

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

CHANGE NOTICE NO. 6
 to
CONTRACT NO. 071B7200029
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Blue Cross & Blue Shield of Michigan 600 Lafayette E, 517J Detroit, MI 48226	Arva Overton	aoverton@bcbsm.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(313) 448-5912	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	MCSC	Lauri Schmidt	(517) 373-9211	schmidt@michigan.gov
BUYER:	DTMB	Lance Kingsbury	(517) 341-3768	kingsbury@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Vision Plan Administration for Active & Retired State Employees – DTMB / Civil Service Commission			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
April 1, 2007	September 30, 2009	3, 1 Yr. Options	September 30, 2012
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:		
OPTION EXERCISED: <input type="checkbox"/> NO <input checked="" type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE: October 1, 2012	NEW EXPIRATION DATE: September 30, 2013
<p>Effective immediately, this Contract is hereby EXTENDED to September 30, 2013, and INCREASED by \$12,500,000.00.</p> <p>All other terms, conditions, specifications, and pricing remain the same.</p> <p>Per agency request, DTMB Procurement approval, and State Administrative Board approval on September 13, 2012.</p>		
VALUE/COST OF CHANGE NOTICE:	\$12,500,000.00	
ESTIMATED REVISED AGGREGATE CONTRACT VALUE:	\$83,000,000.00	

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

October 28, 2011

CHANGE NOTICE NO. 5
TO
CONTRACT NO. 071B7200029
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR Blue Cross & Blue Shield of Michigan 600 Lafayette East, B491 Detroit, MI 48226 aoverton@bcbsm.com		TELEPHONE (248) 448-5912 Arva Overton
		BUYER/CA (517) 341-3768 Lance Kingsbury
Contract Compliance Inspector: Lauri Schmidt (517) 373-9211 Vision Plan Administration for Active and Retired State Employees – DTMB / Civil Service Commission		
CONTRACT PERIOD: From: April 1, 2007 To: September 30, 2012		
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

THIS CONTRACT IS EXTENDED TO LOCAL UNITS OF GOVERNMENT.

NATURE OF CHANGE(S):

Effective immediately, the new service levels are hereby incorporated:

- Telephone lost calls, less than five percent.
- Telephone blocked calls, less than three percent.
- 90 percent of calls must be answered in 30 seconds or less.

AUTHORITY/REASON:

Per agency request and DTMB Purchasing Operations approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$70,500,000.00

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY MANAGEMENT AND BUDGET September 20, 2011
PURCHASING OPERATIONS
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B7200029
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR Blue Cross & Blue Shield of Michigan 600 Lafayette East, B491 Detroit, MI 48226 aoverton@bcbsm.com		TELEPHONE (248) 448-5912 Arva Overton
		BUYER/CA (517) 341-3768 Lance Kingsbury
Contract Compliance Inspector: Lauri Schmidt (517) 373-9211 Vision Plan Administration for Active and Retired State Employees – DTMB / Civil Service Commission		
CONTRACT PERIOD: From: April 1, 2007 To: September 30, 2012		
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

THIS CONTRACT IS EXTENDED TO LOCAL UNITS OF GOVERNMENT.

NATURE OF CHANGE(S):

Effective October 1, 2011, this contract is hereby **EXTENDED** to September 30, 2012 and **INCREASED** by \$12,500,000.00. Please also note that the buyer has been **CHANGED** to Lance Kingsbury and the CCI has been **CHANGED** to Lauri Schmidt. All other terms, pricing conditions and specifications remain unchanged.

AUTHORITY/REASON:

Per agency request, DTMB Purchasing Operations approval and State Administrative Board approval dated September 15, 2011.

INCREASE: \$12,500,000.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$70,500,000.00

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY MANAGEMENT AND BUDGET
PROCUREMENT & REAL ESTATE SERVICES ADMINISTRATION
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

October 13, 2010

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B7200029
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR Blue Cross & Blue Shield of Michigan 600 Lafayette East, B491 Detroit, MI 48226 aoverton@bcbsm.com	TELEPHONE (248) 448-5912 Arva Overton
	BUYER/CA (517) 241-4225 Kevin Dunn
	Contract Compliance Inspector: Susan Kant (517) 335-3068 kants@michigan.gov Vision Plan Administration for Active and Retired State Employees – DTMB / Civil Service Commission
CONTRACT PERIOD: From: April 1, 2007 To: September 30, 2011	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

THIS CONTRACT IS EXTENDED TO LOCAL UNITS OF GOVERNMENT.

NATURE OF CHANGE(S):

Effective 10/1/10 through 9/30/11, the Administrative Fee is \$.83 per contract holder per month. Contract is also INCREASED by \$11,500,000.00. All other terms, conditions and specifications remain unchanged.

AUTHORITY/REASON:

Per vendor request dated 9-7-10, Ad Board approval dated 9/30/10 and DTMB/Procurement & Real Estate Services Administration approval.

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$58,000,000.00

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 8, 2010

CHANGE NOTICE NO. 2
 TO
 CONTRACT NO. 071B7200029
 between
 THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (248) 448-5912
Blue Cross & Blue Shield of Michigan 600 Lafayette East, B491 Detroit, MI 48226 aoverton@bcbsm.com		Arva Overton
		BUYER/CA (517) 241-4225 Kevin Dunn
Contract Compliance Inspector: Susan Kant (517) 335-3068 Vision Plan Administration for Active and Retired State Employees – DTMB / Civil Service Commission		
CONTRACT PERIOD:		From: April 1, 2007 To: September 30, 2010
TERMS	N/A	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

THIS CONTRACT IS EXTENDED TO LOCAL UNITS OF GOVERNMENT.

NATURE OF CHANGE(S):

Effectively immediately, the buyer and Contract Administrator in Section 2.002 are changed to:

Kevin Dunn
Phone 517-241-4225
Email: dunnk3@michigan.gov

Effective immediately, a new section is hereby added to the terms and conditions of the Contract:

Section 2.808 Extended Purchasing

A. MiDEAL

1. 1984 PA 431 permits DTMB to provide purchasing services to any city, village, county, township, school district, Intermediate school district, non-profit hospital, institution of higher education, community or junior college. A current listing of approved program members is available at www.michigan.gov/mideal. Unless otherwise stated, the Contractor must ensure that the non-state agency is an authorized MiDEAL member before extending the State Contract to them.

2. The Contractor must make the Contract available to any MiDEAL member that request to participate in the Contract. The Contractor must honor terms of the Contract when providing pricing to any MiDEAL member. The Contractor must negotiate in good faith with any MiDEAL member to offer the Services for a reasonable administrative fee. The administrative fee should be transparent, with no hidden costs or fees. The

Contractor and the local unit of government may negotiate only the scale of the administrative portion of the State Contract in their administrative fee negotiations. Changes to the Article 2 Terms and Conditions, or Plan Design are not allowed.

3. The Contractor must submit its invoices to, and be paid by the local unit of government on a direct and individual basis.

B. Civil Service Rule

2. The Contractor must support the State in compliance with Civil Service Rule 5-11.1, Section (e)(2), in that the State Personnel Director may approve agreements with other public entities to permit their employees to participate in group insurance plans authorized by the Civil Service Commission if 100 percent of any additional total cost of participation is paid by the participating public entities or their employees.

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

AUTHORITY/REASON: Executive Directive 2010-1, vendor agreement dated 6-14-10, and Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$46,500,000.00

FOR THE CONTRACTOR:

Blue Cross & Blue Shield of Michigan

Firm Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

FOR THE STATE:

Signature

Melissa Castro, Acting Division Director

Name/Title

Services Division, Purchasing Operations

Division

Date

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, 2009

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B720029
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Blue Cross and Blue Shield of Michigan 600 Lafayette East Detroit, MI 48226 aoverton@bcbsm.com		TELEPHONE (313) 225-9000 Arva Overton
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 373-1080 Melissa Castro, CPPB
Contract Compliance Inspector: Susan Kant Vision Plan Administration for Active and Retired State Employees - DCS		
CONTRACT PERIOD: From: April 1, 2007 To: September 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 October 1, 2009, this Contract is hereby EXTENDED through September 30, 2010, and INCREASED by \$11,500,000.00.

Also effective October 1, 2009, the Administrative Fee is now \$.82 per member, per month.

AUTHORITY/REASON:

Per agency request (PRF dated 6/5/09), vendor agreement (letter dated 8/19/09), Ad Board approval on 9/14/09, and DMB/Purchasing Operations' approval.

REVISED CURRENT AUTHORIZED SPEND LIMIT: \$46,500,000.00

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

April 3, 2007

NOTICE
TO
CONTRACT NO. 071B720029
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Blue Cross and Blue Shield of Michigan 600 Lafayette East Detroit, MI 48226 aoverton@bcbsm.com		TELEPHONE (313) 225-9000 Arva Overton
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 373-1080 Melissa Castro, CPPB
Contract Compliance Inspector: Susan Kant Vision Plan Administration for Active and Retired State Employees - DCS		
CONTRACT PERIOD: From: April 1, 2007 To: September 30, 2009		
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

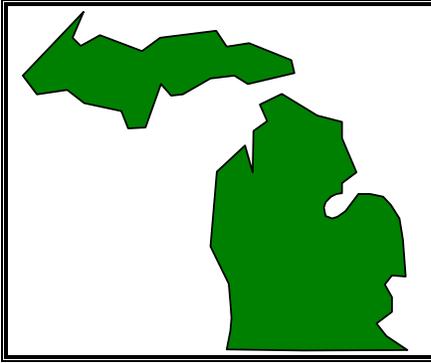
Estimated Contract Value: \$35,000,000.00

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

CONTRACT NO. 071B7200029
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR <p style="text-align: center;">Blue Cross and Blue Shield of Michigan 600 Lafayette East Detroit, MI 48226</p> <p style="text-align: right;">aoverton@bcbsm.com</p>	TELEPHONE (313) 225-9000 Arva Overton VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 Melissa Castro, CPPB
Contract Compliance Inspector: Susan Kant <p style="text-align: center;">Vision Plan Administration for Active and Retired State Employees - DCS</p>	
CONTRACT PERIOD: From: April 1, 2007 To: September 30, 2009	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION: <p>Estimated Contract Value: \$35,000,000.00</p>	

FOR THE VENDOR: <p style="text-align: center;">Blue Cross and Blue Shield of Michigan</p> <hr/> <p style="text-align: center;">Firm Name</p> <hr/> <p style="text-align: center;">Authorized Agent Signature</p> <hr/> <p style="text-align: center;">Authorized Agent (Print or Type)</p> <hr/> <p style="text-align: center;">Date</p>	FOR THE STATE: <hr/> <p style="text-align: center;">Signature</p> <p style="text-align: center;">Elise Lancaster</p> <hr/> <p style="text-align: center;">Name</p> <p style="text-align: center;">Purchasing Operations Director</p> <hr/> <p style="text-align: center;">Title</p> <hr/> <p style="text-align: center;">Date</p>
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STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations

Contract Number 071B7200029
Vision Benefit Plan Administrative Services

Buyer Name: Melissa Castro, CPPB
Telephone Number: 517-373-1080
E-Mail Address: castrom@michigan.gov



Vision Benefit Services Plan Administration

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APPENDICES

APPENDIX A – PLAN DESIGN

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Article 1 – Statement of Work (SOW)

1.0 Project Identification

1.001 Project Request

The purpose of this Contract is to provide the administration of the Vision Benefit Plan for eligible State employees, retirees, dependents and COBRA participants on both a fully-insured and an Administrative Services Only (ASO) basis.

1.002 Background

There are approximately 54,000 active employees and 45,000 retirees eligible for these plans. Of these, approximately 50,870 actives, 44,159 retirees, 99,365 dependents and 1,154 COBRA participants are currently enrolled in the Plan.

The objectives of the Vision Benefit Plan are to:

- Provide a vision benefit program for active, retirees, dependents and COBRA participants as outlined in Appendix A.
- Maintain a high level of member satisfaction with the program.
- Provide quality customer service and account service features, including performance standard guarantees.
- Obtain timely utilization and management reporting.

1.1 Scope of Work and Deliverables

1.101 In Scope

BCBSM agrees to provide administrative services and staff to manage the State's Vision Benefit plan as outlined in Appendix A. BCBSM is HIPAA compliant and currently operate under Public Act 350.

Claim Services

BCBSM's claims processing system uses data stored on several databases for claims processing decisions. BCBSM agrees to:

- Track claims from receipt to payment/rejection.
- Pay claims for eligible members based on the State's Vision Benefit plan as outlined in Appendix A.
- Verify eligibility prior to claims payment.
- Utilize established medical policy guidelines and those that are unique to the State to ensure accurate benefit application.
- Use the payment schedule for benefits that do not have a fixed fee (See Appendix A).
- Ensure proper posting of paid and/or rejected claims for future reporting.
- Provide an Explanation of Benefits Payments (EOBP) to State of Michigan members. This form provides an explanation of payment/rejection.
- Provide State of Michigan members with their appeal rights for adverse benefit determination. Level 1 Appeals are directed to the State of Michigan Customer Service within 180-days of receiving EOBP. If the Level 1 Appeal maintains the original adverse benefit determination, the State of Michigan member can submit a Level 2 Appeal in writing. BCBSM must respond within 35-days.

Customer Service



BCBSM agrees to provide a dedicated customer service center for State of Michigan members. BCBSM's customer servicing includes but not limited to:

- Verification of eligibility. BCBSM has several eligibility verification systems available to providers. BCBSM's "Computer Assisted Response Environment Network" (CAREN) is a toll free computerized telephone system designed to quickly answer routine questions about eligibility, benefits, copays, deductibles and is available to providers 7 a.m. to 9 p.m. Monday through Saturday. BCBSM's "Dial in Eligibility Network and Information System" (DENIS) allow affiliated health care providers to access insurance coverage records for BCBSM subscribers via personal computer access. This system will allow a provider to verify a patient's eligibility and determine benefits.
- Access to data. BCBSM's customer service representatives have access to pertinent source documents via claim imaging and inquiry screens.

Data Reports

The following reports are available at no cost to the State:

- Monthly Claims Listing – summary of the State's benefits
- Quarterly Settlement – quarterly reconciliation of the State's payments and a projection for the next quarterly statement
- Annual Renewal – a development of the State's administrative fee and estimated number of contracts for the next renewal period.
- Benefit Utilization/Comparison Report – a summary of benefits paid for an experience period in comparison to the State's prior year and state norms.
- ERISA (Employee Retirement Income Security Act) Schedule A – the summary of the employer's annual payments to BCBSM.

BCBSM will develop Ad Hoc reports upon the State's request based on the State's specific information needs, which may include the following:

- The exposure program selects claims by exposed date, contract type, group number and group suffix. This report produces total contracts and contract types by coverage.
- Age/Sex Reports selects claims by exposed date, relationship, birth year, group number and group suffix. This report produces total contracts by coverage, contract type, age and sex.
- Monthly Experience selects claims by incurred date, paid date, group number, and group suffix. The report produces payments, services and cases with subtotals by incurred or paid month.
- Spread Sheet selects claims by incurred date, paid date, group number, and group suffix. This report produces total claims incurred in requested months with subtotals by paid months.
- Benefit Breakdown selects claims by incurred date, paid date, group number, and group suffix. The report produces total payments, services and cases with subtotals by benefit type within coverage.
- Cluster/Provider selects claims by incurred date, paid date, provider code, group number and group suffix. The report produces listings of provider name and total dollars by coverage.
- Claims Size Distribution selects claims by incurred date, paid date, contract, group number and group suffix. The report produces a frequency distribution of total dollars and number of contracts per dollar range by coverage.
- Age/Sex Claims selects claims by incurred date, paid date, group number, and group suffix. The report produces total payments, services and claimants with subtotals by gender (male, female and children) and contract type (individual, two-person, etc.)



- Claims listing select claims by incurred date, paid date, group number, and group suffix. The report produced gives detailed information for each claim.

Vision data reports will continue to be provided in the format and frequency agreed upon by BCBSM and the State.

Communications

BCBSM agrees to provide assistance to in communicating information about Coverage to employees. BCBSM agrees to prepare certain distribution-ready materials such as mutually agreed upon by the parties. The distribution-ready materials include check stuffers, provider directories and brochures.

BCBSM does not provide Summary Plan Descriptions (SPDs), but we agree to provide benefit information that can be used to customize the State's SPDs. Under ERISA, it is generally the employer that issues the SPD and is responsible for its content. BCBSM agrees at no additional cost, provide benefit charts and booklets that contain a summary of the State's plan benefits.

Claim forms are provided to State of Michigan members at no additional cost.

BCBSM agrees to provide training for Employee Benefits Division staff.

BCBSM agrees to make a toll-free hotline available to potential enrollees during the State's Open Enrollment period that will be staffed with knowledgeable customer service representatives who will respond to potential enrollees regarding plan provisions, eligibility, benefits, etc. Additionally, enrollees may contact the State of Michigan Customer Service Center via a single front-end toll-free telephone number with touch tone routing to obtain information about claim status inquiries, claim appeals and general Plan provisions at 1-800-843-4876.

1.102 Out of Scope - Reserved

1.103 Technical Environment

Eligibility

BCBSM is HIPAA compliant and agree to maintain eligibility information received from the State. BCBSM has the capability of receiving electronic membership files bi-weekly and monthly. Currently BCBSM accepts an electronic data transfer weekly from the State for State of Michigan active employees. This data is received via EDDI with a VPN and the State submits its files with the FTP via its DEG system.

BCBSM can also accept the following transmission methods:

1. EDDI – EDI Data Link

A) Dial-up access; X Modem, Y Modem, Z Modem, Z Modem, Kermit.
BCBSM supports PKZIP, Compress, and Gzip

B) FTP – File Transfer Protocol; ANX – Advanced Network Exchange
Data is transferred using GETS and PUTS FRAME RELAY
Data is transferred using GETS and PUTS LEASED LINE
Data is transferred using GETS and PUTS INTERNET

GETS – BCBSM pulls files from the customer's site.

Data must be encrypted using PGP or GNU PG software

PGP = Pretty Good Privacy

GNU PG = GNU Privacy Guard

VPN – INTERNET (Virtual Private Network)

Data is transferred using GETS and PUTS



C) E-MAIL – INTERNET

Encrypted data sent via E-Mail

Data must be an encrypted attachment using PGP software or GNU PG software

D) HTTP – INTERNET

Data sent over the Internet using HTTP (Hyper Text Transport Protocol)

BCBSM pulls files from the customer's site; Data must be encrypted using PGP or GNU PG software.

HTTPS – INTERNET

Data sent over the Internet using Secure HTTP

BCBSM pulls files from the customer's site; HTTPS must use 128 bites encryption methods.

Claim Information

BCBSM agrees to maintain detail claim information necessary to facilitate claims review, appeals and back-end reports for customer use. BCBSM's record retention policy is:

- The record retention period for a claim-related appeal (including all supporting rationale – hard copy or electronic transmission/transaction) is seven (7) years.
- The record retention period for claims processing (electronic or hardcopy) is also seven years. The retention period for the claim history is 10 years.

BCBSM agrees not to use or distribute the State's data without consent. All data collection protocols are HIPAA compliant. BCBSM agrees to capture the mandated data elements necessary to execute the State's claims and reporting requirements.

Contract/State Interface

BCBSM agrees to accept the State's electronic enrollment files in the agreed upon specified format. BCBSM has a staff of information system professionals available to provide timely programming required to implement system changes and produce reports. The dedicated sales manager acts as a liaison for systems related matters.

Electronic Transmission of Identifiable Information

BCBSM agrees to protect communications involving any and all Privacy Health Information (PHI) by using passwords and File Transfer Protocol transmissions using protocols such as VPN.

1.104 Work and Deliverable**Tasks/Plan Requirements**

BCBSM agrees to the following:

Plan Design

BCBSM agrees to administer the State's plan design, as outlined in Appendix A, effective April 1, 2007 for active and retired State employees and dependents. BCBSM's administrative fee is reflective of this plan design. The parties acknowledge that the Plan may be subject to changes depending on the results of future bargaining agreements.

BCBSM agrees to provide the following administrative functions:

- Communications materials promoting the Vision program
- Customized employee communications
- Processing claims
- Data reporting - monthly, quarterly and year-end



- Dedicated customer service center for State of Michigan members
- Dedicated marketing team for State of Michigan personnel

Administrative Services

BCBSM is HIPAA compliant and agree to accept eligibility and account information via a secured electronic data interchange (EDI) in HIPAA compliant format. BCBSM is committed to conducting business with integrity and in accordance with all applicable federal, state and local laws. BCBSM has an extensive policy on HIPAA requirements and employ a HIPAA Security Officer to ensure the administration of all applicable HIPAA rules and regulations.

BCBSM also has stringent internal confidentiality guidelines. In the matter of confidentiality, our corporate policy states: *"In conforming to Public Act 350, it is the policy of the corporation to acknowledge the rights of its members to know that personal data and personal information acquired by BCBSM and the subcontractor will be treated with respect and with reasonable care to ensure confidentiality; to know that it will not be shared with others except for legitimate business purposes or in accordance with a member's specific consent or specific statutory authority."*

- BCBSM and the subcontractor will collect and maintain necessary member personal data and take reasonable care to secure these records from unauthorized access and disclosure.
- Records containing personal data will be used to verify eligibility and properly adjudicate claims. For coordinated benefits, BCBSM will release applicable data to other insurance carriers to determine appropriate liability.
- Enrollment applications and claim forms and other re-communications to members will notify members of these routine uses and contain the member's consent to release data for these purposes. These forms will also advise the members of their rights under this policy.
- Upon request, a member will be notified regarding the actual release of personal data.
- Applicants for enrollment or re-enrollment will be advised that BCBSM does not require the use of the applicant's federal Social Security account number but that, when applicable, another authority does require use of the number.
- BCBSM and the subcontractor will not release member specific personal data except on a legitimate need to know basis or where the member has given specific authorization. Data released with the member's specific authorization will be subject to the condition that the person receiving the data will not release it further unless the member executes in writing another prior and specific informed consent authorizing the additional release.
- Where protected by specific statutory authority, member specific data will not be released without appropriate authorization.
- With appropriate notification to its members, experience rated and ASC accounts may obtain personal data for auditing purposes provided that claims of identifiable members are protected in accordance with any specific statutory authority. For these requests, the account and the professional auditors will enter into a confidentiality and indemnification agreement with BCBSM to ensure confidentiality and to hold BCBSM harmless from any resultant litigation.
- Parties acting as agents to accounts will be required to sign three-party agreements with BCBSM and the account prohibiting the use, retention or release of data for other purposes or to other parties than those stated in the agreement.
- Data released under this section will be subject to the condition that the person to whom the disclosure is made will protect and use the data only as authorized by this policy.
- Release of Member Identified Claims Data to Other Entities.



- BCBSM will release required data pursuant to any federal, state or local statute or regulation.
- For civil and criminal investigation, prosecution or litigation, BCBSM will release requested data to the appropriate law enforcement authorities or in response to appropriate legal process.

BCBSM administrative services also include maintenance of records for auditing, reporting and analysis.

BCBSM's record retention for claims processing including all supporting rationale (electronic or hard-copy) is:

Claim Histories	Seven (7) years
All Claim Systems and Claim System Changes	Seven (7) years
Dental, Vision, Hearing and Drugs	Seven (7) years
Desk-level Processing Procedures	Seven (7) years
Professional	Seven (7) years
System Processing Rules	Seven (7) years
Designated Record Set systems	Seven (7) years

BCBSM's record retention for appeals including all supporting rationale (electronic or hard-copy) is:

Adjustments	Seven (7) years
Capitations	Seven (7) years
Settlements	Seven (7) years

BCBSM agrees to provide the State with monthly, quarterly and annual reports of the Plan's activity and experience. See Section 1.101 for the data reports available at no cost to the State.

Financial Arrangements

The administrative fee for this contract is on a fee per employee per month basis. BCBSM agrees to accept fund transfers from the State. BCBSM also agrees to accept the Performance Standard Guarantees as outlined in Section 1.702.

Participant Services

BCBSM agrees to the following customer service activities:

- Dedicated customer service center with a single, front-end, toll-free telephone number with touch tone routing and TDD capabilities. For hearing and speech-impaired customers we provide the following numbers;

Area codes 248, 313, 586, 734 and 801	(313) 225 6903
Area codes 231, 616 and 989	(616) 977 8494 or (877) 977 8494
Area code 517	(800) 231 6921

BCBSM has a dedicated customer service center with knowledgeable representatives who have access to a knowledge-based system to assist State of Michigan members with claim inquiries, eligibility, benefits, etc. Additionally, there is a dedicated marketing team that consists of a sales manager, an account manager, two (2) group service representatives, a medical analyst, an operational analyst, a customer service administrative, and a sales technician who dedicates 100% of their time servicing the State account.

BCBSM agrees with the State's approval to provide samples and/or drafts of customized communications materials. The cost of the communication materials is the responsibility of BCBSM and includes, but not limited to preparation, printing, mailing supplies and postage expenses. Additionally, BCBSM agrees to provide identification cards and comprehensive Explanation of Benefits to eligible employees, retirees and their dependents at no extra cost.



Account Management

BCBSM agrees to provide a dedicated marketing staff available to personnel at the State. Arva Overton, Sales Manager for the State account is the primary contact and dedicates one hundred percent of her time servicing the State.

Sheila Slaughter and Treveire Wilson are group service representatives on the State account and dedicates 100% of their time to responding to problems and issues relative to benefits, inquiries, membership, etc.

BCBSM agrees to have an optometrist and an ophthalmologist available to provide analytical assistance and clinical advice to the State.

1.2 Roles and Responsibilities

1.201 Contractor Staff, Roles, and Responsibilities

The State and BCBSM agree that the following personnel are Key Personnel for purposes of this Contract:

Arva Overton – Account Manager
 Angela Mims – Medical Analyst
 Treveire Wilson – Group Service Representative
 Sheila Slaughter – Group Service Representative

1.202 State Staff, Roles and Responsibilities

Name: Susan Kant
 Title: Plan Administrator
 Responsibilities: Will have overall responsibility for the Vision program.

Name: Lauri Schmidt
 Title: Program Manager
 Responsibilities: Will have responsibility for the administration and day-to-day responsibility of the Vision program.

1.203 Other Roles and Responsibilities

Any personnel having access to enrollment and eligibility information housed within the State's Human Resource Management Network and supporting staff.

1.3 Project Plan

1.301 Project Plan Management - Reserved

1.302 Reports

BCBSM agrees to provide the State with the Blues standard report package. BCBSM also agree to provide the following reports within the specified timeframe.

Monthly Reports

The following reports must be produced within 30 calendar days of the end of the month:

- A brief summary (in letter form) of significant activities, issues or problems identified or addressed during the month, or anticipated in subsequent months.
- Claim Report, showing claims paid in the month, broken out by Actives, Retirees and COBRA, showing number of services, charges, employee copays, and plan payments, summarized by month of service.



- Claim Lag Report, updated monthly for year-to-date claims.
- Participant Report, number of subscribers and number of dependents covered, broken out by Actives, Retirees and COBRA.

Quarterly Reports

The following reports must be produced within 60 calendar days of the end of the quarter:

- Claims Paid Report, broken out by Actives, Retirees and COBRA showing number of services, charges, employee copays and plan payments, with the following additional splits (separate reports for each):
 - By participating and non-participating providers
 - By subscriber and dependents, by major categories of service (exams, frames, single vision lenses, bifocal lenses, trifocal lenses, medically necessary contacts, non-medically necessary contacts, all other)
 - Turnaround time in payment of claims
 - Professional reviews and/or audits conducted.

Performance Standard Guarantee Report within 30 days from the end of the quarter.

Annual Reports

The following reports must be produced within 90 calendar days of the end of the year:

- Management Summary Report, full financial and enrollment experience, including the items shown in monthly and quarterly reports, summarized to an annual basis.
- Claims Paid Report, broken out by Actives, Retirees and COBRA, further split by subscribers and dependents, showing number of services, charge, employee copays, and plan payments, split by procedure/service codes.
- Coordination of Claim Activity Report, broken by claims coordinated with the State-sponsored medical and/or vision plans.
- Detailed Claims Report, of detailed claims data paid for the year.

Network Match

BCBSM provided a Geo-Access report for a network of vision providers in areas where State employees and retirees reside. The report was separated between employees and retirees and included the following provider types:

- Optometrists
- Ophthalmologists
- Retail Locations

The GEO-Access report included the provider access criteria as specified by the State.



1.4 Project Management

1.401 Issue Management

BCBSM has provided the State of Michigan with a team of highly professional and knowledgeable individuals who spend 100% of their time servicing the State of Michigan. Issues and/or concerns identified by the State will be handled timely with the appropriate resolution and execution plan if needed.

Additionally, the Account Manager meets with Employee Benefits weekly and notifies the State of any potential issues relating to the Vision Program.

1.402 Risk Management

BCBSM has a comprehensive Corporate Business Recovery Plan that is tailored to each department allowing each department to respond, recover and restore from any major service interruption (disaster). BCBSM defines disaster as any event that disrupts processing/work for an unacceptable period of time regardless of the cause.

BCBSM currently has developed in excess of 175 plans which include all of the areas identified as having critical business functions at Blue Cross Blue Shield. Testing of developed plans takes place on a quarterly basis. BCBSM's disaster plan for the data center provides for a backup data center located in another state. BCBSM's current ongoing efforts involve planning for less critical areas of the corporation.

Each plan provides for:

- Business functions
- Employee information
- Team structure / assignments
- Tasks
- Vendors
- Customers
- Equipment
- Computer applications
- Software
- Telecommunications
- Offsite storage
- Backup records
- Backup facilities

The Blue Cross Blue Shield of Michigan Disaster Recovery Department consists of three (3) employees who are all Certified Disaster Recovery Planners with a combined total of more than 50 years experience in this relatively new field. Specific details about our plans are considered proprietary information and cannot be disclosed.

1.403 Change Management

BCBSM will not make any changes to the administration of the Vision Program without prior approval and written consent from the State.

1.5 Acceptance - Reserved

1.6 Compensation and Payment

BCBSM agrees not to make any price changes unless agreed upon by both parties. The State is responsible for reimbursing BCBSM for the administrative costs for the Vision program based on a fixed monthly fee per participant. The State will transfer funds to BCBSM, as needed, via electronic funds transfer, to cover claim reimbursements.

. See Appendix B for Pricing.

**1.7 Additional Terms and Conditions Specific to this SOW****1.701 Project Control**

The State's Employee Benefits Division is responsible for providing direction to BCBSM regarding the administration of the Vision program. The BCBSM marketing manager will continue to meet with Employee Benefits on a weekly basis. The BCBSM marketing director agrees to meet with the State as needed to provide guidance relating to issues that may arise relating to the administration of the Vision program.

1.702 Performance Standard Guarantees

BCBSM agrees with the ongoing administrative fees (% of premium) to be put at risk for the performance standards identified below.

BCBSM agrees with the percent of fees at risk as identified in the chart below and any penalties for the performance standards will be assessed annually.



PEFORMANCE STANDARDS AND GUARANTEES				
Performance Measure (process)	Description	Standard	% Fees at Risk	Measurement Methodology
ONGOING GUARANTEES				
Loading eligibility data	Loading eligibility information into the Vision database	<ul style="list-style-type: none"> The contractor will update (i.e., additions, deletions, corrections of addresses, names, social security numbers, employee identification numbers and account information, etc) participant eligibility and account files with the State input within two (2) calendar days of receipt. 	15% of the total of 10% of admin fee at risk -	We use monthly reporting as the method of measurement. Any penalties will be assessed annually.
Identification Card	Distribution of ID Cards	<ul style="list-style-type: none"> The contractor will create and distribute 85% of ID cards through the USPS within 10 calendar days of receipt of the State eligibility tapes and 100% within 15 calendar days 	8% of the total 10% of admin fee at risk -	We use monthly reporting as the method of measurement. Any penalties will be assessed annually.
Identification Card	Distribution of Duplicate ID Cards	<ul style="list-style-type: none"> The contractor will create and distribute 85% of any additional ID cards through the USPS within 10 calendar days of receipt of the State eligibility tapes and 100% within 15 calendar days. 	6% of the total 10% of admin fee at risk -	We use monthly reporting as the method of measurement. Any penalties will be assessed annually.
Claims processing turnaround time	Length of time required to process reimbursement checks/direct deposit advices	<ul style="list-style-type: none"> The maximum time period between date of receipt of reimbursement requests by the Contractor and the date of payment (or denial) is expected to be no greater than five (5) calendar days for 85% of all claims, 14 calendar days for 100%. Requests for additional data shall be within the same standards. Once additional data is received by the Contractor, the expected claim turnaround time is as outlined above. 	5% of the total 10% of admin fee at risk -	Any penalties will be assessed annually.



PEFORMANCE STANDARDS AND GUARANTEES				
Performance Measure (process)	Description	Standard	% Fees at Risk	Measurement Methodology
Claim accuracy	Standards for accuracy in processing requests for reimbursement	<ul style="list-style-type: none"> ■ The State shall audit the Contractor's administration of claims for monetary errors. The following shall constitute monetary errors: <ul style="list-style-type: none"> • Claim paid for an ineligible member; • Duplicate payment of a service; • Paying for ineligible service or supplies; • Improper classification of a provider as participating or non-participating; • Paying for services more frequently than the appropriate period (once in 12 or 24 months) for the service; • Denials of an eligible claim; • Charging more than the appropriate fee level ■ 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 audit period. 	<p>.8% of net claims for year one</p> <p>.6% of net claims for year two</p> <p>.4% of claims for year three</p>	BCBSM agrees to the standard as stated.



PEFORMANCE STANDARDS AND GUARANTEES																
Performance Measure (process)	Description	Standard	% Fees at Risk	Measurement Methodology												
		<ul style="list-style-type: none"> If the error value for a review period exceeds the acceptable error value and the difference is statistically significant, the Contractor will be liable up to the midpoint of difference between the acceptable error value and the statistically determined value. The acceptable error value is the acceptable error rate multiplied by net paid claims during the review period. The standards, incentives and fees at risk shall be as shown below: <table border="1"> <thead> <tr> <th>Review Period</th> <th>Error standard as % of dollars paid</th> <th>Fees at risk for each error above standard</th> </tr> </thead> <tbody> <tr> <td>Year One</td> <td>.8% of net claims</td> <td>amount above standard</td> </tr> <tr> <td>Year Two</td> <td>.6% of net claims</td> <td>amount above standard</td> </tr> <tr> <td>Year Three +</td> <td>.4% of net claims</td> <td>amount above standard</td> </tr> </tbody> </table>	Review Period	Error standard as % of dollars paid	Fees at risk for each error above standard	Year One	.8% of net claims	amount above standard	Year Two	.6% of net claims	amount above standard	Year Three +	.4% of net claims	amount above standard		
Review Period	Error standard as % of dollars paid	Fees at risk for each error above standard														
Year One	.8% of net claims	amount above standard														
Year Two	.6% of net claims	amount above standard														
Year Three +	.4% of net claims	amount above standard														
Inquiry Handling	Measures response time of written inquiries	<ul style="list-style-type: none"> 95% of written inquiries that the Contractor receives either from the State or members will be answered within five (5) calendar days, and 100% within 14 calendar days. The response time is calculated from the date of receipt by the Contractor to final resolution. 	5% of the total 10% admin fee at risk -	Any penalties will be assessed annually. Currently we do not separate vision from health. If requested, we are willing to provide separate reports.												



PEFORMANCE STANDARDS AND GUARANTEES				
Performance Measure (process)	Description	Standard	% Fees at Risk	Measurement Methodology
	Measures response time of telephonic inquiries	<ul style="list-style-type: none"> 100% of telephonic inquiries by either the State or members will be returned within 24 hours. 	15% of the total 10% admin fee at risk -	BCBSM agrees to the standard as stated. BCBSM produces a report monthly from ASPECT based on all State of Michigan telephone inquiries (health and vision combined). Any penalties will be assessed annually.
Customer Service	Measures the number of lost calls	<ul style="list-style-type: none"> The inquiry telephone line for members will have no more than 5% lost calls. 	18% of the total 10% admin fee at risk -	BCBSM agrees to the standard as stated. BCBSM produces a report monthly from ASPECT based on all State of Michigan telephone inquiries (health and vision combined). Any penalties will be assessed annually.
Customer Service Staffing	Measures the time on "hold"	<ul style="list-style-type: none"> The inquiry telephone system must maintain sufficient staffing to respond to calls by not allowing in excess of 30 seconds on hold. 	18% of the total 10% admin fee at risk -	BCBSM agrees to the standard as stated. BCBSM produces a report monthly from ASPECT based on all State of Michigan telephone inquiries (health and vision combined). Any penalties will be assessed annually.
Member Satisfaction	Measures the member's satisfaction level with customer service	<ul style="list-style-type: none"> At least 85% of participants must be satisfied with the Contractor's customer service, based upon the results of a yearly, and mutually agreed upon, State specific, member satisfaction survey. 	10% of the total 10% admin fee at risk -	BCBSM agrees to the standard as stated. Post card surveys are mailed semi-annual to members who have contacted the Customer Service Center during the period by the survey. Any penalties will be assessed annually.

BCBSM agrees to place a total of 10% of the administrative fee (approximately \$100,000) at risk for service performance guarantees annually for an estimated total of \$309,000 at risk over a three (3) year period.



Article 2 – General Terms and Conditions

2.0 Introduction

2.001 General Purpose

This Contract is for Claim Administration of the Vision Benefit Services Plan for the State of Michigan. Orders will be issued directly to BCBSM by various State Agencies on the Purchase Order Contract Release Form.

2.002 Issuing Office and Contract Administrator

The Contract is issued by Purchasing Operations, State of Michigan, Department of Management and Budget, hereinafter known as Purchasing Operations, for the Michigan Department of Civil Service, hereinafter known as the Michigan Department of Civil Service. Where actions are a combination of those of Purchasing Operations and the State agencies, the authority will be known as the State.

BCBSM proceeds at its own risk if it takes negotiation, changes, modification, alterations, amendments, clarification, etc., of the specifications, terms, or conditions of the contract from any individual or office other than Purchasing Operations and the listed contract administrator

The Contract Administrator for this Contract is indicated below:

Department of Management and Budget
Purchasing Operations
Attn: Melissa Castro, CPPB
2nd Floor, Mason Building
P.O. Box 30026
Lansing, Michigan 48909
(517) 373-1080
castrom@michigan.gov

2.003 Notice

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.

2.004 Contract Term

The term of this Contract is three (3) years commencing April 1, 2007 through September 30, 2009.

Option. The State reserves the right to exercise three (3) one-year options, at the sole option of the State. BCBSM performance, quality of products, price, cost savings, and BCBSM's ability to deliver on time are some of the criteria that will be used as a basis for any decision by Purchasing Operations to exercise an option year.

Extension. At the sole option of the State, the contract may also be extended. **BCBSM's** performance, quality of products, price, cost savings, and the contractor's ability to deliver on time are some of the criteria that will be used as a basis for any decision by Purchasing Operations to exercise an option year.

Written notice will be provided to BCBSM within 90 days, provided that the State gives BCBSM a preliminary written notice of its intent to extend at least 60 days before the contract expires. The preliminary notice does not commit the Government to an extension. If the Government exercises this option, the extended contract shall be considered to include this option clause.



2.005 Governing Law

The Contract shall in all respects be governed by, and construed in accordance with, the laws of the State of Michigan. By signing this agreement, BCBSM consents to personal jurisdiction in the State of Michigan. Any dispute arising herein shall be resolved in the State of Michigan.

2.006 Applicable Statutes

The following statutes, rules, and laws are applicable to the performance of this contract; some statutes are reflected in the clauses of this contract. This list is NOT exhaustive.

MI Uniform Commercial Code (MIUCC) MCL 440. (All sections unless otherwise altered by agreement)
MI OSHA MCL §§ 408.1001 – 408.1094
Freedom of Information Act (FIOA) MCL §§ 15.231, et seq.
Natural Resources and Environmental Protection Act MCL §§ 324.101, et seq.
MI Consumer Protection Act MCL §§ 445.901 – 445.922
Laws relating to wages, payments of wages, and fringe benefits on state projects MCL §§ 408.551 – 408.558, 408.471 – 408.490, 1965 PA 390.
Department of Civil Service Rules and regulations
Elliot Larsen Civil Rights Act MCL §§ 37.2201, et seq.
Persons with disabilities Civil Rights Act MCL §§ 37.1101, et seq.
MCL §§ 423.321, et seq.
MCL § 18.1264 (law regarding debarment)
Davis-Bacon Act (DBA) 40 USCU §§ 276(a), et seq.
Contract Work Hours and Safety Standards Act (CWHSSA) 40 USCS § 327, et seq.
Business Opportunity Act for Persons with Disabilities MCL §§ 450.791 – 450.795
Rules and regulations of the Environmental Protection Agency
Internal Revenue Code
Rules and regulations of the Equal Employment Opportunity Commission (EEOC)
The Civil Rights Act of 1964, USCS Chapter 42
Title VII, 42 USCS §§ 2000e et seq.
The Americans with Disabilities Act (ADA), 42 USCS §§ 12101 et seq.
The Age Discrimination in Employment Act of 1967 (ADEA), 29 USCS §§ 621, 623 et seq.
The Old Workers Benefit and Protection Act of 1990 (OWBPA), 29 USCS §§ 626, et seq.
The Family Medical Leave Act of 1993 (FMLA), 29 USC §§ 651 et seq.
The Fair Labor Standards Act (FLSA), 29 USC §§ 201 et seq.
Pollution Prevention Act of 1990 (PPA) 42 U.S.C. §13106
Sherman Act, 15 U.S.C.S. § 1 et seq.
Robinson-Patman Act, 15 U.S.C.S. § 13 et. seq.
Clayton Act, 15 U.S.C.S. § 14 et seq.
The Health Insurance Portability and Accountability Act of 1996 (HIPAA) (Part I and II)
Social Security Number Privacy Act 454 of 2004

2.007 Relationship of the Parties

The relationship between the State and BCBSM is that of client and independent Contractor. No agent, employee, or servant of BCBSM or any of its subcontractors shall be or shall be deemed to be an employee, agent, or servant of the State for any reason. BCBSM 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.

2.008 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.

**2.009 Merger**

This document constitutes the complete, final, and exclusive agreement between the parties. All other prior writings and negotiations are ineffective.

2.010 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.

2.011 Survivorship

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

2.012 No Waiver of Default

The failure of a party to insist upon strict adherence to any term of the 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.

2.013 Purchase Orders - Reserved**2.1 Contractor/Contractor Obligations****2.101 Accounting Records**

BCBSM and all subcontractors shall 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 Auditor General at any time during the Contract period and any extension thereof, and for three years from expiration date and final payment on the Contract or extension thereof.

2.102 Notification of Ownership

BCBSM shall make the following notifications in writing:

1. When BCBSM becomes aware that a change in its ownership or officers has occurred, or is certain to occur, that could result in changes in the valuation of its capitalized assets in the accounting records, BCBSM shall notify Purchasing Operations within 30 days.
2. **BCBSM** shall also notify the Purchasing Operations within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

BCBSM shall:

1. Maintain current, accurate, and complete inventory records of assets and their costs;
2. Provide Purchasing Operations or designated representative ready access to the records upon request;



3. Ensure that all individual and grouped assets, their capitalized values, accumulated depreciation or amortization, and remaining useful lives are identified accurately before and after each of BCBSM's ownership or officer changes; and
4. Retain and continue to maintain depreciation and amortization schedules based on the asset records maintained before each BCBSM ownership or officer change.

2.103 Software Compliance - Reserved

2.104 IT Standards - Reserved

2.105 Performance And Reliability Evaluation (PARE) - Reserved

2.106 Prevailing Wage - Reserved

2.107 Payroll and Basic Records - Reserved

2.108 Competition in Sub-Contracting

BCBSM shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract.

2.109 Call Center Disclosure

BCBSM and/or all subcontractors involved in the performance of this contract providing call or contact center services to the State of Michigan must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information shall be a material breach of this agreement.

2.2 Contract Performance

2.201 Time Is Of The Essence

BCBSM is on notice that time is of the essence in the performance of this contract. Late performance will be considered a material breach of this contract, giving the State a right to invoke all remedies available to it under this contract.

2.202 Contract Payment Schedule

The specific payment schedule for any Contract(s) entered into, as the State and BCBSM will mutually agree upon the result of this RFP. The schedule should show payment amount and should reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates. As a general policy, statements shall be forwarded to the designated representative by the 15th day of the following month.

2.203 Possible Progress Payments - Reserved

2.204 Electronic Payment Availability

Electronic transfer of funds is available to State contractors. BCBSM is required to register with the State of Michigan Office of Financial Management so the State can make payments related to this Contract electronically at www.cpexpress.state.mi.us.

2.3 Contract Rights and Obligations

2.301 Incurring Costs

The State of Michigan is not liable for any cost incurred by BCBSM prior to signing of the Contract. The State fiscal year is October 1st through September 30th. BCBSM should realize that payments in any given



fiscal year are contingent upon enactment of legislative appropriations. Total liability of the State is limited to terms and conditions of the Contract.

2.302 BCBSM Responsibilities

BCBSM will be required to assume responsibility for all contractual activities, whether or not BCBSM performs them. Further, the State will consider BCBSM to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve subcontractors and to require BCBSM to replace subcontractors found to be unacceptable. BCBSM is totally responsible for adherence by the subcontractor to all provisions of the Contract. Any change in subcontractors must be approved by the State, in writing, prior to such change.

2.303 Assignment And Delegation

BCBSM shall not have the right to assign this Contract, to assign its rights under this contract, or delegate any of its duties or obligations under the 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, BCBSM may not assign the right to receive money due under the Contract without the prior written consent of the Director of Purchasing Operations.

BCBSM shall not delegate any duties or obligations under the Contract to a subcontractor other than a subcontractor named and approved in the bid unless the Director of Purchasing Operations has given written consent to the delegation.

BCBSM must obtain the approval of the Director of Purchasing Operations before using a place of performance that is different from the address that BCBSM provided in the bid.

2.304 Taxes

Sales Tax: For purchases made directly by the State of Michigan, the State is exempt from State and Local Sales Tax. Prices shall not include such taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

Federal Excise Tax: The State of Michigan may be exempt for Federal Excise Tax, or such taxes may be reimbursable, if articles purchased under this Contract are used for the State's exclusive use. Certificates exclusive use for the purposes of substantiating a tax-free, or tax-reimbursable sale will be sent to BCBSM upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices shall not include the Federal Excise Tax.

The State's Tax Exempt Certification is available for BCBSM viewing upon request to the Contract Administrator.

2.305 Indemnification

General Indemnification

To the fullest extent permitted by law, BCBSM shall indemnify, defend and hold harmless the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents, from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), 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:

1. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from (1) the product provided or (2) performance of the work, duties, responsibilities, actions or omissions of the Contractor or any of its subcontractors under this Contract.



2. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from a breach by BCBSM of any representation or warranty made by BCBSM in the Contract;
3. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or related to occurrences that BCBSM is required to insure against as provided for in this Contract;
4. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by BCBSM, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, however, that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused solely by the negligence or reckless or intentional wrongful conduct of the State;
5. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents which results from an act or omission of BCBSM or any of its subcontractors in its or their capacity as an employer of a person.

Patent/Copyright Infringement Indemnification

To the fullest extent permitted by law, **BCBSM** shall indemnify, defend and hold harmless the State, its employees and agents from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by BCBSM or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States. In addition, should the equipment, software, commodity, or service, or the operation thereof, become or in BCBSM's opinion, be likely to become the subject of a claim of infringement, BCBSM shall at BCBSM's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to BCBSM, (ii) replace or modify the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if such option is not reasonably available to BCBSM, (iii) accept its return by the State with appropriate credits to the State against BCBSM charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Code Indemnification

To the extent permitted by law, BCBSM shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from BCBSM's breach of the No Surreptitious Code Warranty.

Indemnification Obligation Not Limited

In any and all claims against the State of Michigan, or any of its agents or employees, by any employee of BCBSM 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 BCBSM or any of its subcontractors under worker's disability compensation acts, disability benefits acts, or other employee benefits acts. This indemnification clause is intended to be comprehensive. Any overlap in sub clauses, 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 sub clause.

Continuation of Indemnification Obligation



The duty to indemnify will continue in full force and affect notwithstanding the expiration or early termination of the Contract with respect to any claims based on facts or conditions, which occurred prior to termination.

Indemnification Procedures

The procedures set forth below shall apply to all indemnity obligations under this Contract.

- (a) After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify BCBSM of such claim in writing and take or assist BCBSM in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against BCBSM. No failure to so notify BCBSM shall relieve BCBSM of its indemnification obligations except to the extent that BCBSM can demonstrate damages attributable to such failure. Within 10 days following receipt of written notice from the State relating to any claim, BCBSM shall notify the State in writing whether BCBSM agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying BCBSM of a claim and prior to the State receiving BCBSM's Notice of Election, the State shall be entitled to defend against the claim, at BCBSM's expense, and BCBSM will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.
- (b) If BCBSM delivers a Notice of Election relating to any claim: (i) the State shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in the handling of such claim and to monitor and advise the State about the status and progress of the Defense; (ii) BCBSM shall, at the request of the State, demonstrate to the reasonable satisfaction of the State, Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) BCBSM shall periodically advise the State about the status and progress of the defense and shall obtain the prior written approval of the State before entering into any settlement of such claim or ceasing to defend against such claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State shall have the right, at its own expense, to control the defense of that portion of such claim involving the principles of Michigan governmental or public law. Notwithstanding the foregoing, the State may retain control of the defense and settlement of a claim by written notice to BCBSM given within 10 days after the State's receipt of BCBSM's information requested by the State pursuant to clause (ii) of this paragraph if the State determines that BCBSM has failed to demonstrate to the reasonable satisfaction of the State BCBSM's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State of Michigan, or any of its subdivisions pursuant to this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State pursuant to this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.
- (c) If BCBSM does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State shall have the right to defend the claim in such manner as it may deem appropriate, at the cost and expense of BCBSM. If it is determined that the claim was one against which BCBSM was required to indemnify the State, upon request of the State, BCBSM shall promptly reimburse the State for all such reasonable costs and expenses.

2.306 Limitation Of Liability

Except as set forth herein, neither BCBSM 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 apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of BCBSM; to claims covered by other specific provisions of this Contract calling for liquidated damages; to Contractor's indemnification obligations (2.305); or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The State's liability for damages to BCBSM shall be limited to the value of the Contract.

**2.307 Contract Distribution**

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

2.308 Form, Function, And Utility - Reserved**2.309 Assignment Of Antitrust Cause Of Action**

For and in consideration of the opportunity to submit a quotation and other good and valuable consideration, the bidder hereby assigns, sells and transfers to the State of Michigan all rights, title and interest in and to all causes of action it may have under the antitrust laws of the United States or this State for price fixing, which causes of action have accrued prior to the date of payment and which relate solely to the particular goods, commodities, or services purchased or procured by this State pursuant to this transaction.

2.310 Reserved**2.311 Transition Assistance**

If this Contract is not renewed at the end of this term, or is canceled prior to its expiration, for any reason, BCBSM must provide for up to three (3) months 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.

2.312 Work Product - Reserved**2.313 Website Incorporation**

State expressly states that it will not be bound by any content on BCBSM's website, even if BCBSM's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of such content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representation of the State.

2.4 Contract Review and Evaluation**2.401 Contract Compliance Inspector**

Upon receipt at Purchasing Operations of the properly executed Contract Agreement(s), the person named below will be allowed to oversee the Contract performance on a day-to-day basis during the term of the Contract. However, overseeing the Contract implies **no authority to negotiate, change, modify, clarify, amend, or otherwise alter the terms, conditions, and specifications of such Contract(s). That authority is retained by Purchasing Operations.** The Contract Compliance Inspector for this project is:

Susan Kant

Michigan Department of Civil Service
Employee Benefits Division
Post Office Box # 30002
Lansing, Michigan 48909
KantS@michigan.gov
(517)335-3068

2.402 Performance Reviews



Purchasing Operations in conjunction with the Department of Civil Service may review with BCBSM their performance under the Contract. Performance reviews shall be conducted quarterly, semi-annually or annually depending on BCBSM's past performance with the State. Performance reviews shall include, but not limited to, quality of products/services being delivered and provided, timeliness of delivery, percentage of completion of orders, the amount of back orders, status of such orders, accuracy of billings, customer service, completion and submission of required paperwork, the number of substitutions and the reasons for substitutions, and other requirements of the Contract.

Upon a finding of poor performance, which has been documented by Purchasing Operations, **BCBSM** shall be given an opportunity to respond and take corrective action. If corrective action is not taken in a reasonable amount of time as determined by Purchasing Operations, the Contract may be canceled for default. Delivery by BCBSM of unsafe and/or adulterated or off-condition products to any State agency is considered a material breach of Contract subject to the cancellation provisions contained herein.

2.403 Audit Of Contract Compliance/Records and Inspections

(a) Inspection of Work Performed. The State's authorized representatives shall at all reasonable times and with 10 days prior written request, have the right to enter BCBSM's premises, or any other places, where the Services are being performed, and shall have access, upon reasonable request, to interim drafts of Deliverables or work-in-progress. Upon 10 Days prior written notice and during business hours, the State's representatives shall be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that such access will not interfere or jeopardize the safety or operation of the systems or facilities. BCBSM must provide all reasonable

facilities and assistance for the State's representatives, so long as no security, labor relations policies and proprietary information policies are violated.

(b) Examination of Records. No more than once per year, BCBSM agrees that the State, including its duly authorized representatives, until the expiration of seven (7) years following the creation of the material (collectively, the "Audit Period"), shall, upon 20 days prior written notice, have access to and the right to examine and copy any of Contractor's books, records, documents and papers pertinent to establishing BCBSM compliance with the terms and conditions of the Contract and with applicable laws and rules, including the State's procurement rules, regulations and procedures, and actual performance of the Contract for the purpose of conducting an audit, examination, excerpt and/or transcription but the State shall not have access to any information deemed confidential to BCBSM to the extent such access would require such confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of BCBSM, or any Subcontractor of BCBSM performing services in connection with the Contract.

(c) Retention of Records. BCBSM shall maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract in accordance with generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records shall be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving BCBSM's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

(d) Audit Resolution. If necessary, BCBSM and the State shall meet to review each audit report promptly after issuance. BCBSM will respond to each audit report in writing within 30 days from receipt of such report, unless a shorter response time is specified in such report. BCBSM and the State shall develop and agree upon an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in such audit report.

1. Errors. If the audit demonstrates any errors in the statements provided to the State, then the amount in error shall be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be



carried for more than four (4) quarterly statements. If a balance remains after four (4) quarterly statements, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly statement that the balance appeared on or termination of the contract, whichever is earlier.

2. In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then BCBSM shall pay all of the reasonable costs of the audit.

2.5 Quality and Warranties

2.501 Prohibited Products - Reserved

2.502 Reserved

2.503 Reserved

2.504 General Warranties (goods) - Reserved

2.505 Contractor Warranties

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

1. BCBSM will perform all services in accordance with high professional standards in the industry;
2. BCBSM will use adequate numbers of qualified individuals with suitable training, education, experience and skill to perform the services;
3. BCBSM 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. BCBSM 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. BCBSM will perform the services in a manner that does not infringe the proprietary rights of any third party;
6. BCBSM will perform the services in a manner that complies with all applicable laws and regulations;
7. BCBSM has duly authorized the execution, delivery and performance of the Contract;
8. BCBSM is capable in all respects of fulfilling and shall fulfill all of its obligations under this contract.
9. The contract appendices, attachments, and exhibits identify all equipment and software services necessary for the deliverable(s) to perform and operate in compliance with the contract's requirements.
10. BCBSM is the lawful owner or licensee of any Deliverable licensed or sold to the state by BCBSM or developed by BCBSM under this contract, and BCBSM has all of the rights necessary to convey to the state the ownership rights or license use, as applicable, of any and all Deliverables.
11. If, under this Contract, BCBSM procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to BCBSM other responsibilities with respect to such items as set forth in this Contract, BCBSM shall assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
12. The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter this contract, on behalf of BCBSM.



13. BCBSM is qualified and registered to transact business in all locations where required.
14. Neither BCBSM nor any Affiliates, nor any employee of either, has, shall have, or shall acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with BCBSM's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. BCBSM shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.
15. All financial statements, reports, and other information furnished by BCBSM to the State as part of its response to the ITB or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of BCBSM as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse changes in the business, properties, financial condition, or results of operations of BCBSM. All written information furnished to the State by or behalf of BCBSM in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.

2.506 Staff

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

BCBSM 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 BCBSM's obligations under this Contract. BCBSM 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 BCBSM including but not limited to illness, disability, resignation or termination of the Key Personnel's employment.

2.507 Software Warranties - Reserved

2.508 Physical Media Warranty - Reserved

2.6 Breach of Contract

2.601 Breach Defined

Failure to comply with articles, sections, or subsections of this agreement, or making any false statement in this agreement will be considered a material breach of this agreement giving the state authority to invoke any and all remedies available to it under this agreement.

In addition to any remedies available in law and by the terms of this contract, if BCBSM breaches Sections 2.508, 2.509, or 2.510, such a breach may be considered as a default in the performance of a material obligation of this contract.

2.602 Notice And Right to Cure

In the event of a curable breach by the BCBSM, the State shall provide BCBSM 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.



2.603 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 hereunder 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 BCBSM. BCBSM 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 BCBSM which are caused by acts or omissions of its subcontractors will not relieve BCBSM of its obligations under the Contract except to the extent that a subcontractor is itself subject to any excusable failure condition described above and BCBSM 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.

2.7 Remedies

2.701 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 BCBSM. In the event that BCBSM 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 BCBSM, 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, BCBSM 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 re-procurement 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 **BCBSM** 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 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 BCBSM 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. BCBSM 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 BCBSM. The State shall give BCBSM 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 BCBSM, an officer of BCBSM, or an owner of a 25% or greater share of BCBSM, 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 BCBSM's business integrity.
5. Approvals Rescinded. The State may terminate this Contract without further liability or penalty 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 7. Termination may be in whole or in part and may be immediate as of the date of the written notice to BCBSM or may be effective as of the date stated in such written notice.

2.702 Rights Upon Cancellation

Termination Assistance. If this Contract (or any Statement of Work issued under it) is terminated for any reason prior to completion, BCBSM agrees to provide for up to six (6) months after the termination all reasonable termination assistance requested by the State to facilitate the orderly transfer of such Services to the State or its designees in a manner designed to minimize interruption and adverse effect. Such termination assistance will be deemed by the parties to be governed by the terms and conditions of this Contract (notwithstanding its termination) other than any terms or conditions that do not reasonably apply to such termination assistance. Such termination assistance shall be at no additional charge to the State if the termination is for BCBSM's Default pursuant to Section 2.602; otherwise the State shall compensate BCBSM for such termination assistance on a time and materials basis in accordance with the Amendment Labor Rates identified within this Contract agreement.

A. Rights and Obligations Upon Termination



- (1) If this Contract is terminated by the State for any reason, BCBSM shall (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in BCBSM's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) in the event that BCBSM maintains title in equipment and software that is intended to be transferred to the State at the termination of the Contract, BCBSM will transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables and other Developed Materials intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which shall be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of such items included compensation to BCBSM for the provision of warranty services in respect of such materials), and (e) take any action to mitigate and limit any potential damages, or requests for BCBSM adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.
- (2) In the event the State terminates this Contract prior to its expiration for its own convenience, the State shall pay BCBSM for all charges due for Services provided prior to the date of termination and, if applicable, as a separate item of payment pursuant to this Contract, for partially completed Deliverables, on a percentage of completion basis. All completed or partially completed Deliverables prepared by BCBSM pursuant to this Contract shall, at the option of the State, become the State's property, and BCBSM shall be entitled to receive equitable fair compensation for such Deliverables. Regardless of the basis for the termination, the State shall not be obligated to pay, or otherwise compensate, BCBSM for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.
- (3) If any such termination by the State is for cause, the State shall have the right to set-off against any amounts due BCBSM the amount of any damages for which BCBSM is liable to the State under this Contract or pursuant to law or equity.
- (4) Upon a good faith termination, 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 Services under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

B. Termination Assistance

If the Contract (or any Statement of Work issued under it) is terminated for any reason before completion, BCBSM agrees to provide for up to 270 calendar days after the termination all reasonable termination assistance requested by the State to facilitate the orderly transfer of such Services to the State or its designees in a manner designed to minimize interruption and adverse effect. Such termination assistance will be deemed by the parties to be governed by the terms and conditions of the Contract (notwithstanding its termination) other than any terms or conditions that do not reasonably apply to such termination assistance. The State shall compensate BCBSM for such termination assistance at the same rates and charges set forth in the Contract on a time and materials basis in accordance with the Labor Rates indicated within Contractors pricing section. If the Contract is terminated BCBSM under Section 20, then BCBSM may condition its provision of termination assistance under this Section on reasonable assurances of payment by the State for such assistance, and any other amounts owed under the Contract.

C. Reservation of Rights

Any termination of the Contract or any Statement of Work issued under it by a party shall be with full reservation of, and without prejudice to, any rights or remedies otherwise available to such party with respect to any claims arising prior to or as a result of such termination.

D. End of Contract Transition



In the event the Contract is terminated, for convenience or cause, or upon expiration, **BCBSM** agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. In the event of termination or the expiration of the Contract, BCBSM agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 270 calendar days. These efforts shall include, but are not limited to, the following:

- (1) Personnel - BCBSM shall work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. BCBSM shall allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by the Contract. In addition, during or following the transition period, in the event the State requires the Services of BCBSM's subcontractors, as necessary to meet its needs, BCBSM agrees to reasonably, and with good-faith, work with the State to use the Services of BCBSM's subcontractors.
- (2) Knowledgeable Personnel. BCBSM will make available to the State or a Third Party Provider knowledgeable personnel familiar with the operational processes and procedures used to deliver products and services to the State. BCBSM personnel will work with the State or third party to help develop a mutually agreeable transition plan, work to transition the process of ordering, shipping and invoicing equipment and services to the State.
- (3) Information - BCBSM agrees to provide reasonable detailed specifications for all Services needed by the State, or specified third party, to properly provide the services required under the Contract. BCBSM will also provide any licenses required to perform the Services under the Contract.
- (4) Software. - BCBSM shall reasonably assist the State in the acquisition of any Contractor software required to perform the Services under the Contract. This shall include any documentation being used by BCBSM to perform the Services under the Contract. If the State transfers any software licenses to BCBSM, those licenses shall, upon expiration of the Contract, transfer back to the State at their current revision level.
- (5) Payment - If the transition results from a termination for any reason, reimbursement shall be governed by the termination provisions of the Contract. If the transition results from expiration, BCBSM will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after Contract expiration that result from transition operations). The hourly rates or fixed price to be charged will be agreed upon prior to the work commencing.
- (6) Single Point of Contact. BCBSM will maintain a Single Point of Contact (SPOC) for the State after termination of the Contract until all product and service obligations have expired.

E. Transition out of this Contract

- (1) In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, BCBSM agrees to perform the following obligations, and any others upon which the State and BCBSM agree:
 - (i) Cooperating with any contractors, Contractors, or other entities with whom the State contracts to meet its telecommunication needs, for at least 270 days after the termination of this Contract;
 - (ii) Reserved.
 - (iii) Providing the State with all asset management data generated from the inception of this Contract through the date on which this Contract is terminated, in a comma-delimited format unless otherwise required by the Program Office;
 - (iv) Reconciling all accounts between the State and BCBSM;
 - (v) Allowing the State to request the winding up of any pending or ongoing projects at the price to which the State and BCBSM agreed at the inception of the project;
 - (vi) Freezing all non-critical software changes;



- (vii) Notifying all of BCBSM's subcontractors of procedures to be followed during the transition out phase;
 - (viii) Assisting with the communications network turnover, if applicable;
 - (ix) Assisting in the execution of a parallel operation until the effective date of termination of this Contract
 - (x) Answering questions regarding post-migration services;
 - (xi) Delivering to the State any remaining owed reports and documentation still in BCBSM's possession.
- (2) In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and BCBSM agree:
- (i) Reconciling all accounts between the State and BCBSM;
 - (ii) Completing any pending post-project reviews.

2.703 Liquidated Damages - Reserved

2.704 Stop Work - Reserved

2.705 Suspension of Work - Reserved

2.8 Changes, Modifications, and Amendments

2.801 Approvals

The Contract may not be 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.

2.802 Time Extensions

Time extensions for contract changes will depend upon the extent, if any, by which the changes cause delay in the completion of the various elements of performance as described in the statement of work. The change order granting the time extension may provide that the contract completion date will be extended only for those specific elements related to the changed work and that the remaining contract completion dates for all other portions of the work will not be altered. The change order also may provide an equitable readjustment of liquidated damages under the new completion schedule.

2.803 Modification

Purchasing Operations reserves the right to modify this contract at any time during the contract term. Such modification may include changing the locations to be serviced, additional locations to be serviced, method or manner of performance of the work, number of days service is to be performed, addition or deletion of tasks to be performed, addition or deletion of items, and/or any other modifications deemed necessary. Any changes in pricing proposed by BCBSM resulting from the proposed changes are subject to acceptance by the State. Changes may be increases or decreases. **IN THE EVENT PRICES ARE NOT ACCEPTABLE TO THE STATE, THE CONTRACT SHALL BE SUBJECT TO COMPETITIVE BIDDING BASED UPON THE NEW SPECIFICATION.**

The State reserves the right to add an item(s) that is not described on the item listing and is available from the Contract Contractor. The item(s) may be included on the Contract, only if prior written approval has been granted by Purchasing Operations.

2.804 Audit and Records Upon Modification

DEFINITION: records includes books, documents, accounting procedures and practices, and other data, regardless of whether such items are in written form, electronic form, or in any other form



BCBSM shall be required to submit cost or pricing data with the pricing of any modification of this contract to the Contract Administrator in Purchasing Operations. Data may include accounting records,

payroll records, employee time sheets, and other information the state deems necessary to perform a fair evaluation of the modification proposal. Contract Administrator or authorized representative of the state shall have the right to examine and audit all of BCBSM's records, including computations and projections, related to:

1. The proposal for modification;
2. The discussions conducted on the proposal, including those related to negotiation;
3. Pricing of the modification; or
4. Performance of the modification.

BCBSM shall make available at its office at all reasonable times the materials described in the paragraphs above.

If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for three (3) years after any resulting final termination settlement.

2.805 Changes

- (a) The Contract Administrator may, at any time, without notice to the sureties, if any, by written order designated or indicated to be a change order, make changes in the work within the general scope of the contract, including changes:
 - (1) In the specifications (including drawings and designs);
 - (2) In the method or manner of performance of the work;
 - (3) In the Government-furnished facilities, equipment, materials, services, or site; or
 - (4) Directing acceleration in the performance of the work.
- (b) Any other written or oral order (which, as used in this paragraph (b), includes direction, instruction, interpretation, or determination) from the Contract Administrator that causes a change shall be treated as a change order under this clause; Provided, that BCBSM gives the Contract Administrator written notice stating:
 - (1) The date, circumstances, and source of the order; and
 - (2) That BCBSM regards the order as a change order.
- (c) Except as provided in this clause, no order, statement, or conduct of the Contract Administrator shall be treated as a change under this clause or entitle BCBSM to an equitable adjustment.

2.806 Disclosure of Litigation

BCBSM shall notify the State in its bid proposal, if it, or any of its subcontractors, or their officers, directors, or key personnel under this Contract, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriation or deception. BCBSM shall promptly notify the State of any criminal litigation, investigations or proceeding which may have arisen or may arise involving BCBSM or any of BCBSM's subcontractor, or any of the foregoing entities' then current officers or directors during the term of this Contract and three years thereafter.

BCBSM shall notify the State in its bid proposal, and promptly thereafter as otherwise applicable, of any civil litigation, arbitration, proceeding, or judgments that may have arisen against it or its subcontractors during the five years preceding its bid proposal, or which may occur during the term of this Contract or three years thereafter, which involve (1) products or services similar to those provided to the State under this Contract and which either involve a claim in excess of \$250,000 or which otherwise may affect the viability or financial stability of BCBSM, or (2) a claim or written allegation of fraud by BCBSM or any subcontractor hereunder, arising out of their business activities, or (3) a claim or written allegation that BCBSM or any subcontractor hereunder violated any federal, state or local statute, regulation or ordinance. Multiple lawsuits and or judgments against BCBSM or subcontractor, in any an amount less than \$250,000 shall be



disclosed to the State to the extent they affect the financial solvency and integrity of BCBSM or subcontractor.

All notices under subsection 1 and 2 herein shall be provided in writing to the State within fifteen business days after BCBSM learns about any such criminal or civil investigations and within fifteen days after the commencement of any proceeding, litigation, or arbitration, as otherwise applicable.

Details of settlements, which are prevented from disclosure by the terms of the settlement, shall be annotated as such. Semi-annually, during the term of the Contract, and thereafter for three years, BCBSM shall certify that it is in compliance with this Section. BCBSM may rely on similar good faith certifications of its subcontractors, which certifications shall be available for inspection at the option of the State.

Assurances - In the event that such investigation, litigation, arbitration or other proceedings disclosed to the State pursuant to this Section, or of which the State otherwise becomes aware, during the term of this Contract, causes the State to be reasonably concerned about:

- a. The ability of BCBSM or its subcontractor to continue to perform this Contract in accordance with its terms and conditions, or
- b. Whether the Contractor **BCBSM** or its subcontractor in performing services is engaged in conduct which is similar in nature to conduct alleged in such investigation, litigation, arbitration or other proceedings, which conduct would constitute a breach of this Contract or violation of Michigan or Federal law, regulation or public policy, then

BCBSM shall be required to provide the State all reasonable assurances requested by the State to demonstrate that: (a) **BCBSM** or its subcontractors hereunder will be able to continue to perform this Contract in accordance with its terms and conditions, (b) BCBSM or its subcontractors will not engage in conduct in performing services under this Contract which is similar in nature to the conduct alleged in any such litigation, arbitration or other proceedings.

BCBSM's failure to fully and timely comply with the terms of this section, including providing reasonable assurances satisfactory to the State, may constitute a material breach of this Contract.

2.807 Liability Insurance

A. Insurance

BCBSM is required to provide proof of the minimum levels of insurance coverage as indicated below. The purpose of this coverage shall be to protect the State from claims which may arise out of or result from BCBSM's performance of services under the terms of this Contract, whether such services are performed by BCBSM, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

BCBSM waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies BCBSM is required to maintain pursuant to this Contract.

All insurance coverage provided relative to this Contract/Purchase Order is PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance shall be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by BCBSM shall have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. Companies that have been approved to do business in the State shall issue all policies of insurance required in this Contract.



See www.michigan.gov/cis

Where specific limits are shown, they are the minimum acceptable limits. If BCBSM's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits.

Before both parties sign the Contract or before the purchase order is issued by the State, BCBSM must furnish to the Director of Purchasing Operations, certificate(s) of insurance verifying insurance coverage ("Certificates"). The Certificate must be on the standard "accord" form or equivalent. THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING. All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) shall contain a provision indicating that coverage afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected and be mailed to: Director, Purchasing Operations, Department of Management and Budget, P.O. Box 30026, Lansing, Michigan 48909. Failure to provide evidence of coverage, may, at the State's sole option, result in this Contract's termination.

BCBSM is required to pay for and provide the type and amount of insurance checked below:

- 1. Commercial General Liability with the following minimum coverage:

\$2,000,000	General Aggregate Limit other than Products/Completed Operations
\$2,000,000	Products/Completed Operations Aggregate Limit
\$1,000,000	Personal & Advertising Injury Limit
\$1,000,000	Each Occurrence Limit
\$500,000	Fire Damage Limit (any one fire)

BCBSM must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the Commercial General Liability certificate. BCBSM also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

- 2. If a motor vehicle is used to provide services or products under this Contract, BCBSM must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in BCBSM's business for bodily injury and property damage as required by law.

BCBSM must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. BCBSM also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

- 3. Workers' compensation coverage must be provided in accordance with applicable laws governing the employees and employers work activities in the state of BCBSM's domicile.

If a self-insurer provides the applicable coverage, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, BCBSM must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

BCBSM also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision shall not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

- 4. Employers liability insurance with the following minimum limits:



\$100,000	each accident
\$100,000	each employee by disease
\$500,000	aggregate disease

- 5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00) with a maximum deductible of fifty thousand dollars (\$50,000.00).
- 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which shall apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.
- 7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.
- 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by BCBSM for any reason under this Contract, and the equipment, software and other contents of such office space, including without limitation, those contents used by BCBSM to provide the Services to the State, up to the replacement value thereof, where such office space and its contents are under the care, custody and control of BCBSM. Such policy shall cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State shall be endorsed on the policy as a loss payee as its interests appear.

B. Subcontractors

Except where the State has approved in writing BCBSM's subcontracts with other insurance provisions, BCBSM shall require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, BCBSM may include any Subcontractors under BCBSM's insurance on the coverage required in this Section. Subcontractor(s) shall fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit BCBSM's liability or responsibility.

C. Certificates of Insurance and Other Requirements

BCBSM shall furnish to Purchasing Operations certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, BCBSM shall provide evidence that the State and its agents, officers and employees are listed as additional insureds, but only to the extent of liabilities assumed by BCBSM as set forth in Indemnification Section of this Contract, under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

BCBSM shall maintain all required insurance coverage throughout the term of the Contract and any extensions thereto and, in the case of claims-made Commercial General Liability policies, shall secure tail coverage for at least three (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed; to limit any liability or indemnity of BCBSM under this Contract to any indemnified party or other persons. BCBSM shall be responsible for all deductibles with regard to such insurance. If BCBSM fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, at the State's election (but without any obligation to do so) after the State has given BCBSM at least 30 days written notice, the State may pay such premium or procure similar



insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due BCBSM, or BCBSM shall pay the entire cost (or any part thereof) upon demand by the State.



APPENDIX A – PLAN DESIGN



PLAN A

Benefit	In-Network	Out-of-Network
Vision Examinations	\$5 copay, then 100%	\$5 copay, then 75% of R&C
Eyeglass Frames and Medically Necessary Lenses	\$7.50 copay*	Not Covered
Eyeglass Frames	Up to \$53 (plus dispensing fee)	Up to \$14
Regular Glass Lenses (up to 71 mm)		
• Single Vision	100%	Up to \$13/pair
• Bifocal Vision	100%	Up to \$20/pair
• Trifocal Vision	100%	Up to \$24/pair
Plastic Lenses	100%	Up to \$3/pair additional
Prism Lenses	100%	Up to \$2/pair additional
Special Lenses	100%	50% of providers charge OR 75% of the average benefit paid to participating providers for comparable lenses, whichever is less
Additional Lens Expenses (Tints equal to Rose #1 & #2)	100%	Up to \$3/pair
Contact Lenses		
• Medically Necessary	100%	Up to \$96/pair
• Not Medically Necessary	Up to \$90/pair	Up to \$40/pair
Frequency:		
<ul style="list-style-type: none"> • Exams: 1 every 12 consecutive months (must be performed by optometrist or ophthalmologist) • Lenses/Frames/Dispensing Fee: 1 every 24 consecutive months (or 1 in every 12 months if prescription changes) 		
Vision Plan Exclusions:		
<ul style="list-style-type: none"> • Sunglasses, photosensitive or anti-reflective lenses that cost more than the benefit for regular lenses • Medical/surgical treatment and lenses and/or frames required as a result of medical and/or surgical treatment of birth defects • Drugs or medications other than for vision testing examinations • Special procedures such as vision training or subnormal vision aids • Conditions requiring treatment as a result of employment or war • Services before/after beginning/termination date of coverage • Covered lenses or frames that are delivered 60 days or more after coverage ends • Experimental or sub-standard services • Services not recommended by a physician or optometrist • Charges for completion of forms • Replacement of lost or broken lenses or frames • Cost of designer frames or frames that exceed allowable payments 		

- Member co-payment only applies to either lenses or frames, not to both, at the time of purchase.



Plan B

Benefit	In-Network	Out-of-Network
Vision Examinations	\$5 copay, then 100%	\$5 copay, then 75% of R&C
Eyeglass Frames and Medically Necessary Lenses	\$7.50 copay*	Not Covered
Eyeglass Frames	Up to \$45 (plus dispensing fee)	Up to \$14
Regular Glass Lenses (up to 71 mm)		
• Single Vision	100%	Up to \$13/pair
• Bifocal Vision	100%	Up to \$20/pair
• Trifocal Vision	100%	Up to \$24/pair
Plastic Lenses	100%	Up to \$3/pair additional
Prism Lenses	100%	Up to \$2/pair additional
Special Lenses	100%	50% of providers charge OR 75% of the average benefit paid to participating providers for comparable lenses, whichever is less
Additional Lens Expenses (Tints equal to Rose #1 & #2)	100%	Up to \$3/pair
Contact Lenses		
• Medically Necessary	100%	Up to \$96/pair
• Not Medically Necessary	Up to \$90/pair	Up to \$40/pair
Frequency:		
<ul style="list-style-type: none"> Exams: 1 every 12 consecutive months (must be performed by optometrist or ophthalmologist) Lenses/Frames/Dispensing Fee: 1 every 24 consecutive months (or 1 in every 12 months if prescription changes) 		
Vision Plan Exclusions:		
<ul style="list-style-type: none"> Sunglasses, photosensitive or anti-reflective lenses that cost more than the benefit for regular lenses Medical/surgical treatment and lenses and/or frames required as a result of medical and/or surgical treatment of birth defects Drugs or medications other than for vision testing examinations Special procedures such as vision training or subnormal vision aids Conditions requiring treatment as a result of employment or war Services before/after beginning/termination date of coverage Covered lenses or frames that are delivered 60 days or more after coverage ends Experimental or sub-standard services Services not recommended by a physician or optometrist Charges for completion of forms Replacement of lost or broken lenses or frames Cost of designer frames or frames that exceed allowable payments 		



Eligibility

An active employee that is in any category of State service with an appointment of at least 720 hours duration **and** if you are:

- A full-time employee
- A part time or job sharing employee working 32 hours or more every bi-weekly pay period
- A permanent intermittent employee expected to work every bi-weekly pay period and at least 40% of full time annually (minimum of 832 hours)

A seasonal employee must have an appointment lasting eight months or more a year

Retired employees are eligible to enroll in the plan without interruption if:

- Retired under Defined Contribution Plan
- Receive an immediate defined pension benefit under one of the following plans:
 - State Employees' Retirement Act
 - State Police Retirement Act

Dependents may be covered if they are your wife or husband and children up to the age of 19. Dependent children may include:

- Unmarried children by birth, legal adoption or legal guardianship while they are in your custody and dependent
- Unmarried children by birth, legal adoption or legal guardianship not residing with the employee, but are employees legal responsibility for the provision of medical care

Existing coverage is automatically continued for incapacitated children age 19 and over.

No person is considered a dependent while in the armed forces of any country.

Also, dependent children are eligible if they meet all of the following requirements:

- Be unmarried and between the ages of 19 and 25
- Be solely dependent for support
- Regularly attend an accredited school

Eligibility begins the first day of the bi-weekly payroll following your completion of one full payroll period of employment.



Appendix B, Pricing

State of Michigan Vision

Administrative Fees

The following table is a summary of the guaranteed State of Michigan vision administration fees for all services listed. Fees are to be applied on a cost per employee/retiree per month (PEPM) basis, for actives and retirees combined.

Services / Programs	(1) Guaranteed Fee		
	FY2007	FY2008	FY2009
a. Basic administrative fees (PEPM) (covers on-going administration, and standard reporting)	\$0.88	\$0.90	\$0.91
b. Data reporting: - Custom or Ad-Hoc - On-line access	Included in the basic administration fee above.		
c. ID cards - Cards for current & new participants - Lost/stolen/replacements/extra	Included in the basic administration fee above.		
d. Participating letter to participating providers	Included in the basic administration fee above.		
e. Participant communications: - Vision plan booklets for current & new participants - Camera-ready art - Production cost per unit or total	Included in the basic administration fee above.		
f. Set-up fees (describe)	Included in the basic administration fee above.		
g. Total administration	\$0.89	\$0.90	\$0.91
(1) Indicate actual amount or reply "Included" if included in Basic Services fee.			