.

We combined the extensive knowledge of our dental, audit, actuarial and claims processing staff to develop this system. As a result, we are able to highlight unusual treatment and billing patterns, provide useful and interpretive data, and review claims on a pre-payment basis.

The data mining/analysis tool that has allowed us to advance in this area is IBM's Fraud and Abuse Management System (FAMS). This system was developed to evaluate health care fraud, primarily medical fraud and abuse. We selected it because it allowed us to add dental criteria.

We have created approximately 200 dental criteria for evaluating treatment and billing patterns. We use FAMS to identify potentially fraudulent patterns, evaluate utilization, develop our panels of participating dentists and, most importantly, to focus our attention on our high-risk claims and dentists on a pre-payment basis. We refer to this program as focused review.

Through our FAMS/focused review process, we evaluate the treatment and billing pattern of every dentist who submits a claim to us within a one-year period. Each year, we develop a plan to determine the national regions, dental specialties, procedures and timing for our reviews. We plan carefully to ensure that we compare similar areas, dentists, group benefit levels and any other factors that can influence treatment and billing patterns.

Based on our annual plan, we create reports and forward them to our Professional Review department, where the dentists who have been identified for further review are systematically placed on a special routing.

When we place a dentist on focused review, our system automatically routes incoming claims to one of our dental consultants. Our consultants can review the patient history, request any additional clinical information they believe is necessary and make a payment determination.

For any given dentist, we can route claims with a specific procedure code, a range of procedure codes or all procedure codes. In rare cases (usually an open case with law enforcement), we can route the claims to our Corporate Audit department.

Our ultimate goal is to educate and modify behavior through this process. This can occur on a variety of levels.

The fact that we have requested x-rays and documentation alerts the dentist that he or she is under review. If that alone does not alter the dentist's behavior, our dental consultants may question his or her treatment patterns by mail, phone or in person. Correspondence from our Corporate Audit department, anti-fraud coordinator and Quality Assurance committee comes next.

Since we implemented this process, the percentage of savings from our dental consultant review process has doubled.

In addition, our Corporate Audit staff monitors FAMS reports on an on-going basis. Our FAMS project manager, a licensed dentist with both a clinical and an information systems background, is highly qualified to evaluate FAMS reports and identify dentists for further investigation. We have several employees who investigate the outliers.

When we document a substantial problem, we remove the dentist from our panels if he or she is participating and turn the case over to law enforcement. Since we implemented FAMS/focused review in 2000, we have doubled the number of cases we submit to law enforcement.

ii) UM benchmarks/standards

FAMS is a sophisticated data mining and reporting tool that has the ability to sort through millions of claims lines and thousands of dentists in minutes, bringing to light treatment and billing patterns that would not be identifiable in any other way. It systematically ranks dentists in relation to their peers within specific geographic regions, specialties, groups or any other parameter we choose to define.

FAMS pulls its data from our data warehouse based on features and driver tables we have defined.

Features are potential fraud and data indicators and can be as simple as the number of procedures and as complex as a comparison of dental procedures. Some are designed to focus on billing discrepancies such as claims submitted out of order (an indication of date-of-service manipulation) and Sunday/holiday visits, while others track average charges per patient, per family, per visit and many more.

The driver tables contain definitions such as age, size, and amount. They also contain a duration table in which we have defined the average amount of time required to complete each dental procedure.

From that table, we can identify the number of hours billed in a day. This has proved very effective in identifying unusually high claims submissions, which are an indication of both fraudulent billing and poor quality.

Our driver tables also define very young and very old, since our experience has shown that excessive billing patterns in this area can indicate a problem.

We defined features and driver tables based on our more than 20 years of experience in investigating fraud and abuse. Our Corporate Audit department worked extensively with the dentists in our Professional Review department to develop features that address unusual treatment patterns. And, recognizing the need for ongoing dental expertise, we hired a dentist to oversee this project.

As a result, we have created features for evaluating treatment and billing practices that are unmatched by any of our competitors. Our ability to evaluate utilization patterns is virtually limitless.

iii) UM program reporting (please describe both internal management reports and reporting to clients; include sample client reports)

In developing this system, we created reports that clearly identify the whole dental practice. This is critical for a proper interpretive analysis of the data. Users of these reports can quickly review where a dentist ranks within his or her peer group and possible reasons for the ranking.

For example, we developed features to provide information on the average age of patients within a practice and the average of patients within each procedure classification. This is useful for evaluating a dentist who ranks outside the norm for a specific procedure classification.

In the example of crown usage, the dentist report card would show where the dentist ranks for crown usage. It would also show factors that may explain the usage and data about the dentist's patients. This includes such information as the average age of patients in the practice, the average age of the patients in that practice receiving crowns, the number of crowns and the number and percentage of patients receiving crowns.

In addition to the numerous hard copy reports, FAMS has extensive on-line visualization techniques. Users have the ability to access information through numerous statistical techniques and drill down from there into the dentist's report card and claims level detail.

Due to the confidential nature of this information, these reports are for our internal use only. However, we are always willing to meet and discuss overall utilization patterns and any aspect of the FAMS/focused review process with you.

D. Please answer the following regarding your UM/professional claims review process:

i) Percentage of dental claims referred to the dental (clinical) review area.

About 30 percent of the claims we receive require manual review for many reasons, including procedure codes that trigger manual review, attachments such as X-rays or error correction. Because we can target claims for review through FAMS, only three percent of the claims we

receive need to be routed to our Professional Review department for review.

ii) Percentage of dental claims (as a % of total claims volume) that are referred to a dental consultant (dentist)

Our dental consultants review about one-half of one percent of the claims we receive.

iii) Criteria used to refer claims to the dental review area. (If procedure code driven, please list procedure codes used. You may attach an exhibit, if you wish.)

We have found that a broad-based approach to claims review wastes administrative dollars and unnecessarily burdens both dentists and patients. Through our focused approach, we identify dentists whose claims submission behavior is significantly different from that of their peers. We then review those dentists' claims carefully.

Please see C. above for more information about our FAMS/focused review process.

iv) Description of the dental review process from the time a claim edits out for review, through dental consultant decision and final adjudication.

Our state-of-the-art claims processing system has enabled us to automate a significant portion of our review process. By developing our system to perform the majority of our reviews, we can improve internal efficiencies and increase the consistency of our claims payment decisions while managing our customers' and subscribers' costs. At the same time, we can find claim irregularities that require additional review by an appropriate professional and focus on them.

If a claim requires additional review, the level of review required to approve or deny it may fall short of review by a dental consultant. (For example, other employees with dental backgrounds can deny claims based on contractual judgments.)

However, it is important to note that only dental consultants can deny claims based on professional dental judgments. If a professional dental judgment is needed, we will forward the claim to our Professional Review department for review by a dental consultant.

The consultant review process varies based on the type of claim reviewed. For example, a consultant reviewing a claim for a crown would consider:

- Whether the degree of fracture or decay warrants a crown

- Whether periodontal support indicates a questionable five-year prognosis
- If the endodontic treatment needs to be redone before the crown is placed
- What optional restoration is allowable if the tooth does not warrant a crown

Once the consultant completes the review and makes his or her determination, the claim is returned to our system for adjudication.

v) Provide an estimate of cost savings due to utilization management (dental review). Itemize the breakdown, if available (e.g., x% due to application of alternate benefit provision, x% due to denial based on medical necessity, total % saved.)

Because our focus is on front-end fraud detection using our FAMS/focused review process, it is hard for us to track the cost savings. We roll them into our other cost management activities and report them to our groups on our Executive Cost Management Summary.

However, we saved more than $8 million on our book of business in Michigan, Ohio and Indiana last year just by having our dental consultants apply our processing policies to claims. Overall, we saved more than $560 million last year through our cost management activities.

E. Describe the qualifications of the dental consultants who review claims. What is your method of assuring standardization of consultant review decisions?

Our dental consultants must be licensed dentists with a minimum of 10 years' experience in clinical dentistry practice. Specialists must have a license and credentials in their specialty. The consultant review process varies based on the type of claim reviewed, but we have established protocols for each type of claim to be reviewed.

F. Do you have an appeal mechanism in cases of denial of benefits or referrals? If so, please describe.

Yes. A claim appeal usually begins when someone contacts our Customer and Claims Services department with a concern. If the problem cannot be resolved at this level, we forward the claim to a dental consultant for a determination of the appropriateness of the procedure or a clarification as to the coverage under the terms of the contract.

Contractual limitations and exclusions are not subject to a determination of dental necessity. Our Customer and Claims Services staff responds to concerns in these areas immediately.

If the claim is still denied after the initial appeal, the subscriber can follow our disputed claims procedure, which is outlined in our standard certificates, by sending a written appeal statement to our dental director. If our dental director denies the claim, the subscriber can then appeal to Delta Dental Plan of Michigan's Administration Committee by filing a written request for review.

7. Data Reporting

A. Provide a sample of your Standard Report Package and summarize the title, purpose and frequency of each report in a separate chart. Indicate availability of reports on tape, diskette, CD-ROM, Internet, or on-line transmittal.

We currently provide the following monthly reports to the State of Michigan. While we currently provide hard copies, we can also provide them via e-mail, CD-Rom or BBS. We have provided samples as Exhibit G in the Exhibits section of this proposal.

Report	Purpose
Claims Activity	Shows the total dollar amounts of claims paid and refunded and actual payment for actives and retirees.
Cost Containment Activities	Shows the State's savings as a result of our Professional Review activities and COB procedures.
Claims Experience	List benefits paid (both number of cases and the total amount), claim cases pending (number of cases and reserves – both estimates) and claims reserve estimates.

In addition, we present an annual report to the State of Michigan's Group Insurance department during the annual accounting meeting. Our Actuarial department develops and presents this report, which includes the information indicated below.

While we currently provide hard copies, we can also provide this report via e-mail, CD-Rom or BBS. We have included a sample of this report as Exhibit H in the Exhibits section of this proposal.

Report	Purpose
Executive Summary	Provides an overall picture of the financial and claims processing aspects of the State's Dental Plans for the fiscal year.
Incurred Claim Summary	Summarizes paid claims and average number of eligibles, along with reserve estimates.

Exhibit I	Provides an explanation of cost containment activities, payment report and claims experience reports.
Exhibit II	Summarizes the utilization of State Dental Plan benefits. This report separates retirees, their spouses and their dependents from active employees, their spouses and their dependents.
Exhibit III	Shows separate paid claims data for services provided by DeltaPreferred Option (PPO) dentists and non-PPO dentists, as well as totals.
Exhibit IV	Shows the dental costs in a bracket format, with ranges of total contract year paid claims dollars per claimant.
Exhibit V	A turnaround report, detailed monthly, for State Dental Plan claims. This compares our turnaround time with the corporate standard of claims processed within 10 working days.
Exhibit VI	Shows our performance against the current performance standards outlined in the State's contract and amendments.

B. Provide a sample or description of additional reporting capabilities. Information on fees should be provided as part of the Price Proposal (IV-G).

We can provide any or all of the following additional reports as requested in the State's Invitation to Bid. We can provide them monthly, quarterly or annually unless otherwise indicated. We can provide each report via hard copy, e-mail, CD-Rom or BBS.

Report	***Purpose***
FAMS/Focused Review (Annually)	*Provides an overview of our FAMS and focused review programs specific to the State and outlines the State's savings from focused review.*
Summary of submitted and paid claims by procedure code	*Details the amounts submitted, paid by the plan and paid by the patient per procedure code*
Group census detail	*Shows the number of subscribers, spouses and children with age breakdowns.*
Group Activity Report #1	*Shows the number of claims, plan payment, patient payment, deductible amounts for paid claims, in-for-payment (IFP), and pre-determinations by employee, spouse, child and orthodontics.*
Group Activity Report #2	*Shows when the claims that were paid for that month were incurred.*
Group Activity Report #7	*Provides COB information and shows the Delta Dental primary pay and secondary pay amounts, patient pay*

	and other pay for each subscriber's claims payment.
Claims and Administration	*Provides the number of primary subscribers, paid claims and administration expenses for the group for the requested time period.*
Census Data	*Provides the number of employees, spouses, children and family distribution by month for the requested time period.*
Paid Claims per Subscriber	Provides the number of subscribers, amount of paid claims and amount of paid claims per subscriber for the requested time period.
Number of Claims Per Subscriber	*Provides the number of subscribers, number of claims and number of claims per subscriber for the requested time period.*
Incurred Claims Per Subscriber	*Provides the number of primary subscribers and amount of claims that have been incurred and paid as of the current download month for the requested time period.*
Paid Claims by Treatment Category	*Distributes paid claim dollars and number of transactions among treatment categories and family members by participating and nonparticipating dentists.*
Group Activity Migration (Quarterly or Annually)	*Shows the amount of services provided by PPO and non-par providers.*
Executive Cost Management Summary	*Shows Delta Difference savings, contract savings and savings from amounts that were the patient's responsibility, along with total submitted dollars, total paid dollars and total savings.*

We have included samples of these reports as Exhibit I in the Exhibits section of this proposal.

C. Describe on-line reporting/management capabilities. Provide sample printouts from your on-line system. Information on fees should be provided as part of the Price Proposal (IV-G).

WE ARE LAUNCHING A WEB-BASED BENEFIT MANAGERS TOOLKIT LATER THIS QUARTER THAT WILL ALLOW OUR GROUPS' HUMAN RESOURCES STAFFS TO ADD AND UPDATE ELIGIBILITY INFORMATION, CHECK AND CONFIRM BENEFIT LEVELS AND PERFORM OTHER SELF-SERVICE FUNCTIONS. (WE HAVE INCLUDED SCREEN SHOTS OF THIS TOOLKIT IN THE EXHIBITS SECTION OF THIS PROPOSAL.)

THE SECOND PHASE OF THIS TOOLKIT SCHEDULED FOR 2003 WILL PROVIDE OUR GROUPS WITH REPORTING FUNCTIONALITY.

UNTIL THEN, WE ARE UNABLE TO OFFER THE STATE ON-LINE REPORTING CAPABILITIES.

8. Samples

A. Enclose samples of your standard employee communication material (including videos, if available).

We currently provide the State with customized benefit booklets for both active employees and retirees, and we will continue to do so. We have included samples as Exhibit J in the Exhibits section of this proposal.

B. Provide a sample of the master contract and any attendant agreements that would be issued to SOM by your organization.

In your Invitation to Bid, you have noted that Acquisition Services, Department of Management and Budget, will prepare a contract for us to sign. This is acceptable to us. However, if this is not the case, we can prepare a contract for the period beginning October 1, 2002.

We have included a sample of one of the State's current contracts with us as Exhibit K in the Exhibits section of this proposal.

9. PROVIDER NETWORKS

For your proposed network of participating providers, please complete the following.

A. For dental providers with which you have negotiated discounts, identify:

i) the numbers and types of participating providers in Michigan (by county, if it varies), Florida, Arizona and Texas.

We have provided this information as Exhibit L in the Exhibits section of this proposal.

ii) Discounts offered nationally and in Michigan, Florida, Arizona and Texas, overall and by type of provider.

Please see the chart below:

	DeltaPreferred Option	*DeltaPremier*
Nationwide	*20.45%*	*5.82%*
Arizona	*17.16%*	*5.88%*

Florida	*29.34%*	*9.82%*
Michigan	*24.89%*	*5.60%*
Texas	*20.72%*	*18.54%*

iii) Portion of current services provided in-network, both nationally, and in Michigan, Florida, Arizona and Texas.

Please see the chart below:

	DeltaPreferred Option (point-of-service)		**DeltaPremier**
	DPO dentist	DeltaPremier dentist	
Nationwide	20.48%	64.25%	89.63%
Arizona	19.12%	75.97%	94.69%
Florida	31.51%	30.45%	63.81%
Michigan	16.52%	78.82%	92.86%
Texas	22.79%	36.29%	60.39%

iv) whether plan enrollees have preferential access to provider services.

This is not applicable to this RFP per Attachment 5 of ITB#071I2000208.

v) whether the use of participating providers affects dental policy benefit payments and/or the maximum duration of benefits.

Under the State's Preventive Dental Plan, the benefit levels remain the same whether participants go to participating dentists or nonparticipating dentists. Under the State's other plans, the benefit levels for some services are higher when participants go to DPO dentists.

The use of participating dentists does not affect the maximum duration of benefits.

In addition, people who go to nonparticipating dentists will be responsible for any difference between our payment and the dentist's fee. (Participating dentists are not permitted to balance bill their patients.)

B. Describe your process for selecting and credentialing participating providers, including a description of professional and malpractice standards, verification of education, experience and license status, law suits and complaints.

At Delta Dental, network development takes place at the local level. That way, local Professional Relations representatives can work directly with the dentists in their states and more readily respond to their unique concerns. This give us a crucial edge in putting together the strongest, most client-sensitive network structure in the country.

As a result, our DeltaPremier program has the largest participating dentist panel of its type in the industry, while our DeltaPreferred Option program has one of the largest participating dentist panels of its type.

More than 107,000 dentists in more than 132,000 locations throughout the United States and its territories participate in DeltaPremier, while more than 42,000 dentists in more than 55,000 locations nationwide participate in DeltaPreferred Option.

Each Delta Dental Plan selects, credentials and recredentials their participating dentists as needed using procedures that meet the Delta Dental Plan Association's minimum standards.

We select dentists who are willing to comply with our contractual requirements and meet our credentialing standards. Dentists who cannot meet these standards are not permitted to participate in our programs.

In addition, we are beginning to use IBM's Fraud and Abuse Management System software to target prospective participating dentists. We will make an effort to recruit dentists whose practice patterns fall within desired parameters.

To credential a DeltaPremier or DPO dentist, each Delta Dental Plan must review and document:

- License
- Specialty, if applicable
- Malpractice insurance
- State and local licensing board actions
- Infection control/OSHA requirements

To credential a DPO dentist, each Plan must also review and document:

- Malpractice/professional liability history
- Litigation history

Each Plan must require its participating dentists to maintain appropriate amounts of malpractice coverage. The actual amounts vary based on local needs. Here in Michigan, we require participating dentists to maintain malpractice insurance in an amount of not less than $200,000 for injury to, or death of, any one person and an amount of not less than $600,000 for injury to, or death of, more than one person in any one year.

We generally use secondary sources to verify dentists' credentials, as we have found that secondary-source credentialing provides the same assurances of quality care in an open-panel program as primary-source credentialing. If we have

concerns about the information provided to us by a prospective participating dentist, we can query the National Provider Data Bank.

C. Describe your ongoing provider communication, education and service programs.

The Delta Dental system deploys a team of Professional Relations representatives who are dedicated to developing and maintaining our participating dentist panels. Based at the individual Delta Dental Plans, they work closely with the dentists in their states and can more readily respond to the dentists' unique concerns.

As a result, we can tailor our communication, education and service programs to the needs of the dentists in a given area. Here in Michigan, we use many methods to communicate with, educate and service dentists and dental office staffers. For example:

- *We offer continuing education seminars to our participating dentists. Presented by experts from across the country, these seminars help contribute to the advancement of dentistry. Dentists who cannot attend the seminars can check out videotapes on most topics and receive the same continuing education credits.*

- *We conduct workshops as needed to give dentists and their staffs detailed information about specific policies and procedures. A dentist's manual gives them the information they need to fill out and file claim forms correctly. And a quarterly newsletter helps them stay current with changes in our programs without taking too much of their time.*

- *Our Professional Relations representatives regularly visit dental offices throughout Indiana to recruit dentists for our panels, provide information pertaining to our programs, policies and procedures and resolve problems.*

Of course, our DASI system enables dentists to check benefit, eligibility and claims status information 24 hours a day, six days a week. And our Dental Office Toolkit enables them to submit claims, check claims status, review eligibility and benefits and review claim payment statements on-line 24 hours a day, seven days a week.

In addition, the Delta Dental Plans Association is working with its member plans to build Web applications that will enable groups, group members and dentists to make eligibility, benefits and claim status queries through the DDPA's Web site at www.deltadental.com. We expect to make this capability available later in 2002.

D. Describe your ongoing provider monitoring programs, including policy and quality compliance, utilization profiling, and dispute resolution.

Policy and Quality Compliance

Our state-of-the-art system has enabled us to automate a significant portion of our claims review process to ensure compliance with our policies and quality standards. Every claim we receive undergoes a series of cost-saving checks that prevent payment of questionable claims while pointing out claim concerns.

Our system also applies processing policies that serve as our guidelines for processing claims. These policies, which may be applied during manual reviews of claims as well, prevent cost shifting of inappropriate charges to our groups and their group members.

In addition, we use IBM's Fraud and Abuse Management System (FAMS) software, with a number of propriety enhancements that are exclusive to us, to perform utilization reviews that enable us to identify provider practice patterns that deviate from the norm. This software can sort through information on thousands of dentists and millions of claims in minutes, bringing to light information that might not be identifiable in any other way. (Please see Section 6, *Quality Monitoring and Utilization Management*, C., for more information)

If we find through system edits or FAMS that a dentist's claims warrant our continued scrutiny, we can have our system route those claims automatically to our Professional Review department for focused manual review. That way, our dental consultants can more closely examine claims that merit extra attention and confirm the appropriateness of the services before payment is made.

Utilization profiling

We routinely review the utilization patterns of our participating dentists using IBM's Fraud and Abuse Management software.

FAMS is a sophisticated data mining and reporting tool that has the ability to sort through millions of claims lines and thousands of dentists in minutes, bringing to light treatment and billing patterns that would not be identifiable in any other way. It systematically ranks dentists in relation to their peers within specific geographic regions, specialties, groups or any other parameter we choose to define.

Please see Section 6, *Quality Monitoring and Utilization Management*, C., for more information.

Dispute resolution

Dentists nationwide who have concerns about a claim we have processed can ask his or her patient to follow our disputed claims procedure by sending a written appeal statement to our dental director.

They can also ask us to reconsider the claim or ask that our policy committee reconsider the policy under which the claim was denied. In either case, the dentist would be required to provide us with additional information to substantiate the request for reconsideration. He or she can also contact his or her local dental society and file a complaint against us.

If we cannot reach an agreement with the dentist on a noncontractual issue, the dentist may ask his or her patient to file a complaint with the state dental association for peer review of the case in question. We will abide by the peer review committee's decision.

E. Describe the qualifications of your staff members responsible for credentialing and monitoring providers.

Credentialing

Our Professional Relations administrator is responsible for managing our credentialing program and ensuring that we meet our credentialing goals. We require this individual to have the equivalent of two years of college and a year of experience as a chairside dental assistant. This individual must also understand NCQA regulations and DDPA and NADP credentialing requirements.

Monitoring

Many individuals throughout our company are responsible for aspects of our provider monitoring program.

Dr. Roger Smith, our dental director, is ultimately responsible for clinical quality assurance and the decisions made by our dental consultants when they are reviewing claims. Laura Czelada, the director of our Corporate Audit and Quality Assurance departments, is ultimately responsible for FAMS reviews.

Dr. Smith maintained a general dentistry practice for 20 years before joining our staff full-time in 1991. He has previously served as both the director and the manager of our Professional Review department and as a dental consultant. A member of the American Dental Association, the Michigan Dental Association and the Jackson District Dental Society, Dr. Smith earned his D.D.S. degree at the University of Michigan School of Dentistry and worked there as a clinical instructor.

Ms. Czelada has worked at Delta Dental for the last 10 years. A certified public accountant and a graduate of Michigan State University, she is held management positions in both our Accounting and Corporate Audit departments.

She was promoted to director of our Corporate Audit and Quality Assurance departments, in 2001 where she oversees our company's quality, compliance and auditing activities. A member of our management committee, Ms. Czelada serves on the board of governors of the National Health Care Anti-Fraud Association

and is a member of the American Institute of Certified Public Accountants and the Michigan Association of Certified Public Accountants.

F. Provide provider departicipation rates for the last three years, with a breakdown by reasons for departicipation.

	DeltaPremier			DeltaPreferred Option		
	2001	**2000**	**1999**	**2001**	**2000**	**1999**
Nationwide	N/A	2.00%	1.68%	N/A	3.79%	2.38%
Arizona	1.44%	3.53%	0.91%	4.78%	0.00%	No DPO
Florida	3.00%	4.72%	3.63%	4.80%	6.56%	3.77%
Michigan	0.46%	0.48%	0.44%	2.59%	2.89%	3.03%
Texas	2.50%	3.60%	2.81%	2.90%	5.03%	4.58%

Nationally, involuntary turnover amounted to less than two-tenths of a percent for both our DeltaPremier panel and our DeltaPreferred Option panel in both 2000 and 1999. Although the reasons why dentists voluntarily terminated their participation in our programs varied, they were in most cases related to reimbursement levels.

G. COMPLETE A NETWORK GEO-ANALYSIS FOR YOUR PROPOSED NETWORK BASED UPON MINIMUM ACCESS STANDARDS DEFINED IN THIS RFP AND THE MEMBER RESIDENCE ZIP CODE DATA PROVIDED. SEPARATE ANALYSES SHOULD BE PROVIDED FOR ACTIVES AND RETIREES. ZIP CODE DATA IS PROVIDED IN APPENDIX C, AND ON THE DATA DISK AVAILABLE AS DESCRIBED IN APPENDIX D.

TYPE OF AREA (ZIP CODE BASED)	ACCESS STANDARD: URBAN/SUBURBAN	ACCESS STANDARD: RURAL	NUMBER OF PARTICIPATING PROVIDERS		% OF PARTICIPANTS WITHIN MINIMUM ACCESS STANDARD	
	A	B	A	B	A	B
DENTIST	2 IN 10 MILES	2 IN 20 MILES				
SPECIALTY DENTIST	2 IN 15 MILES	2 IN 30 MILES				
ORTHODONTIST	2 IN 15 MILES	2 IN 30 MILES				
TOTAL						

WE HAVE PROVIDED GEOACCESS ANALYSIS REPORTS AS REQUESTED WITH THIS PROPOSAL.

H. For 5-digit zip codes with available providers that do not meet the specified access standard, describe the procedures and timing needed to increase network participation in order to achieve the requested standard. Describe

the process which will allow the State and its participants to recommend providers for addition to the network.

We are always willing to recruit additional dentists in areas where they are needed to meet specified access standards. This process could include:

- *Mailing recruitment letters (on your letterhead or on ours) to nonparticipating dentists in the areas identified in a GeoAccess Analysis report.*

- *Providing follow-up recruitment efforts by phone and in person as needed. Because we use local Professional Relations representatives in our follow-up recruitment efforts, they are aware of the culture and mindset of the dentists in their area. Offering local service enables us to develop relationships with those dentists and earn their trust. Not all dental carriers can provide the advantages of locally managed networks.*

- *Focusing recruitment efforts on the dentists who are used most frequently by your employees and retirees.*

We are also willing to recruit specific dentists who are requested by our groups. State Dental Plan participants can request that we recruit a specific dentist by calling our Customer and Claims Services department at (800) 525-0150.

The State can request that we recruit a specific dentist by contacting Chuck Floyd or Tom Dimmer.

If we are asked to recruit a dentist in Michigan, Ohio or Indiana, the Professional Relations representative who covers that area will research the dentist and make a visit to his or her office to discuss participation. We will continue to maintain contact with the dentist until he or she signs a participating agreement or indicates that he or she will not participate.

If we are asked to recruit a dentist in another state, our DeltaUSA coordinator will contact the Professional Relations department for the Delta Dental Plan in that state and ask that they take similar steps and respond to us on the outcome.

I. Include a copy of the proposed network directory.

State Dental Plan participants can check our Web site or call our Customer and Claims Services department to get a customized list of the participating dentists nearest them. Our automated DASI system can fax or mail this list to them on request.

We do not routinely print paper copies of our DeltaUSA dentist directories, since paper directories would be hundreds of pages long and outdated shortly after they were printed. (More than 107,000 dentists throughout the United States and its territories participate in DeltaPremier, while more than 42,000 dentists participate in DeltaPreferred Option.)

10. Reimbursement Levels

A. Indicate your standard reasonable and customary percentiles:

- **In-Network dentists**
- **Non-network dentists**

Each individual Delta Dental Plan establishes its customary fee levels as needed after carefully assessing local market influences, competitive pressures and provisions in the participating contracts. The plan then transfers this information, along with the individual dentists' fees, to the DeltaUSA national provider file located and maintained at our offices here at Delta Dental Plan of Michigan, where we can easily access it when we process and pay claims.

We have found that this flexibility in determining fees locally works in the best interest of both our groups and our participating dentists. We use payment levels that satisfy local market conditions for national account contracts.

For the states of Michigan, Arizona and Florida (where 97.22 percent of the State of Michigan's enrollees reside), we pay up to the 90th percentile in Arizona and Florida and the 80th percentile in Michigan in the DeltaPremier program.

In many states, Delta Dental's payment for services rendered by nonparticipating dentists is lower to encourage the use of participating dentists. For the State's example, we pay at the 51st percentile in Arizona and Florida and the 50th percentile in Michigan.

As with the State's current dental plan, our participating dentists nationally agree to accept their fee or their local Delta Dental Plan's maximum approved fee as full payment for covered services. This guaranteed acceptance eliminates the problem of balance billing for participants.

Thanks to our flexibility, we believe that we better serve our groups and their members with larger, more consistent panels and payment levels that are appropriate for each market area in the nation. To back this statement up, we have provided a panel savings exhibit in our price proposal that details the savings that our DeltaPremier and DeltaPreferred Option networks can provide to the State Dental Plan.

11. Performance Standards and Guarantees

As part of the 2002 implementation, the State requires your organization to agree to reduce administrative fees by at least 20%, based on meeting the performance goals outlined below.

Complete the table below. In the column "Expected Standard/Result" state your performance objective and measurement criteria. In the last column indicate the percent of State's annual premium committed to meeting the performance goal. In some instances goals and/or financial standards have been predetermined.

Service Requirements	Expected Standard/Results	% of Admin. Reduction
Network Access	In all States where the SOM has employees, **90**% of plan enrollees have access to 2 providers within a 10 mile radius. **Measured on an annual basis based on a GeoAccess Analysis report using State's December census. Results will be presented at annual meeting in January.**	6%
Patient Satisfaction Surveys	The carrier must administer employee satisfaction surveys annually, to a statistically valid random sample of the State's enrollees. The survey instrument must be prepared by the carrier with the State's review. Results will be tabulated by the carrier and reported to the State no later than December 31 of each year. **We will develop a State-specific satisfaction survey and administer it in September of each year. Results will be tabulated and reported to the State by the end of December as requested.**	2%
Monitoring of Plan Performance	Ongoing monitoring and periodic reporting of utilization management (UM) plan performance is an essential plan activity. A formal, written and distributed UM program must be in place. The UM program must, at a minimum, contain policy, enforcement, and reporting for the following activities: ▪ Enforcement of encounter form filing requirement. ▪ Clinical review of specialty claims meeting review criteria. ▪ Post-treatment statistical review to identify potentially inappropriate treatment patterns. ▪ Ability to "flag" provider files for focused review. ▪ Regular UM reports provided to the State, as described in this RFP.	4%

	Our UM program contains the elements described above. We will provide the State with an annual UM report based on our FAMS/Focused Review results for the contract year.	
Customer Service Response Time	~~90%~~ **80%** of all calls to the Customer Service Unit will be answered within 30 seconds. **Measured on a calendar year basis. Results will be presented to State within 75 days. The State's current service level is an average speed of answer of 30 seconds, and we feel that answering 80% of all calls within 30 seconds is a significant enhancement to this.** Call abandonment rate will be less than 5%. **Measured on a calendar year basis. Results will be presented to State within 75 days.**	2% 2%
Inquiry Resolution	Difficult inquires will be resolved within the following time frames: ▪ Phone inquiries – 2 business days ▪ Written inquiries – 5 working days **Measured on a calendar year basis. Results will be presented to State within 75 days.**	1% 1%
Timeliness of Experience Reports	Timeliness of experience and reporting. Provide your proposed timetable for these items, and indicate how you will monitor compliance. Monthly: within **13** business days of the end of the month Quarterly: within **13** business days of the end of the quarter Year-end: within **30** business days of the end of the year. **Measured on an annual basis based on the date the report is generated.**	1%
Delivery of Performance Standards Reports	Timeliness of performance standards reports delivered to the state. Indicate how often reports are generated, and the number of days following the close of the period by which they are delivered to the State. **Reports generated annually and presented to the State within 75 days.**	1%