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

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET **March 1, 2012**
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 6
TO
CONTRACT NO. 071B9200221

(Supersedes Contract #071B7200111)

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Thomson Reuters** **P.O. Box 71716** **Chicago, IL 60694** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-0325 **Angela Buren**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant** **Department of Technology, Management and Budget - OFM**	
CONTRACT PERIOD: From: **May 15, 2009** To: **December 31, 2012**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective immediately, this Contract is hereby EXTENDED to December 31, 2012, and INCREASED by $120,000.00.

PLEASE NOTE: The Buyer for this Contract is changed to Angela Buren.

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

AUTHORITY/REASON:

Per Agency request, Contractor agreement, Ad Board approval on 04/3/2012, and DTMB/Procurement approval.

TOTAL REVISED ESTIMATED CONTRACT VALUE: $1,899,450.00

Contract No. 071B9200221
Change Notice No. 6
Signature Block

FOR THE VENDOR:	**FOR THE STATE:**
Thomson Reuters	
Firm Name	Signature
	Jeff Brownlee, Chief Procurement Officer
Authorized Agent Signature	Name/Title
	DTMB-Procurement
Authorized Agent (Print or Type)	Division
Date	Date

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

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET **September 6, 2011**
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 5
TO
CONTRACT NO. 071B9200221

(Supersedes Contract #071B7200111)

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Thomson Reuters** **P.O. Box 71716** **Chicago, IL 60694** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-1916 **Jim Wilson**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **May 15, 2009** To: **June 30, 2012**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective immediately, this Contract is hereby EXTENDED to June 30, 2012, and INCREASED by $370,000.00.

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

AUTHORITY/REASON:

Per contractor/agency agreement, Ad Board approval on 08/30/2011, and DTMB/Purchasing Operations' approval.

TOTAL REVISED ESTIMATED CONTRACT VALUE: $1,779,450.00

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

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET **January 20, 2011**
PROCUREMENT & REAL ESTATE SERVICES ADMINISTRATION
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B9200221

(Supersedes Contract #071B7200111)

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Thomson Reuters** **P.O. Box 71716** **Chicago, IL 60694** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-1916 **Jim Wilson**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **May 15, 2009** To: **December 31, 2011**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

This contract is hereby INCREASED by $650,000.00 and the attached statement of work for Early Retiree Reimbursement Services is hereby incorporated into this contract.

Also, the buyer has been changed to Jim Wilson.

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

AUTHORITY/REASON:

Per vendor and agency request, Ad Board approval on 12/7/2010 and DTMB/Procurement & Real Estate Services Administration approval.

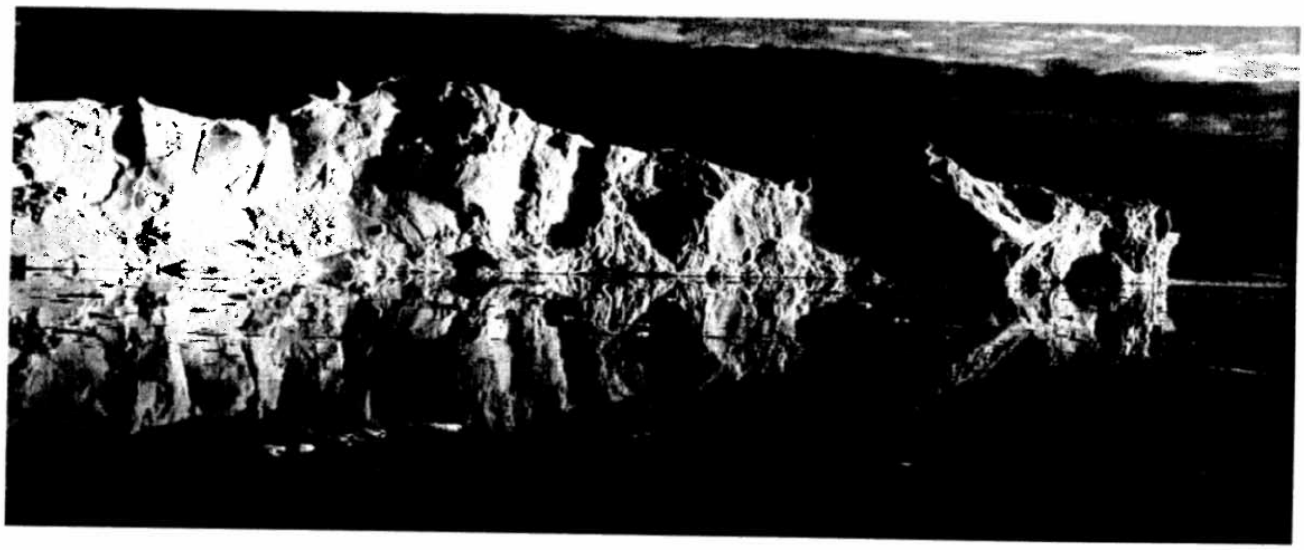
INCREASE: $650,000.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: $1,409,450.00

FOR THE VENDOR:	FOR THE STATE:
Thomson Reuters	
Firm Name	Signature
	Jim Wilson, Buyer Specialist
Authorized Agent Signature	Name/Title
	Services Division, Procurement & Real Estate Services Administration
Authorized Agent (Print or Type)	Division
Date	Date

THOMSON REUTERS

KNOWLEDGE TO ACT.



MPSERS

Maximizing Reinsurance Returns with Early Retiree Reimbursement Services

SUBMITTED: June 16, 2010

Submitted by:
Diana Ford
Thomson Reuters
777 E. Eisenhower Parkway
Ann Arbor, MI 48108
(734) 913-3612
Email: diana.ford@thomsonreuters.com

INTRODUCTION

The Patient Protection and Affordable Care Act of 2010 includes a provision for temporary reinsurance for early retirees. The reinsurance extends to retirees age 55 and over who are not eligible for Medicare, as well as their spouse, surviving spouse, and dependents enrolled in your healthcare benefit program. The reinsurance is intended to provide an incentive to employers to continue providing early retirees with healthcare coverage until healthcare exchanges can be implemented under other provisions of the Act. Under the reimbursement program, you are eligible for an 80% reimbursement of each qualified covered enrollee's medical and pharmacy benefit costs between $15,000 and $90,000. Using 2009 experience as a proxy for 2010 early retiree costs, we estimate MPSERS would have been eligible for a reinsurance payment of $37M, representing 11% of 2009 early retiree medical and pharmacy costs. The government has appropriated $5 billion for the program and will disperse funds until the appropriation is either depleted or extended. The federal government has announced they expect the reinsurance application process to be similar to the process for the Retiree Drug Subsidy program. Consistent with this, we believe it is the intent of the federal government to administer the reimbursement program in a manner similar to the Medicare D Retiree Drug Subsidy program. Based on our understanding of current requirements, we have developed this proposal to ensure you receive the maximum subsidy available. A description of our proposed services follows.

Client Requirements

To be eligible to receive reinsurance funds under the Act, you will be required to meet certain provisions including the following:

- You must have or implement programs and procedures to better manage chronic conditions.
- You must use reinsurance funds to lower costs for the plan and/or employee contributions and out-of-pocket costs.

We believe the program has a limited time window given the funding level. Like you, many of our clients have expressed interest in being first in the reimbursement line. To ensure we meet proposed deadlines and given the limited time to prepare for the submission, we have committed additional resources to provide the services described below. This dedicated team will be working 24/7 to ensure we submit claims for reimbursement consistent with forthcoming regulations so that each client can maximize the reimbursement.

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Proposed Services

Our solution assumes we will play the role of general contractor and central integrator for associated administrative activities, data aggregation, and reconciliation. Through this approach, we will provide the following services:

- Eligibility and claims data sharing with appropriate federal agencies
- Medical, pharmacy and eligibility data aggregation
- Process management for estimating reimbursements
- Ongoing reporting of reimbursement calculation to designated agency based on your preferred frequency as detailed in the attached amendment
- Management of the required reconciliation process
- Fulfillment of data storage requirements
- Quality control and oversight of all work performed

We have designed a comprehensive service package that provides a mix of consultative expertise, data management services, and reporting applications to ensure that you receive maximum value from these services. Specifically, we will perform the following services to ensure compliance with program guidelines:

- APPLICATION SUPPORT: We will provide consultative assistance in support of the completion and submission of the application along with required full eligibility, medical, and prescription drug files for all qualified early retirees and their dependents, along with associated information.
- DATA COLLECTION: We will work with "clean" eligibility information as well as medical and prescription drug claims cost information (i.e., allowed amounts) from all self-funded data suppliers currently included in your Thomson Reuters Advantage Suite data warehouse. We will extract the information required for filing reimbursement for the initial data transfer (e.g., separate build from your Advantage Suite update).
- ELECTRONIC EXCHANGE: With the federal government's accelerated timeline to establish this program and history of supporting new initiatives with existing processes there may be an opportunity to leverage current Voluntary Data Sharing Agreements (VDSA). This would accelerate the determination of qualified non-Medicare entitled covered members who qualify for reinsurance. We will communicate status upon release of forthcoming regulations.
- DATA MANAGEMENT: We will provide you (or directly to the appropriate federal agency) an Extract File (based on the frequency that you elect) containing the claims data relating to subsidy-qualifying covered early retirees and their dependents in the format required, including the following:
  - Generating a subset of eligible beneficiaries and associated eligible claims based on allowed amount, for claims incurred in eligible reinsurance periods.

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- Transferring eligibility and changes to the designated reimbursement center until the appropriated funds are depleted or extended.
- Calculating and reporting reimbursement amounts.
- Applying rebate information to net down drug costs if applicable and required.
- Producing a set of management reports providing supporting detail for submissions.
- Storing data, calculations, and required work files for the period required for program compliance.

Based on current information, we anticipate submitting initial reimbursement requests with service dates beginning June 1, 2010, unless otherwise defined in final regulations. For those clients currently on a quarterly update cycle, we can investigate the value of receiving claims files on a monthly basis for submission purposes only. After working with you to determine the cost/benefit of this approach, should you elect to submit monthly reimbursement files, additional fees will apply as outlined in the attached amendment.

- RECONCILIATION: We will perform periodic reconciliations as appropriate based on the program requirements. We will complete final reconciliation reporting and costs submission in compliance with the final regulations. We will provide the following services:
  - Final validation of qualified covered early retirees.
  - Re-extract/compile claims data incurred and paid between the interim and final reconciliation report to true-up costs and reinsurance.
  - Provide overall project management and consulting services to ensure compliant reconciliation reporting.
  - Report applicable drug rebate information if required. This information must be furnished directly by the plan sponsor or PBM/Plan on the sponsor's behalf. We will work with the plan sponsor to obtain rebates and will apply rebates as required to net down costs. Thomson Reuters does not calculate rebates.

Reimbursement Reinvestment Opportunities

As indicated in the client requirements section above, reimbursement must be used to fund services that reduce the overall cost of healthcare. Based on our current interpretation of interim regulations from the Department of Health and Human Services, we believe funds may be used to:

- Modify and model benefit levels (e.g., deductible, coinsurance, copayments).
- Implement and/or enhance chronic condition management programs.
- Disseminate consumer tools to help employees and dependents understand the cost of coverage as well as manage their conditions.
- Develop care management workflow solutions to ensure compliance thereby reducing costs.

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We have included a strategy session in our services fees to determine which reinvestment solution will bring you the most value. We will base our discussion on both final regulations as well as our current understanding of your program objectives and requirements.

Timing and Fees

We have an included an exhibit with services and fees with this proposal and are prepared to begin working immediately upon signature of the attached. We will process client requests in the order received.

Why Thomson Reuters

We recognize you may receive proposals for other solutions to complete the requirements of the reimbursement program. As you make your decision to proceed, we offer the following clarifying points of differentiation. First, there is clearly an immediate need to develop the process to maximize your reimbursement. As your information provider, we have ready access to current medical, prescription drug, and eligibility data. Further, as we have demonstrated through our data management services, we have a proven track record of providing accurate and reliable data on your behalf. This reliability is critical to ensuring early submission of allowed amounts to maximize reimbursements.

Second, from a Sarbanes-Oxley perspective, you need to leverage the independent, objective, third party services you rely upon today. We are committed to bringing the same rigor to this solution as with our routine data management services; we will maintain and document the process throughout the program duration.

Third, we have significant experience supporting similar services based on our Medicare D Retiree Drug Subsidy Cost Reporting services. We have been helping employer plan sponsors receive their due subsidy under the CMS RDS program since inception in January 2006. Leveraging our experience in managing qualified retirees with the CMS RDS center as well as via VDSA with the COB center, we have facilitated subsidy payments in excess of $2 billion since the program's inception. To ensure we maximize the reimbursement available to all of our clients we have an established a team of resources knowledgeable in the Medicare D Retiree Drug Subsidy process, data management and reconciliation, for the duration of the Early Retiree Reinsurance Program.

Fourth, our customers like you, allow us to bring the breadth and depth of working with millions of members to our solution. As you evaluate reimbursement reinvestment opportunities, we are prepared to use our current information and consultative support to ensure compliance with forthcoming regulations. We also have an established approach to helping you reduce costs to better manage chronic conditions, a requirement for the program. Upon acceptance of this proposal, your account team will work with you to schedule time with our thought leaders to begin the process of defining an appropriate reinvestment strategy. We have developed our solution based on our current understanding of the requirements and look forward to working with you on this project.

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MPSERS
Amendment to Contract

Contract #071B7200111 between The State of Michigan and Thomson Reuters (Healthcare) Inc. is amended effective June 10, 2010 for Early Retiree Reinsurance (ERR) Services pursuant to the terms and provisions of the Patient Protection and Affordable Care Act of 2010.

- APPLICATION SUPPORT: We will provide consultative assistance in support of the completion and submission of the application along with full eligibility files for all eligible early retirees and their dependents as well as associated information with employer-provided identifiers.
- DATA COLLECTION: We will work with "clean" eligibility information, medical and prescription drug claims information (i.e., allowed amount) from all data suppliers currently included in your data warehouse. To expedite aggregating and reporting medical and prescription drug allowed amount claims, we will extract the information required for requesting reimbursement from your Advantage Suite data warehouse (separate from the update process).
- DATA MANAGEMENT: We will provide you (or provide directly to the appropriate federal agency) an Extract File (based on the frequency that you elect) containing the claims data relating to subsidy-qualifying covered early retirees and their dependents in the format required, including the following:
  - Generating a subset of eligible beneficiaries and associated eligible claims based on allowed amount.
  - Transferring and updating eligibility and claims costs including the associated changes to the designated reimbursement center at the frequency selected until such time as the appropriated funds are depleted, the government program terminated, or you provide a written election to cease ongoing submissions.
  - Calculating and reporting reimbursement amounts
  - Producing a set of management reports providing supporting detail for submissions.
  - Storing data, calculations, and required work files for the period required for program compliance
- RECONCILIATION: We will perform periodic reconciliations as appropriate based on the program requirements. At a minimum, we will complete a final reconciliation report and cost submission in compliance with final regulations.
- COMPLIANCE AND COMMUNICATION: Thomson Reuters (Healthcare) Inc. will keep current with requirements and communicate changes, revisions, and/or required amendments with MPSERS to ensure ongoing compliance.

EXCLUDED SERVICES: The solution does not include:

- Services by Thomson Reuters (Healthcare) Inc. associated with and in response to audit by the appropriate government agency (will be priced separately).
- Any services fees related to ERR that are not included above will be negotiated and mutually agreed upon prior to services being performed.

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Fees for the ERR services are fixed and include the following:

- Initial Payment $ 55,000
  (Application support, commencement of data management and conversion process, project management)
- Balance (due after first submission) $195,000
  (Finalizing data conversion, testing, reconciliation, submission, secure data storage, and files, project management)

Thomson Reuters will begin the data conversion process immediately following execution of the contract and will submit the initial reimbursement the later of application acceptance date or five business days after June claims become available.

Maintenance Fees

Below are the fees associated with ongoing submissions.

	Submission Frequency	Price Per Submission
☐	Monthly	$ 15,000
☐	Quarterly	$ 50,000

If the regulations restrict a lesser frequency than your preference, we will adjust fees accordingly. Maintenance fees terminate based on HHS program completion date unless prior written notification is provided to Thomson Reuters by MPSERS.

Performance Guarantees

Operational Service Area	Standard	Guarantee
Data Delivery Turnaround Time	TRH will generate an extract file, based on the frequency Customer elects, containing the claims data relating to subsidy-qualifying covered early retirees and their dependents in the format required by the federal agency. The extract files will be produced and uploaded to the appropriate federal agency within 15 business days after receipt of all usable data.	TRH will put 5% of each submission fee at risk to a maximum of $10,000 per submission. TRH will put 10% of total fees paid to date at risk in the final month funds are available if TRH is in receipt of data and fails to submits data for subsidy payment past the 15th of the month and, as a result of the late submission, the State fails to receive subsidy payment.

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TRH acknowledges that the information to be collected and provided as part of the Early Retiree Reinsurance Services will be used by Customer to obtain Federal Funds and will therefore comply with the terms and conditions for participation in the program. TRH will provide information that is true, accurate and complete to the best of its knowledge. TRH Customer agrees and acknowledges that THR is not responsible for the genuineness and accuracy of the claims data from Customer's health care vendors related to the foregoing that shall be provided to THR by Customer or Customer's health care vendors on behalf of Customer.

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We elect to pursue ERR Services with Thomson Reuters (Healthcare) Inc. and agree to the fees provided above. We understand all other terms and conditions of our current Services Agreement with Thomson Reuters (Healthcare) Inc. remain in full force and effect.

THOMSON REUTERS (HEALTHCARE) INC.	**THE STATE OF MICHIGAN**
Approved by:	Approved by:
Title:	Title: Chief Procurement Officer
Date:	Date: 6/18/2010

May 2010
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Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

February 5, 2010

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B9200221

(Supersedes Contract #071B7200111)

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Thomson Reuters** **P.O. Box 71716** **Chicago, IL 60694** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-0684 **Brian Kloeckner**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **May 15, 2009** To: **December 31, 2011**	
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 January 19, 2010, this Contract is hereby EXTENDED through December 31, 2011, and INCREASED by $448,200.00.

The base fee for this Contract is reduced by 10%, and the following services are <u>omitted</u>:

1. **Benefit Plan Design**
2. **Migration Modeling Applications**

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

AUTHORITY/REASON:

Per agency request (PRF dated 12/9/09), vendor agreement (letter dated 12/30/09), Ad Board approval on 1/19/2010, and DMB/Purchasing Operations' approval.

REVISED CURRENT AUTHORIZED SPEND LIMIT REMAINS: $759,450.00

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

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

December 15, 2009

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B9200221

(Supersedes Contract #071B7200111)

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Thomson Reuters** **P.O. Box 71716** **Chicago, IL 60694** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 241-0684 **Brian Kloeckner**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **May 15, 2009**	To: **March 31, 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 December 31, 2009, this State hereby exercises three months of one contract option year, making the new expiration date March 31, 2010.

NOTE: The DMB Buyer for this Contract is now Brian Kloeckner (517) 241-0684.

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

AUTHORITY/REASON:

Per agency request (PRF dated 10/19/09) and DMB/Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: $311,250.00

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

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

July 23, 2009

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B9200221

(Supersedes Contract #071B7200111)

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Thomson Reuters** **P.O. Box 71716** **Chicago, IL 60694** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **May 15, 2009**	To: **December 31, 2009**
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

The Contract value is hereby INCREASED to $311,250.00, to correct the total value transferred from the previous Contract.

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

AUTHORITY/REASON:

Per DMB/Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: $747,000.00

REMAINING VALUE ON CONTRACT: $311,250.00

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

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

May 29, 2009

NOTICE
TO
CONTRACT NO. 071B9200221

(Supersedes Contract #071B7200111)

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Thomson Reuters** **P.O. Box 71716** **Chicago, IL 60694** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **May 15, 2009**	To: **December 31, 2009**
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

This Contract replaces Contract #071B7200111 as vendor has changed name and FEIN. No additional funds have been added.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: $747,000.00

REMAINING VALUE ON CONTRACT: $ 62,250.00

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

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

CONTRACT NO. 071B9200221

(Supersedes Contract #071B7200111)

between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Thomson Reuters** **P.O. Box 71716** **Chicago, IL 60694** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **May 15, 2009** To: **December 31, 2009**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

MISCELLANEOUS INFORMATION:

This Contract replaces Contract #071B7200111 as vendor has changed name and FEIN. No additional funds have been added.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: $747,000.00

REMAINING VALUE ON CONTRACT: $ 62,250.00

FOR THE VENDOR:	**FOR THE STATE:**
Thomson Reuters Firm Name	Signature
Authorized Agent Signature	**Melissa Castro, CPPB, Buyer Manager** Name/Title
Authorized Agent (Print or Type)	**Services Division, Purchasing Operations** Division
Date	Date

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

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

May 11, 2009

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B7200111
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE (734) 913-3131 **Diana Ford**
The Medstat Group, Inc. **777 Eisenhower Parkway** **Ann Arbor, MI 48108** **diana.ford@thomson.com**	VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **January 1, 2007** To: **May 15, 2009**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective May 15, 2009, the Contract is hereby CANCELED and REPLACED with Contract #071B9200221 due to vendor merger.

AUTHORITY/REASON:

Per vendor request and DMB/Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAIN: $747,000.00

REMAINING VALUE ON CONTRACT: $ 62,250.00

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

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

February 5, 2008

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B7200111
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **The Medstat Group, Inc.** **777 Eisenhower Parkway** **Ann Arbor, MI 48108** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro**
Contract Compliance Inspector: Phil Stoddard (517) 322-6235 **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **January 1, 2007** To: **December 31, 2009**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

NATURE OF CHANGE(S):

Effective immediately, the Contract Compliance Inspector for this Contract is hereby CHANGED to:

Phil Stoddard
DMB – ORS – MPSERS
Telephone: (517) 322-6235

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

AUTHORITY/REASON:

Per agency request and DMB/Purchasing Operations' approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $747,000.00

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

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

January 12, 2007

NOTICE
TO
CONTRACT NO. 071B7200111
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **The Medstat Group, Inc.** **777 Eisenhower Parkway** **Ann Arbor, MI 48108** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro**
Contract Compliance Inspector: Brian Mclane **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **January 1, 2007** To: **December 31, 2009**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

Estimated Contract Value: $747,000.00

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

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

CONTRACT NO. 071B7200111
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **The Medstat Group, Inc.** **777 Eisenhower Parkway** **Ann Arbor, MI 48108** **diana.ford@thomson.com**	TELEPHONE (734) 913-3131 **Diana Ford** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro**
Contract Compliance Inspector: Brian Mclane **Medical Management System Consultant – Department of Management & Budget - OFM**	
CONTRACT PERIOD: From: **January 1, 2007** To: **December 31, 2009**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION: **Estimated Contract Value: $747,000.00**	

FOR THE VENDOR:	**FOR THE STATE:**
The Medstat Group, Inc. Firm Name	Signature
Authorized Agent Signature	**Melissa Castro, CPPB, Buyer Manager** Name/Title
Authorized Agent (Print or Type)	**Services Division, Purchasing Operations** Division
Date	Date

STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations

Contract No. 071B7200111
Medical Management System Consultant Services

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

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Article 1 – Statement of Work (SOW)

1.0 Project Identification

1.001 Project Request

The purpose of this Contract is for a health insurance information management system and related consulting services on an as-needed basis.

1.002 Background

The Michigan Public School Employees Retirement System (MPSERS) began actively addressing the rising costs of funding health benefits for retirees in the late 1980s. The efforts began with a move to self-insuring the plan to allow greater flexibility and engaging consulting services to assist in strategic planning. As of December 31, 2005, there were 110,586 contracts for health care plan coverage. This translates to 172,316 covered individuals, including dependents (65% are Medicare age). 97% of the plans members currently participate in a self-insured national PPO administered by Blue Cross Blue Shield of Michigan (BCBSM). The remaining 3% participate in a Health Maintenance Organization (HMO) pilot program involving two HMO's in the State of Michigan.

1.1 Scope of Work and Deliverables

1.101 In Scope

The Contractor will provide a health insurance information management system (IMS). This system will receive historical and ongoing claims data from the above-described plan and allow the Michigan Public School Employees Retirement System and its health insurance consultant to perform on-line, interactive, information retrieval and manipulation. The IMS must also provide normative data for comparisons and provide extensive reporting features, as described below.

1.102 Out of Scope - Reserved

1.103 Environment - Reserved

1.104 Work and Deliverable

Contractor shall provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

1. Database Services

Standardize, convert and accurately interpret data from multiple administrators or claims systems;

Maintain all inpatient and outpatient (hospital, physician, laboratory, and other professional) record-specific detail to provide an audit trail back to the original claim;

- Integrate enrollment data with claims data; e.g., x-number of hospital admissions per 1000 plan participants;
- Reconstruct inpatient cases to include lagging claims;
- Track individual patient and family experience;
- Standardize data so that clinical, financial, and provider information can be compared to norms;
- Perform comprehensive data quality edits and provide progress for use in conducting ongoing program improvement;

- Classify claims data for analysis according to clinical classifications, including: Inpatient: major diagnostic categories (MDC) and diagnosis-related groups (DRG); Outpatient: MDC and procedure groups;

- Aggregate all claims consisting of outpatient surgical episode to comparison with inpatient surgical episodes;

- Track a patient's complete health care experience by linking inpatient, out patient and pharmacy claims.

Contactor Response to Task 1:

Standardize, convert and accurately interpret data from multiple administrators or claims systems;
Since 1981, Medstat has managed data from multiple sources in order to build integrated databases for our customers. We have managed data from more than 400 suppliers, including traditional carriers, TPAs, HMOs, carve-out vendors, eligibility and absence systems, survey sources, and many varieties thereof. Medstat has built more than 300 integrated analytic databases for employers, health plans, and government agencies.

Our database build processes are designed specifically to transform healthcare claims, encounters, provider files, eligibility records, prescription drug data, behavioral health claims, workers' compensation, disability, absence, and related data into useful, readily accessible information. These processes convert, standardize, and integrate the raw data and enhance it with aggregate and summary data to support advanced analytic capability, such as risk-adjusted benchmarking. Medstat also employs the industry's most sound and thorough processes for assessing data quality; the data is tested for completeness, validity, and reasonableness.

The database build, design, construction, and update methodologies ensure that users have reliable, accurate, and enhanced information to support healthcare analysis and decision-making. Users have online access to all of the data in the database.

Standardization, Conversion, and Interpretation
The build software standardizes the raw data to make them consistent across various data sources. These standardization edits include format edits and definition edits, such as calculations on financial fields to obtain standard-defined charge and payment fields; mapping all values in a field that mean the same thing to a single value; and mapping data such as place of service, type of service and provider type to standard values. Data standardization is vital for the accurate comparison of experience across plans and for comparison of Michigan Public School Employees Retirement System's (MPSERS) experience to norms.

Standardization is especially important for financial analysis. From plan to plan, significant differences exist as to when discounts are applied (before or after co-pays), how deductibles are recorded, how lump sum adjustments are recorded, whether claim-level adjustments void or replace the original claim, and so on. Each plan's approach must be investigated and documented then the data transformation routines must be customized.

Maintain all inpatient and outpatient (hospital, physician, laboratory, and other professional) record-specific detail to provide an audit trail back to the original claim;

- ***Integrate enrollment data with claims data; e.g., x-number of hospital admissions per 1000 plan participants;***

To integrate enrollment data with claims data, Medstat combines the Employee SSN, Patient Date of Birth, and Patient Gender to create a unique Person Identifier within both eligibility and claims data. Medstat applies the same encryption method to Person IDs in both the enrollment and claims files. Then, we link the claim to the appropriate enrollment record by matching the Person ID and Service Date within the claims data to the enrollment Person ID and appropriate eligibility month. Our security processes and encryption methods have been carefully designed to ensure an accurate match and still meet the requirements for data privacy.

Once we have integrated the enrollment data with claims data, the Advantage Suite analytic software automatically links claims and enrollment records to calculate rates, such as hospital admissions per 1000, with the study population. For example, if MPSERS were to analyze its population in western Michigan using a subset of specific zip codes, only the admissions associated with that population would be included.

- ***Reconstruct inpatient cases to include lagging claims***

With each database update, the Medstat processes rebuild inpatient cases (admissions) to include lagging claims.

- ***Track individual patient and family experience;***

Advantage Suite provides the ability to summarize experience at the family level and at the individual patient level.

- ***Standardize data so that clinical, financial, and provider information can be compared to norms;***

Data standardization is vital for the accurate comparison of experience across plans and for comparison of MPSERS's experience to norms. The Medstat data transformation process ensures the compatibility of MPSERS data with Medstat MarketScan norms.

Standardization is especially important for financial analysis. From plan to plan, significant differences exist as to when discounts are applied (before or after co-pays), how deductibles are recorded, how lump sum adjustments are recorded, whether claim-level adjustments void or replace the original claim, and so on. Each plan's approach must be investigated and documented; then the data transformation routines must be customized.

This standardization would enable MPSERS to analyze their HMO data in a manner similar to their indemnity plan data should MPSERS decide to include the HMO data in their Advantage Suite database.

- ***Perform comprehensive data quality edits and provide progress for use in conducting ongoing program improvement;***

To produce information that you can use with confidence, the MPSERS database must have reliable, high-quality data. Medstat leads the industry in sound data quality assurance and data management methodologies. We test the data thoroughly and have a proven approach for working with vendors to achieve the level of quality that is needed for making good decisions. Especially for an agency like MPSERS where every dollar spent on healthcare is one less dollar available to the schools, the cost of benefits must be managed very carefully and the information you use must be timely and accurate. The cost of even a small error could put you off course by tens of millions of dollars. This past July, MPSERS asked Medstat and Blue Cross Blue Shield of Michigan (BCBSMI) to help them reconcile the quarterly Cost Report produced by BCBSMI to the annual Management Report produced from their Advantage database. The report parameters for these reports vary significantly and MPSERS needed to be able to clearly communicate the differences to their Board. Working together, we were quickly able to reconcile the financial results to within .1 percent.

- ***Classify claims data for analysis according to clinical classifications, including:***
  Inpatient: major diagnostic categories (MDC) and diagnosis-related groups (DRG);

The Advantage Build process assigns MDCs to claims data as part of the Edit phase and assigns MDCs and DRGs during the Admissions Build phase. You may, as an option, choose to include the MDC, DRG or other grouper coding assigned during your claims processing, in which case the Advantage Build retains your codes as well as assigning them during the build process.

The core solution for MPSERS includes comprehensive, in-depth disease-specific reporting capability, which is fully integrated in Advantage Suite. Our disease-specific design incorporates an array of evidence-based performance measures. Reporting is based on the analytically ready Advantage Suite database, which facilitates easy and speedy analysis of disease across all treatment modalities: inpatient, outpatient, drug, professional services, long-term care, transportation, home health, etc. In addition, the linkage of eligibility data provides a powerful capability for simple yet accurate population-based reporting.
Medstat incorporates our disease-specific methods into our concept of disease management.

We have an information-based process that provides an integrated approach to managing prevention, diagnosis, and treatment of specific diseases or conditions. This population-based approach to health optimizes the clinical and economic outcomes of care for a disease condition over the lifetime of an individual. A properly designed program relies on both prevention of complications and treatment of chronic diseases.

Medstat understands that the most critical aspect of the disease management process is the ability to analyze and share information. An integrated information system then becomes a key function, since data critical to a patient's overall medical care come from a variety of sources and disparate systems (e.g., medical claims and prescription drug claims). Information is the critical component of physician acceptance and collaboration. Without credible facts, properly organized and presented, physicians are unlikely to respond to requests that practice patterns be changed.

Outpatient: MDC and procedure groups;
MDCs are assigned by the Advantage Build software and extend beyond inpatient admission related claims to include all inpatient, outpatient, and professional services. Every service that has a valid ICD-9 code is assigned an MDC. MDC information is useful in comparing healthcare use and costs between populations for general medical conditions as well as to gain a high-level overview of the diagnostic mix of claims for members.

In addition, Medstat applies approximately 150 outpatient procedure groups based on CPT and HCPCS procedure code values. These procedure groups aggregate the thousands of procedure codes into logical related groupings (e.g. Colonoscopy, EKG, Office Visits). Procedure groups greatly simplify the analysis of outpatient cost and use across large populations.

- ***Aggregate all claims consisting of outpatient surgical episode to comparison with inpatient surgical episodes;***

Advantage has built-in episodes that are perfectly suited to analyzing the complete costs and experience for both inpatient and outpatient surgery. Because Advantage retains links to all of the detail claims for each episode, it is easy to drill down into the individual claims and procedures that made up the claims for outpatient surgical episodes and compare them to the claims and procedures that made up the inpatient surgical episodes. While the nature of inpatient procedure coding (mostly broad revenue codes instead of detailed CPT-4 codes) makes perfect comparisons impossible, Advantage is able to provide a good view as to what is being done different, and the variation in cost. Advantage can also evaluate qualitative outcomes by looking at post-surgical readmissions, complications, ER Visits, etc.

- ***Track a patient's complete health care experience by linking inpatient, out patient and pharmacy claims.***

Medstat uses our proprietary grouping methodology, Medstat Episode Grouper (MEG), because it is a rigorous, clinically rich episode construction methodology that incorporates inpatient, outpatient, and drug experience into clinically relevant episodes of care. Using risk adjusted episode groupers as the unit of analysis, analysts can perform comprehensive profiling of physicians and other providers. Risk Adjusted Episodes combines two important dimensions of a patient's condition—the risk of the member (patient) measured by the DxCG relative risk score and the risk of the episode as measured by our Disease Staging method. Used independently, these methods provide powerful risk prediction and adjustment methods. However, Medstat has recently developed a combined method that provides the most advanced, risk adjustment method in the industry. This risk-adjustment method has an extremely high predictive power and provides our customers with greater confidence that they are appropriately accounting for underlying risk and making fair comparisons between providers. Episodes also give users the ability to evaluate chronic disease management programs and analyze services delivered to a patient for treating or preventing health problems. By using these episodes, decision-makers can accurately evaluate the success of programs designed to manage the cost and quality of healthcare across the continuum of care in all delivery settings.

2. Analytical software

- Ability to generate the following reports at a minimum:

  Report on total cost of care by clinical condition where prevalence, severity, risk and compliance to best practices are demonstrated;

  ♦ Utilization and cost trends for specified health care service;

  ♦ Hospital and physician comparisons on a case-mix-adjusted basis;

  ♦ Breakdowns of claims by line of service should include, but not be limited to the following (health care, retail and mail order pharmacy, health Maintenance Organization (HMO's)) and clinical groupings; e.g., MDC, DRG, procedure group;

  ♦ Provider and patient specific analysis;

  ♦ Evaluation of carrier/claims payer performance on claims payment, pricing policies, and coordination of benefits recovery;

- ♦ Advanced sub setting allowing specific time dependent analysis around a study population;
- ♦ Quality of care screening reports, including readmission patterns, outliers, deaths, complications of treatment, and discretionary admission of medical and surgical cases;
- ♦ Analysis of overall frequency of inpatient and outpatient surgeries, appropriateness of site of care, and total cost of both inpatient and outpatient surgeries;
- ♦ Distribution of Medical net and Prescription Drug net payments, days, admissions, services, etc., by family or individual;
- ♦ Listing of cases which meet criteria for classification as “catastrophic”;
- ♦ Statistics (mean, median, standard deviation, etc.) for user-selected data;

- Capability to produce custom (ad hoc) reports from information in the existing database(s) without additional programming;
- Ability to model appropriate costs for HMO enrollees using indemnity plan data;
- Ability to build an HMO database and to analyze HMO data in a manner similar to indemnity plan data;
- Ability to model indemnity, point-of-service, and HMO plan designs using advanced actuarial models and claims-based sampling techniques to simulate plan design scenarios and forecast changes in migration and cost. Ability to project migration in response to changes in contributions and plan design. Ability to model changes in Medicare rules and impact on retiree cost trends;
- Provide database tool for the analysis of medical and prescription drug information by episode of care where expenditures and utilization of health care resources are analyzed by specific time windows with severity, risk and compliance to best practices;
- Provide database tool for automatic audit of medical and prescription drug claims information and provide detailed synopsis of anomalies and/or outliers involving quality assurance;
- Claims-based benefit simulation and modeling capability to evaluate impact of different benefit designs, including various changes in inflation, demographics, utilization, deductible levels, co-insurance, fourth-quarter carrier provisions, and out-of-pocket maximums;
- Ability to display inpatient and outpatient claims data for groups and individuals;
- Ability to display medical and prescription drugs in-network and out-of-network data for an individual together as well as separately;
- System-user capability to access and report on any selected subset of the total database, with the ability to define subsets by any selected field or combination of fields;
- Aggregate link medical data, HMO data and prescription drug data plan types and for groups such as Non Medicare and Medicare;
- Provide statistically valid normative data on retired populations in Michigan and across the United States on-line for comparison purposes and to standardize norms for demographic differences by making age-sex adjustments;
- Ability to create customized norms as requested by Michigan Public School Employees Retirement System.

Contractor Response to Task 2:

Ability to generate the following reports at a minimum:

- ***Report on total cost of care by clinical condition where prevalence, severity, risk and compliance to best practices are demonstrated;***

Advantage Suite provides robust capabilities to report on the total cost of care by clinical condition with a demonstration of prevalence, severity, risk, and compliance to best practices within the reports.

Among the many reports available in Advantage Suite, the standard Clinical Condition Analysis report displays financial and prevalence information by clinical condition for the most recent rolling year. This report can be used to identify conditions with high prevalence, costs, or inpatient utilization. More details on the components of what make up the prevalence, cost, and inpatient utilization information can be obtained by drilling down on diagnosis.

Another report example is the standard Chronic Conditions Prevalence and Cost Change Analysis. This report displays financial and prevalence information for chronic diseases, such as Asthma, Diabetes, and Hypertension, for the most recent rolling year compared to the previous rolling year. This report can be used to evaluate where disease management is needed or to monitor the effectiveness of disease management programs in lowering costs.

Best Practice Norms

In addition to our standard report set, Advantage Suite provides many external norms including best practice norms. These are compiled from Medstat's large research database, MarketScan, which contains the pooled experience of our customers. Medstat has derived best practice benchmarks based on the best performing 25th percentile of Medstat MarketScan's commercial customers. Individual rates are calculated for each customer, based on its fee for service non-Medicare population. These rates are normalized to a standard population mix. The value for the customer at the top quartile cut off is selected as the best practice value. Advantage Suite also gives MPSERS the ability to compile its own best practice norms.

Predictive Modeling Capabilities

With our predictive modeling capabilities in conjunction with our episodes of care methodology we combine two important dimensions—the risk of the member (patient) measured by the DxCG relative risk score and the risk of the episode as measured by our Disease Staging method. Used independently, these methods provide powerful risk prediction and adjustment methods. However, Medstat has recently developed a combined method that provides the most advanced, risk adjustment method in the industry. This risk-adjustment method has an extremely high predictive power and provides our customers with greater confidence that they are appropriately accounting for underlying risk and making fair comparisons.

- ***Utilization and cost trends for specified health care service;***

A variety of standard trend reports are included in Advantage Suite. MPSERS users can quickly generate year over year comparisons as well as monthly trend reports with the click of a button.

Many customers use the Performance Summary and the Cost Driver reports to understand time period cost and utilization drivers. The Performance Summary report can be run by location/business unit to understand overall medical and prescription drug trends and their drivers. The Cost Driver report details the causes of trends into medical and drug cost and use, as well as population changes. To better understand how catastrophic claims or patients are driving the trend, a user can subset out claims over a particular (user-defined) threshold and reevaluate the trend without this "atypical" care.

- ***Hospital and physician comparisons on a case-mix-adjusted basis;***

Advantage Suite supports hospital comparisons on a case-mix and severity adjusted basis. Based on the Medstat Disease Staging system, severity adjustment extends case-mix adjustment by adjusting for the mix of disease conditions using the ICD-9-CM diagnosis codes, age, sex, and co-morbidities over the course of an admission or episode of care to classify the severity of the patient's illness.

- Broadly used and accepted adjustment for severity of illness and is recognized by third parties as the premier methodology. Defines severity based on the progression of the disease and the presence of complications.
- Reflects more clinical detail than case-mix adjustment.
- Helps users to respond to hospitals' assertions that higher costs reflect treatment of more severely ill patients than the providers to which they are compared.
- Evaluates cost-effectiveness and quality of care across multiple disease conditions and providers.

Advantage Suite offers a number of ways to group providers for analysis.

- ***Breakdowns of claims by line of service should include, but not be limited to the following (health care, retail and mail order pharmacy, health Maintenance Organization (HMO's)) and clinical groupings; e.g., MDC, DRG, procedure group;***

Medstat Advantage Suite includes more than 125 standard reports covering such topics as financial, utilization, clinical, disease management, eligibility, and drug. Users can easily modify the reports to reflect company-wide experience or experience by business-unit, plan, geographic area, and supplier. Comparative data, in the form of external or internal norms or benchmarks is also available on the reports.

Ad hoc reporting tools are integrated into Advantage Suite so there are no additional tools, techniques, or costs required to access the database. The ad hoc report designer application included with Advantage Suite is very intuitive and easy-to-use. Users can perform virtually unlimited ad hoc inquiries/analyses and produce a myriad of fully customized interactive reports, based on any view of the data (subset) they select. The report designer enables users to select measures, subsets, and time periods and simply drag them to a column or row, to see exactly how the report would appear. Users can combine a customized set of measures in one report that would require multiple standard reports in other systems, and display only those measures relevant to a given analysis. Users can save these report templates in two ways: 1) in a library for future use, or 2) with other standard Advantage Suite reports.

- ***Provider and patient specific analysis;***

The ability to analyze, report, and compare providers by networks, groups, hospitals, or individuals is key to any clinical analysis system. By understanding differences in utilization, practice patterns, levels of quality, and costs, MPSERS will be able to work with providers to offer feedback and help improve their performance. By retaining bill/pay line detail and/or encounter line item detail, Advantage Suite allows users to "drill down" and "get behind" any provider profile to examine the details about the healthcare rendered. Advantage Suite provides a number of standard reports for provider network analysis.

Advantage Suite provides users with the capability to compare utilization, cost, access, and quality of care by network, as long as adequate network indicators are provided in the source data. User-defined norms and benchmarks, such as best practice norms and centers of excellence, can be used to compare and contrast network performance. In- and out-of-network experience can be measured. For example, a user can create a report examining the following:

- Percent charges and services in-network.
- Rates of use (inpatient and outpatient).
- Price per service (inpatient and outpatient).
- Quality of care measures (e.g., rate of preventive care services).
- Provider discounts by type of provider.

Physician discounts can be evaluated by controlling for service-mix by reviewing payments for specific procedures on a risk-adjusted basis. Further, network discounts can be compared to expected levels and monitored on a monthly basis, with a more rigorous analysis of price annually.

As described in Task 1 of this proposal, Advantage Suite provides the ability to drill to a patient-level health summary, the Patient Health Record, from any report containing patient IDs. This provides the ability to drill down from a patient-level report, such as gaps in care or patient action list, to see underlying patient and claims detail information. The Patient Health Record drill-down shows both summary patient information, such as demographics, summary costs, projected health costs, utilization history, and episode summary, as well as detail information on medical/Rx claims and clinical lab results data if available.

- ***Evaluation of carrier/claims payer performance on claims payment, pricing policies, and coordination of benefits recovery;***

A particular strength of Advantage Suite is its ability to compare vendors on a fair and accurate basis, because we standardize financial data across sources with great care.

Recently MPSERS asked Medstat to work with them to confirm that COB is being handled in accordance with plan design.

- ***Advanced sub setting allowing specific time dependent analysis around a study population;***

Study groups are an advanced query capability specifically designed by Medstat to allow linking information for patients over time. This capability is critical for most outcome analysis as it allows users to focus on patients with specific conditions and analyze the outcome of different treatment protocols.

Study Group subsetting was the topic of an advanced training session at the Medstat Lansing User Group (MLUG). The group used advanced subsetting to complete a gastric bypass admission analysis. This advanced feature is often key to producing Rapid Response reports, the ongoing series of proactive analyses Medstat delivers to MPSERS.

- ***Quality of care screening reports, including readmission patterns, outliers, deaths, complications of treatment, and discretionary admission of medical and surgical cases;***

The report templates available in Advantage Suite provide a starting point for quality of care reporting. These templates minimize the time users spend in report definition by providing access to reports that might be very similar to those someone else has developed.

- ***Analysis of overall frequency of inpatient and outpatient surgeries, appropriateness of site of care, and total cost of both inpatient and outpatient surgeries;***

Advantage can perform a simple analysis of frequency of surgeries by selecting surgical procedures (grouping as desired) and reporting counts done with an inpatient place of service and counts done with an outpatient place of service.

Our experience is that very few types surgeries are found in both the inpatient and outpatient settings in significant numbers. Instead most are either done inpatient or done outpatient. So while there is not generally much opportunity to influence policy with regard to place of service, there is an opportunity to look for the uncommon outlier events where a surgery is done in the non-standard setting. In other words, appropriateness of site of care can be inferred from the practice patterns clear in the data. It also could be investigated based on external clinical expertise when surgical techniques are advancing.

Assessing the total cost of inpatient and outpatient surgeries is achieved using episodes. Through advanced Study Group Subsetting, Advantage can isolate the surgical episodes, dividing these further into type of surgery and into inpatient or outpatient surgeries. These subsets of episodes enable the user to determine all costs for the surgical episode including costs of the admission, costs of pre-surgical preparation, and costs of post-surgical care.

- ***Distribution of Medical net and Prescription Drug net payments, days, admissions, services, etc., by family or individual;***

As described in Task 1 of this proposal, Advantage Suite allows you to create distribution reports that distribute groups of people into “buckets” that you define. For instance, you may want to create a report that distributes a count of patients into the following buckets: net payments of $0 to $10,000, $10,000.01 to $20,000, and so on. A user can also use distribution reports to create ranges of inpatient days, admissions (e.g., 1 admission, 2, 3, 4 or more), and services, by family or individual.

- ***Listing of cases which meet criteria for classification as “catastrophic”;***

Advantage Suite includes a High Cost Patient Report which lists the top 100 patients when ranked by medical and drug net payments.

- ***Statistics (mean, median, standard deviation, etc.) for user-selected data;***

The Advantage Suite Measures Catalog provides automatic statistical capabilities in the form of hundreds of pre-calculated measures such as unique counts, sums, averages (means), rates, and ratios, which represent the major types of calculations that are needed on a daily basis in healthcare.

Capability to produce custom (ad hoc) reports from information in the existing database(s) without additional programming;

Other than general proficiency with standard Windows and Web browser interfaces, as well as basic mouse skills, users do not need any special technical or programming skills to effectively use Advantage Suite. Advantage Suite is intuitive and easy to use.

Ability to model appropriate costs for HMO enrollees using indemnity plan data;

Medstat Modeler is a PC-based actuarial model for estimating the cost impact of proposed healthcare benefit plan design changes. Modeler is a powerful and flexible tool designed by Medstat that supplements the modeling applications included in Advantage Suite. It was developed based on experience seen in the Medstat MarketScan database. Modeler could be used to evaluate the cost impact of potential plan design changes for the MPSERS Non-Medicare population. This population accounted for 50 percent of MPSERS net payments in 2005.

Modeler can be used to model HMO plan costs based on available indemnity plan data. Modeler's actuarial utilization adjustments are based on MarketScan data for different plan design types including indemnity and HMO options, allowing users to model utilization differences encountered in these different plan types. In addition, the plan design parameters are flexible and comprehensive and allow users to model typical HMO and indemnity plan features. Finally, the Modeler can be set up to reflect differences in demographics, area factors, discounts and trend rates for indemnity and HMO plans.

Ability to build an HMO database and to analyze HMO data in a manner similar to indemnity plan data;
One integrated, analytically-ready database supports Advantage Suite. A particular strength of the Medstat data model is the careful integration of all data, even if captured from different feeds and formats. Since one integrated database will store all of MPSERS's data, a MPSERS user can run a single report by county; for example, that displays all aspects of cost and use (including inpatient, outpatient, office, lab, drug, mental health, and disability). Other systems force the user to join tables, run multiple reports, and then manually combine the results.

HMO encounter records, capitation amounts and premiums all may be loaded into Advantage Suite. This integration and standardization would all MPSERS to compare their HMO data to their indemnity plan data in a similar manner should they decide to load the HMO data.

Medstat has incorporated HMO data into numerous customer databases and is an industry leader in managing customer HMO data to support Medicare Part D—Retiree Drug Subsidy program activities.

Ability to model indemnity, point-of-service, and HMO plan designs using advanced actuarial models and claims-based sampling techniques to simulate plan design scenarios and forecast changes in migration and cost. Ability to project migration in response to changes in contributions and plan design. Ability to model changes in Medicare rules and impact on retiree cost trends;
Medstat Modeler uses MPSERS's own claims cost experience or MarketScan data, industry group, enrollee age and gender and geographic distribution to tailor results to your healthcare experience. Modeler's easy-to-use interface enables analysts to efficiently establish a reliable baseline of customer healthcare experience from which alternative plan designs and reimbursement methods can be modeled using "what if" logic. A user can model up to 5 alternative plan designs in a single session. The cost impact of each scenario for the company and its employees can be determined in minutes. Even complex interactions that would result from multiple plan design changes can be simultaneously assessed with Modeler.

The system supports early retiree population-based modeling for both medical and prescription drug programs. Plan types available include PPO, POS, HMO and indemnity plans. The system supports the modeling of alternatives for in- and out-of-network provisions, deductibles, out-of-pocket maximums, co-payments, benefit limits, and coverage tier limitations. All models use regional cost and utilization factors to adjust for changes in inflation and utilization.

Because Modeler uses MarketScan data as a reference point, the tool provides superior reliability when compared to other modeling methods constructed from disparate sources.

Provide database tool for the analysis of medical and prescription drug information by episode of care where expenditures and utilization of health care resources are analyzed by specific time windows with severity, risk and compliance to best practices.

Medstat Advantage Suite gives users a number of ways to evaluate pharmacy treatment compliance. These range from examining patient compliance with recommended treatments for conditions amenable to disease management to whether or not changes in an employer's benefit design prohibited individuals from being compliant with recommended treatment.

Provide database tool for automatic audit of medical and prescription drug claims information and provide detailed synopsis of anomalies and/or outliers involving quality assurance;

Medstat Auto-Audit® is a proven claims editing solution with over a decade of experience addressing the claim editing needs of well over 100 organizations. Auto-Audit reduces processing costs by interfacing with your claims processing systems to provide a seamless process to identify billing and coding errors.

Auto-Audit is unique in that all of its edits are based upon recognized published guidelines. Auto-Audit does not contain proprietary editing rules. This philosophy lends to greater physician acceptance and fewer provider appeals. Millions of code combinations make up the 40 Auto-Audit edit categories resulting in greater savings and more accurate claims processing. By applying Auto-Audit's extensive customization capabilities, plans are able to modify the edits to meet their unique payment policies. Auto-Audit's capabilities extend beyond traditional identification of coding issues. For example, our customers have used Auto-Audit to identify potential case management cases much earlier on in their treatment or to flag potential subrogation or workers compensation claims.

By applying Auto-Audit's extensive customization capabilities, plans are able to modify the edits to meet their unique payment policies. Auto-Audit's capabilities extend beyond traditional identification of coding issues. For example, our customers have used Auto-Audit to identify potential case management cases much earlier on in their treatment or to flag potential subrogation or workers compensation claims.

Advantage Suite provides extensive capabilities for auditing eligibility and claims data. These capabilities will help MPSERS verify if its eligibility policies are being accurately applied and if claims are being paid in accordance with the appropriate benefit limitations. Advantage Suite is being used today for this purpose by many of our customers. MPSERS has used Advantage Suite to determine if pharmacy co-payments are being applied in accordance with plan design.

Claims-based benefit simulation and modeling capability to evaluate impact of different benefit designs, including various changes in inflation, demographics, utilization, deductible levels, co-insurance, fourth-quarter carrier provisions, and out-of-pocket maximums;
As described earlier in this proposal, Medstat Modeler is a PC-based actuarial model for estimating the cost impact of proposed healthcare benefit plan design changes. Modeler is a powerful and flexible tool designed by Medstat that supplements the modeling applications included in Advantage Suite. It was developed based on experience seen in the Medstat MarketScan database.

In addition to the MarketScan data built into Modeler's actuarial model, Modeler uses your own plan's to tailor results to your healthcare experience such as the following:

- Medical and pharmacy claims cost experience
- High level pharmacy utilization data
- Demographics
- Geographic distribution
- Discounts
- Industry group

Modeler's easy-to-use interface enables analysts to efficiently establish a reliable baseline of customer healthcare experience from which alternative plan designs and reimbursement methods can be modeled using "what if" logic. A user can model up to 5 alternative plan designs in a single session. The cost impact of each scenario for the company and its employees can be determined in minutes. Even complex interactions that would result from multiple plan design changes can be simultaneously assessed with Modeler.

The Modeler includes standard trend rates for projecting costs and users can override these trend rates to use their own custom trend rates if desired. This feature allows the modeling of different medical inflation scenarios. Modeler's standard trend rates are based on MarketScan data as will as information on industry wide trends.

The Modeler has great flexibility in modeling a variety of plan designs from comprehensive major medical plans to PPO, POS, HMO and consumer driven health plans with HRA or HSA fund accounts. Modeler's plan design parameters allow modeling of a wide variety of deductible, copay, coinsurance and out-of-pocket maximum cost sharing features as well as dollar and use benefit limits.
Please refer to Appendix C for additional information on Modeler's capabilities.

Ability to display inpatient and outpatient claims data for groups and individuals;
As described earlier in this proposal, Advantage Suite reports can be constructed to display both inpatient and outpatient claims data on one report for groups and individuals using subsetting and MSPERS-specific dimensions.

Ability to display medical and prescription drugs in-network and out-of-network data for an individual together as well as separately;
The ability to analyze, report, and compare providers by networks, groups, hospitals, or individuals is key to any clinical analysis system. By understanding differences in utilization, practice patterns, levels of quality, and costs, MPSERS will be able to work with providers to offer feedback and help improve their performance. By retaining bill/pay line detail and/or encounter line item detail, Advantage Suite allows users to "drill down" and "get behind" any provider profile to examine the details about the healthcare rendered.

System-user capability to access and report on any selected subset of the total database, with the ability to define subsets by any selected field or combination of fields;
The breadth of analytic reporting in a benefits program drives the need for unlimited dynamic analytic views of the data. The report writer includes a comprehensive ability to "subset," or filter, the database to select particular cuts of the database for analysis. One of the great benefits of subsetting is that users can specify their subset conditions either by a point and click selection from a list of allowable values for a field (e.g., age group) or by specifying the values of interest (e.g., payment > $10,000). The capability to interact with common words instead of complex computer codes greatly reduces the learning curve for users and the need to understand healthcare coding schemes. The application supports complex logic in the subsetting function. Subset conditions can be saved in libraries for future access and can be accessed with different templates, thus providing consistency and economy of scale.

Aggregate link medical data, HMO data and prescription drug data plan types and for groups such as Non Medicare and Medicare;
Advantage Suite enables a user to aggregate (and report on separately) these data types by plan (individually or by groupings) and to separately report on Non Medicare and Medicare recipients.

Provide statistically valid normative data on retired populations in Michigan and across the United States on-line for comparison purposes and to standardize norms for demographic differences by making age-sex adjustments;
The Medstat MarketScan database is the healthcare industry's largest commercially available source of well standardized, longitudinal data representing the publicly and privately insured healthcare experience of several million individuals.

Ability to create customized norms as requested by Michigan Public School Employees Retirement System.
Each year Medstat creates custom Medicare and Non Medicare norms from our MarketScan database to use in the production of the annual Management Report and Board Presentation. The normative values used in these reports exclude the Retirement System's contribution to MarketScan. Custom norms can be created throughout the year upon request.

3. Additional Technical Requirements

- PC-based user interface, compatible with Microsoft Windows, providing non-programming, menu-driven access to data and reporting capabilities, fully integrated with an on-line help system;
- Ability to download data to consultant-furnished graphics and spreadsheet packages;
- Ability to process multiple-year claims transactions (at least 48 months) and generate reports for the user within a reasonable time frame; i.e., 30 minutes for 90% of reports;
- Ability to combine data from multiple plan sponsors for purposes of collaborative projects.

Contractor Response to Task 3:

PC-based user interface, compatible with Microsoft Windows, providing non-programming, menu-driven access to data and reporting capabilities, fully integrated with an on-line help system;
Advantage Suite provides a standard PC-based user interface compatible with Microsoft Windows along with Web-based interfaces.

Advantage Suite provides non-programming, menu-driven access throughout NetEffect and Decision Analyst. Our menu-driven navigation system includes a robust portfolio of pre-defined, detailed reports addressing the most common reporting needs. The reports are organized by topic, such as Financial, Utilization, Clinical, Profiling, making it easy for users to select a report to view or modify based on a menu of tabs.

Advantage Suite Help
Medstat supplies comprehensive user documentation to help users gain maximum value from Medstat's applications. The Advantage Suite F1 Help facility (context sensitive help) displays targeted information applicable to the specific window currently open in the application. When you access Help by pressing the F1 Key, the system automatically displays the appropriate Help text for the application on your screen.

Ability to download data to consultant-furnished graphics and spreadsheet packages;
Advantage Suite has a number of methods available to export query and report results outside of the application. The following functions have been successful in supporting this need for Advantage Suite customers:

Ability to process multiple-year claims transactions (at least 48 months) and generate reports for the user within a reasonable time frame; i.e., 30 minutes for 90% of reports;
Medstat has the ability to process 48 months of claims transactions as required by this RFP. There is no technical limit to the number of years that can be processed. The MPSERS database currently contains 36 months of data. Advantage Suite system performance should be considered in two ways: time to answer and report response time.

Ability to combine data from multiple plan sponsors for purposes of collaborative projects.
Medstat has the ability to combine data from multiple plan sponsors for the purposes of collaborative projects. Medstat routinely combines data from multiple plan sponsors to create the Medstat MarketScan database. The MarketScan database can be used for collaborative analysis. If additional data is needed, Medstat can combine the data as a special project.

4.Contactor Responsibilities – Fixed Price

- Design and create the Michigan Public School Employees Retirement System database(s) and provide analytical software and additional technical requirements;

- Enter existing Michigan Public School Employees Retirement Systems claims data into the database(s);

  - ♦ The Contactor must be able to accept data in the format specified in the Michigan Public School Employees Retirement Systems contracts with its claims processors;

  - ♦ Historical data from MEDSTAT Systems go back to the 1990's. The contractor must receive data tapes from MEDSTAT Systems and convert and save all the historical data into its own proprietary database format. This will permit future uploading for purposes of studies of data, which go back further than is maintained in the current, on-line database. The historical data are in the Blue Cross Blue Shield of Michigan's standard record layout. The historical data must be converted and saved at the beginning of the contract so that they can be available in a few days when the need for a study arises;

  - ♦ Update the database(s) with current data at least quarterly. Purged data will be saved in database format for easy retrieval.

- Provide periodic proactive analysis demonstrating newly identified medical or prescription drug issues;

- Provide real time access to the information management system to Michigan Public School Employees Retirement System's health insurance consultant;

- Data communications costs are to be included in the contract;

- Provide initial training on the information management system to a maximum of 12 Michigan Public School Employees Retirement System staff and consultants during the life of the contract. Also, provide additional training as new releases of the software are implemented;

- Provide up to 10 days of annual on-site, hands-on assistance during the course of the contract. Alternatively, Michigan Public School Employees Retirement System may choose to send staff/consultants to the Contactor's location for up to 10 days of annual personalized assistance;

- Provide transportation, lodging, meals, and conference fee for one Michigan Public School Employees Retirement System designee to attend an appropriate annual users' conference;

- Provide telephone support during normal business hours at no additional cost;

- Provide a master health care plan management report annually (50 copies). The report will be updated periodically to monitor additional health care initiatives authorized by the Michigan Public School Employees Retirement System Board and to focus on areas of special interest in the health care plan;

- Provide a comprehensive analysis of the annual management report. Provide the Michigan Public School Employees Retirement System with analysis and suggestions on future steps;

- Provide presentations to Michigan Public School Employees Retirement System's Board as needed;

- Provide a list of standard reports with each update of the database(s), which show performance and trends. Should include, but not be limited to the following areas:

    - Net pay per participant
    - Inpatient and outpatient payments
    - Basic indicators of inpatient price and use
    - Trends for key geographic or divisional subgroups
    - Performance in focus areas

- Provide a dashboard with each update of the database(s), which shows performance and trends. Should include, but not be limited to the following areas:

    - Net pay per participant
    - Inpatient and outpatient payments
    - Basic indicators of inpatient price and use
    - Trends for key geographic or divisional subgroups
    - Performance in focus areas

- Provide a quarterly report with each update of the database(s), which shows performance and trends. Should include, but not be limited to the following areas:

    - Net pay per participant
    - Inpatient and outpatient payments
    - Basic indicators of inpatient price and use
    - Trends for key geographic or divisional subgroups
    - Performance in focus areas

- Besides the initial creation of the database(s), the Contactor will accommodate one (1) change in Contactor(s) for the health care plan and up to three carve outs of components due to bidding of the contract;

- Provide education and networking opportunities for advanced users of all database tools to discuss best practices;

Contractor Response to Task 4:

Design and create the Michigan Public School Employees Retirement System database(s) and provide analytical software and additional technical requirements;

Enter existing Michigan Public School Employees Retirement Systems claims data into the database(s);

- ***The vendor must be able to accept data in the format specified in the Michigan Public School Employees Retirement Systems contracts with its claims processors;***
- ***Historical data from MEDSTAT Systems go back to the 1990's. The contractor must receive data tapes from MEDSTAT Systems and convert and save all the historical data into its own proprietary database format. This will permit future uploading for purposes of studies of data, which go back further than is maintained in the current, on-line database. The historical data are in the Blue Cross Blue Shield of Michigan's standard record layout. The historical data must be converted and saved at the beginning of the contract so that they can be available in a few days when the need for a study arises;***

MPSERS has been a Medstat customer since July, 1990. MPSERS data is maintained in the Medstat proprietary database format.

- ***Update the database(s) with current data at least quarterly. Purged data will be saved in database format for easy retrieval.***

With the first quarter 2006 update, Medstat began updating the MPSERS database on a quarterly basis. This change in update schedule was made to provide MPSERS with faster access to their healthcare information and to move up the production of the Management Report by an entire quarter. Medstat will continue to update the MPSERS database on either a monthly or a quarterly basis.

For each update process, Medstat will continue to deliver the production database to MPSERS within thirty 30 days following the receipt of complete and usable data from the last of the applicable data suppliers. Medstat has a strong track record of delivering the MPSERS production database according to this schedule when complete and usable data have been received in a timely manner.

As data roll-off the database with each update, Medstat continues to retain the claims files. These data can be reconverted and added to the database. Currently, we have raw claims files back to the late 1990's readily available.

Provide periodic proactive analysis demonstrating newly identified medical or prescription drug issues;
Medstat refers to our periodic proactive analytic series as "Rapid Responses."

The Medstat Lansing User Group represents yet another opportunity for proactive analysis. Each year, Medstat meets with the management teams of the Lansing area employers that participate in the group to review the highlights of analysis completed by the group over the past year and to solicit analytic topics they would like to see the group address over the coming year.

Provide real time access to the information management system to Michigan Public School Employees Retirement System's health insurance consultant;
Yes.

Data communications costs are to be included in the contract;
Agreed.

Provide initial training on the information management system to a maximum of 12 Michigan Public School Employees Retirement System staff and consultants during the life of the contract. Also, provide additional training as new releases of the software are implemented;
Yes. Medstat will provide this training.

Medstat has developed a comprehensive, competency-based user-training program, which has been successfully used by all of our customers. Our Advantage Suite training sessions are especially well suited to your needs, because they accommodate multiple levels of users, including management, supervisory, analysts, and power users. Our Advantage Suite training program is carefully crafted to increase and leverage the knowledge, skill, and performance of our customers. The training program empowers your users and delivers immediate value.

The Medstat training team consists of multiple staff with a wide range of experience training users with a variety of backgrounds and experience. Several of the trainers have worked on Account Teams in analytic and consulting roles helping customers apply Advantage Suite's capabilities in their organizations. The team represents more than 20 years of training experience at Medstat.

Medstat Lansing Users Group
The Medstat Lansing Users Group provides yet another ongoing training opportunity. For each session, with Medstat assistance as needed, a member of the group writes up an analytic guide to share with the other members of the group to use to perform the analysis. The objective of this process is to engage participants in the use of advanced features and to provide them a defined opportunity to frame an analysis.

Provide up to 10 days of annual on-site, hands-on assistance during the course of the contract. Alternatively, Michigan Public School Employees Retirement System may choose to send staff/consultants to the vendor's location for up to 10 days of annual personalized assistance;
Medstat agrees to provide up to 10 days of annual on-site, hands-on assistance during the course of the contract or to provide staff/consultants access to Medstat's corporate headquarters in Ann Arbor for annual personalized assistance.

Provide transportation, lodging, meals, and conference fee for one Michigan Public School Employees Retirement System designee to attend an appropriate annual users' conference;
Medstat agrees to provide transportation, lodging, meals, and conference fee for one Michigan Public School Employees Retirement System designee to attend Medstat's annual user's conference, Connections, described later in this proposal. Transportation reservations will be made through Medstat's travel agency and lodging will be at the conference hotel.

Provide telephone support during normal business hours at no additional cost;
Medstat takes great care to ensure that excellent service is provided to every customer. The positive references we receive from current customers are the ultimate proof of this commitment.

MPSERS will receive a Service Level Agreement (SLA) that sets forth the Medstat commitment to supporting you on an ongoing basis. Part of this agreement includes support from the Medstat Product Support team. Product Support is dedicated to helping users answer questions and solve problems. A major component of the Product Support unit is a multi-channel Contact Center staffed with full-time customer support specialists. In addition to answering customer questions, the Contact Center also manages and directs service requests to the appropriate support specialists, whether the requests are received via phone, e-mail, or through the Medstat Web-based Customer Portal. Customer incidents are reported and tracked on the Customer Portal. In addition, we maintain an extensive knowledge base on this portal.

The standard Medstat customer support hours are 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday, excluding Medstat holidays. Medstat observes Daylight Savings Time.

Product Support Resources
Medstat uses a Web-based customer incident tracking system designed to optimize workflow and effectively manage the Service Level Agreement. An "incident" is any question, concern, or request expressed by a Medstat product user.

Customer Portal: The Medstat Customer Portal, accessed by user ID and password, is available on the Internet to Medstat customers. The Portal provides the ability to search, via a knowledge base, all information contained on the Portal, including solutions to previously reported customer problems of general interest. Medstat continually maintains and expands the content to provide customers with the latest information on Medstat products, as well as up-to-date system information for service center customers.

Entering Incidents through the Customer Portal: Customers who require assistance from Product Support typically enter their request via the Support Incident screen in the Customer Portal. Once the request is entered, customers may monitor the status of the request and append the work notes with additional information. An additional benefit is that the customer's Medstat account team monitors all support incidents reported by their customers.

E-mail and Phone Support: While Medstat customers find the Customer Portal the preferred means of communicating with Product Support, customers may also speak with Product Support by calling a toll-free number staffed during business hours (8:00 a.m. – 8:00 p.m. ET, Monday through Friday) or e-mail requests to medstat.product.support@thomson.com.

Information Available on the Medstat Customer Portal
Medstat also proactively provides important information to customers to ensure the productive use of our products and to eliminate any unnecessary problems. This information is also maintained as part of our searchable knowledge base located on the Customer Portal.

The types of information to be found include:
- Release Notes are posted when a new product version or patch becomes available.
- Support Bulletins are released periodically to inform customers about important items that could impact their operation.
- Analytical Guides which include recent topics such as "Disease Management," "High Cost Patient," and "Cost Driver Analysis."
- Complete Product Documentation and Training Guides are downloadable from the Customer Portal.

Provide a master health care plan management report identical in content to that provided as Attachment B, annually (50 copies). The report will be updated periodically to monitor additional health care initiatives authorized by the Michigan Public School Employees Retirement System Board and to focus on areas of special interest in the health care plan;
Medstat has provided MPSERS with the annual plan management report over the span of our relationship. Over the years we have worked to improve both the report content and production process. This year, one of the major enhancements made to the report was to leverage the incurred but not reported (IBNR) methodology embedded in Advantage Suite to enable us to produce the report an entire quarter earlier than in prior years. Database enhancements included in this proposal present an opportunity to consider enhancements such as episode group reporting and adjusting comparisons for population risk. While Medstat certainly agrees to provide an annual Master Healthcare Plan Management Report identical in content to Attachment B in this RFP, we are excited about the opportunity to enhance this report. Medstat's long history with this report, and our understanding of the underlying methodologies, uniquely positions us to insure on time delivery and articulate what the use of new methodologies reveal in the data to MPSERS and the Board.

Provide a comprehensive analysis of the annual management report. Provide the Michigan Public School Employees Retirement System with analysis and suggestions on future steps;
Medstat agrees to provide a comprehensive analysis of the annual management report. In addition, we will provide the MPSERS with analysis along with suggestions on future steps.

Provide presentations to Michigan Public School Employees Retirement System's Board as needed;
Medstat agrees to provide presentations to MPSERS's Board as needed.

Provide a list of standard reports with each update of the database(s), which show performance and trends. Should include, but not be limited to the following areas:
- ***Net pay per participant***
- ***Inpatient and outpatient payments***
- ***Basic indicators of inpatient price and use***
- ***Trends for key geographic or divisional subgroups***
- ***Performance in focus areas***

Medstat Advantage Suite includes more than 125 standard reports, covering such topics as financial, utilization, clinical, disease management, eligibility, and drug that monitor performance and trend. This report set provides users with wealth of information to monitor focus areas including net pay per participant, inpatient and outpatient payments and basic indicators of price and use. Advantage Suite subsetting and ad hoc reporting can be used to display results by key geographic or divisional subgroups.

Provide a dashboard with each update of the database(s), which shows performance and trends. Should include, but not be limited to the following areas:

- ***Net pay per participant***
- ***Inpatient and outpatient payments***
- ***Basic indicators of inpatient price and use***
- ***Trends for key geographic or divisional subgroups***
- ***Performance in focus areas***

Medstat will continue to produce Executive Dashboards with each database update. Currently, Medstat produces separate dashboards for Medicare and Non-Medicare plan participants that display net pay per participant, inpatient and outpatient payments, basic indicators of inpatient price and use and performance in focus areas. The MPSERS Medstat Account Team looks forward to utilizing the Medstat Episode Grouper and Diagnostic Cost Groups to enhance the MPSERS dashboards.

Provide a quarterly report with each update of the database(s), which shows performance and trends. Should include, but not be limited to the following areas:

- ***Net pay per participant***
- ***Inpatient and outpatient payments***
- ***Basic indicators of inpatient price and use***
- ***Trends for key geographic or divisional subgroups***
- ***Performance in focus areas***

Medstat would be happy to provide MPSERS with the underlying datasheet that supports the Executive Dashboard. In addition, the Advantage Suite NetEffect management report sets are refreshed with each update. NetEffect data "slicers" enable the rapid retrieval of results by geographic or divisional subgroups. NetEffect delivers a balanced report set that examines both the cost and quality of program performance.

Besides the initial creation of the database(s), the vendor will accommodate one change in vendor(s) for the health care plan and up to three carve outs of components due to bidding of the contract;

Medstat agrees to accommodate one change in the database for the healthcare plan and up to three carve outs of components due to bidding of the contract.

Provide education and networking opportunities for advanced users of all database tools to discuss best practices;

As part of our standard service package, Medstat offers customers several opportunities throughout the year to network with other customers. Our goal is to help our customers leverage these opportunities by understanding how others are driving change and reducing costs and then using this knowledge at MPSERS to bring about similar change.

Annual Customer Conference

Connection, the annual Medstat conference, first held in 1984, brings Medstat customers together for a three-day conference, which generally attracts 300-400 Medstat customers in all markets. Every customer is able to send as many of its staff to the Connection conference as it desires. At the conference, most break-out and plenary sessions involve presentations from leading-edge customers and other external national leaders. Connection routinely receives excellent reviews from customers who value the networking and learning opportunities offered during the event. MPSERS was recognized as an Innovator Award finalist at the 2006 conference. The next Connection conference will be held May 6 – 9, 2007, at the Hyatt Regency Country Hills Resort and Spa in San Antonio, Texas. Additional information can be found on the Medstat Internet site, URL: http://www.medstat.com/conn2006/home.asp. While there is usually a registration fee for this conference, we have included one registration fee, transportation, lodging and meals for one MPSERS designee, at no extra charge.

Attendees at Connection can:

- Network with other large employers; facing similar challenges (e.g., how to provide competitive benefits in a cost-effective manner).
- Hear about best practices used in leveraging information resources to better design plans, negotiate with vendors, and achieve cost targets.
- Better understand how other companies use Medstat to conduct daily operations, achieve business objectives, and measure program ROI.
- Learn new ways to use Medstat products to gain market advantages.
- Meet with Medstat account staff and senior management.
- Preview the full range of Medstat capabilities, both current and upcoming.

Examples of Connection 2006 topics that may have been of interest to MPSERS include:

- Healthcare Disparities: What Role Should a Company Play When Disparities Based on Ethnic or Cultural Differences Have Been Identified?
- Executing a Wellness Philosophy through Effective Design, Implementation, and Ongoing Management Practices
- Program Integrity Roundup '06
- Use of Disease Staging to Understand Changes in Access Priorities for Outpatient Practice
- Identifying High-Risk Members Using DxCG and Advantage Suite
- Building and Customizing Program Integrity Reports Using Advantage Suite
- Collecting and Using Lab Data to Improve Population Health and Quality of Care
- Leapfrog's Hospital Rewards Program
- Analysis of Consumer-Driven Health Plan (CDHP) Web site Utilization among Members
- Using Integrated Information to Drive Organizational Results
- Results of Post-Payment Claims Auditing
- Transforming Healthcare through Applied Analytics
- In the Arena—Health Systems Partnering with Employers for Sustainable Healthcare
- Employee Plan Selection Under Build-Your-Own—How Well Did They Do?
- Measuring Disease Management Programs
- Identifying the Most Highly Leveraged Care Management Opportunities Using Health Risk Assessment Data
- Attacking the Healthcare Crisis: Using Integrated Information to Drive Healthcare Strategy and Associated Operating Budgets

Multi-customer Training Sessions

New users coming on board after the initial training sessions can be accommodated in one of our multi-customer training sessions in which the session includes users from multiple Medstat customers. These sessions are generally held every three months and are separately priced per trainee.

In addition to formal Advantage Suite training sessions, Medstat holds informal training sessions on topics of interest periodically throughout the year. These sessions are generally held using an online meeting format where the user logs in to a secure Internet site and views the presentation materials as they are being presented by Medstat staff.

Medstat Lansing User Group Meetings

Each meeting of the Medstat Lansing Users Group is focused on a specific topic of common interest, such as advanced training, disease management opportunities, or pharmacy benefit management. The meetings typically start with a single employer customer and their Medstat account team explaining the outcome of a particular initiative or an invited industry expert giving a point of view. The rest of the meeting is conducted in a round table format with each customer having a chance to discuss their experience and answer questions from the other participants.

State Employer Forum

MPSERS participates in a quarterly teleconference meeting among Medstat state employer customers. This meeting, referred to as the State Employer Forum, provides an opportunity for the public sector benefits managers to share experiences, successes, analytic approaches, and lessons learned with their peers. Each meeting is focused on a specific topic, such as the RFP process, disease management, or pharmacy benefit management. The meetings are conducted in a round table format with each state having a chance to discuss their recent experiences and answer questions from the other participants. These meetings have been very well received, as measured by post-meeting surveys.

Customer Education Seminars

Medstat conducts a series of Customer Education Seminars providing advanced training on clinical issues, analytic methods, and product features. A typical session includes one hour describing a clinical area, such as stroke, diabetes, asthma, or cardiac disease, followed by an hour showing how to do analysis using Advantage Suite. The Seminars are broadcast to customers through a combination of WebEx for the video portion and a moderated conference call for the audio. In addition, each seminar is recorded and made available on the Customer Portal for later viewing.

Unlike typical product-focused vendor Webinars, Medstat focuses on high quality content that is immediately useful to Conference participants and ensures that call participants connect with each other. At our Customer Advisory Council, customers praised the phone conferences and asked for more opportunities to hear about best practices and network with their peers. Through participation in these forums, users are able to learn how other clients have used Advantage Suite to maximize their investment in Medstat. Medstat continues to provide thought leadership and insights.

5. Contactor Responsibilities – Unit Price

- Provide consulting, research, and report-writing services on an as-needed basis, within the context of the information management system;

- Provide new stand alone health-related information management system software products the Contactor may offer for sale during the period of the contract to the Michigan Public School Employees Retirement System up to a cost of $20,000 per year and a total of $100,000 over the lifetime of the contract. The cost to the Michigan Public School Employees Retirement System for any product will not be greater than the lowest price paid by any purchaser;

Contractor Response to Task 5:

Provide consulting, research, and report-writing services on an as-needed basis, within the context of the information management system;
Medstat will provide consulting, research, and report-writing services on an as needed basis.

Provide new stand alone health-related information management system software products the vendor may offer for sale during the period of the contract to the Michigan Public School Employees Retirement System up to a cost of $20,000 per year and a total of $100,000 over the lifetime of the contract. The cost to the Michigan Public School Employees Retirement System for any product will not be greater than the lowest price paid by any purchaser;
Medstat will agree to provide new stand alone health-related information management system software products that the vendor may offer for sale during the period of the contract to the MPSERS up to a cost of $20,000 per year and a total of $100,000 over the lifetime of the contract.

6. Time Frames

- The database(s) must be available for use within one (1) month of the onset of the contract;

Data must be uploaded and purged from the database(s) at three-month intervals (January-March, April – June, July – September, and October-December). Quarterly data updates must be on-line within 30 calendar days from receipt of good data from the carrier(s). It is anticipated that the carriers will have data feeds completed which meet the requirements of the IMS within 15 calendar days of the close of a quarter. A data reconciliation meeting shall occur with the Contactor and Blue Cross Blue Shield of Michigan within five (5) days of the data transfer. The results of the meetings will be reported to the Office of Retirement Services.

Contactor Response to Task 6:

Historical data from MEDSTAT Systems must be converted to the contractor's database format. Must be on-line and ready for use within 120 calendar days from the receipt of good data from MEDSTAT and the carriers. If the current contractor wins the contract, the database(s) must be available for use within one month of the onset of the contract;
If Medstat wins this contract, MPSERS will not experience a disruption in database availability, have to invest time managing an implementation, or learn a new system.

Data must be uploaded and purged from the database(s) at three-month intervals (January-March, April – June, July – September, and October-December). Quarterly data updates must be on-line within 30 calendar days from receipt of good data from the carrier(s). It is anticipated that the carriers will have data feeds completed which meet the requirements of the IMS within 15 calendar days of the close of a quarter. A data reconciliation meeting shall occur with the vendor and Blue Cross Blue Shield of Michigan within 5 days of the data transfer. The results of the meetings will be reported to the Office of Retirement Services.

Medstat began updating the MPSERS database quarterly with the second quarter 2006 update in order to facilitate the early production of the annual Management Report and Medstat proposes to continue with quarterly updates. Medstat has a strong record of, and remains committed to, delivering quarterly updates within 30 days of receipt of good data. In addition to reconciling financial results with BCBSMI within 5 days of data transfer, Medstat will reconcile paid claims amounts with the Office of Retirement Services.

1.2 Roles and Responsibilities

1.201 Contractor Staff, Roles, and Responsibilities

The Database management services for Workforce Development and Retirement Administration (WDRA) will be performed under the direct supervision of the Contractor. WDRA reserves the right to reject the Contractor's choice of personnel.

The Database Manager will communicate with the Director of Operations for WDRA or designee regarding any requests for information received from agencies or parties other than the Office of WDRA. Copies of such information will be forwarded to the Director of Operations for WDRA or designee.

The Database Manager will be responsible for assisting the consultants in receiving, analyzing, and interpreting data in order to provide budgetary, legislative, and system management staff with information necessary to administer the plan.

The following Contractor staff will be involved in this operations of this Contract. An organization chart is included in Article 1, Attachment B.

Contractor Response to Task:

The primary Account Team assigned to MPSERS includes the following members:

• Client Services Director: The Client Services Director assigned to MPSERS manages the relationship between MPSERS and Medstat and is responsible for the quality of that relationship. The Client Services Director also leads the team that supports MPSERS's use and application of Advantage Suite to identify opportunities to better manage the cost and quality of the healthcare services provided to MPSERS's employees. The Client Services Director is responsible for ensuring that MPSERS is entirely satisfied with the services, products, and solutions Medstat provides to MPSERS.

• Client Manager: The Client Manager is responsible for the day-to-day activities related to the ongoing support for MPSERS relationship. The Client Manager provides leadership on consulting engagements and collaborates with team members to ensure effective integration with consulting and service delivery capabilities. The Client Manager also monitors and manages customer satisfaction and recommends appropriate strategies, tactics, and operational initiatives to continuously enhance customer satisfaction.

• Senior Consultant: The Senior Consultant leads a team of analysts that delivers quality products and services to Medstat customers. They organize project teams, defining production steps and testing plans, preparing work schedules, and tracking and communicating status to upper management. The Senior Consultant and their team work closely with customers utilizing Medstat products, providing on-site and telephone analytic support and training to assist them in the identification and understanding of their healthcare information needs. In addition, the Senior Consultant is responsible for the creation, application and interpretation of comprehensive analyses. They also clarify project scope and design issues and develops appropriate deliverable documentation.

• Team Lead, Data Management: The Data Management Team Lead leads a team of data managers responsible for installing, updating, and maintaining Medstat databases. Their team is responsible for data investigation, design, and construction, specifications, database installations, database testing, data quality assessment, and healthcare analysis. The Data Management Team Lead provides leadership in defining and improving core production processes, managing customer projects, and developing staff. They work with other team leads/managers to develop analytic and information management practices that enhance teamwork and effectiveness. In addition, they coordinate the design and implementation of work processes capable of meeting customer requirements consistently and efficiently.

Medstat will consult with MPSERS on a regular basis to address and support your changing needs. We will assign additional Medstat staff resources as they are required. In 2005, senior consulting staff were brought in to provide MPSERS with a review of Medstat Healthcare Prospectives and discuss MPSERS opportunities.

1.202 State Staff, Roles, and Responsibilities

State staff from DMB/ORS will be involved in the day-to-day operations of this contract.

1.203 Other Roles and Responsibilities - Reserved

1.3 Project Plan

1.301 Project Plan Management

Project Management (General):

The Contractor will carry out the responsibilities of this contract under the direction and control of the Director of Office of Workforce Development and Retirement Administration or designee and the Department of Management and Budget Financial Services Office. WDRA will require periodic reviews of program status and reporting.

The Contractor will submit brief written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the client agency's project director; and notification of any significant deviation from previously agreed-upon work plans.

Within five (5) working days of the award of the contract, the Contractor will submit to the WDRA project director a work plan for final approval. This final implementation plan must be in agreement with the plan as proposed by the bidder and accepted by the State for contract, and must include the following:

- The Contractor should submit their project organizational structure.
- The Contractor's staffing table with names and titles of personnel assigned to the project. This must be in agreement with staffing on the accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
- The project breakdown showing subprojects, activities and tasks, and resources required and allocated to each.
- The time-phased plan in the form of a graphic display, showing each event.
- The Contractor should submit an estimate of the amount of time and staff required to complete each of the items in this contract.

Contractor Response to Task:

Because Medstat is the current Health Insurance Information and Consulting vendor, it will not be necessary for MPSERS to invest in a new implementation or system training. If MPSERS selects additional data vendors, the implementation would be managed in accordance with the guidelines above.

Annual Work Plan:

The Contractor will develop an annual 12-month work plan with the cooperation of the Office of Retirement Services. This process will include the development of quality and time metrics.

Contractor Response to Task:

Medstat maintains an annual 12-month work plan, the Service Planning Workbook, with the cooperation of the Office of Retirement Services. This workbook outlines the monthly services scheduled and delivered to MPSERS. The analytic and database value tabs of the workbook document the value of services delivered to MPSERS.

Project Control:

a. The contractor will carry out this project under the direction and control of the Michigan Public School Employees Retirement System.

b. Although there will be continuous liaison with the Contractor team, the client agency's project director will meet biweekly, as a minimum, with the Contractor's project manager during the database implementation phase for the purpose of reviewing progress and providing necessary guidance to the Contactor in solving problems which arise.

c. The Contractor will submit brief written summaries of progress on a schedule determined with the Office of Retirement Services. The report will outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the client agency's project director; and notification of any significant deviation from previously agreed-upon work plans.

When initiating a unit-price activity, the Contactor will submit to the Michigan Public School Employees Retirement System project director for final approval a cost estimate, a work plan and staffing chart for approval by the Michigan Public School Employees Retirement System.

Contractor Response to Task:

Because Medstat is the current Health Insurance Information and Consulting vendor, it will not be necessary for MPSERS to invest time in a new implementation or system training. Medstat will continue to communicate with MPSERS as problems arise and report resolution progress during or before monthly status meetings. Medstat will continue to submit a cost estimate and workplan to MPSERS in advance of initiating a unit price activity.

1.302 Reports

A draft of any study, report, or communication production must be provided to the Michigan Public School Employees Retirement System for purposes of reviewing to determine if task items have been adequately completed. The number of copies of the deliverable product will be 50 unless otherwise specified.

Contractor Response to Task:

Medstat agrees to provide a draft of any study, report, or communication production as described in the above requirement and to provide 50 copies of the deliverable product unless otherwise specified.

1.4 Project Management

1.401 Issue Management

Describe how issues will be addressed when they arise and how appropriate parties will be apprised of progress.

Contractor Response to Task:

Issues will be tracked on an ongoing basis and will be reviewed during monthly status meetings between MPSERS and the Medstat Account Team. Our Issues Log will identify the owner of each issue, as well as information describing the issue and its resolution date. This log is a critical tool in helping guarantee that open issues are resolved in a timely manner and that the project remains on schedule. Tracked issues might surface at any point in the project and could include any of the following:

- Risks to task completion.
- Issues of scope.
- Significant research issues.
- Vague or undefined requirements.
- Unavailable or poor quality data.
- Any other potential impact to work levels or task completion.

1.402 Risk Management

Risk management generally involves (1) identification of the risk, (2) assigning a level of priority based on the probability of occurrence and impact to the project, (3) definition of mitigation strategies, and (4) monitoring of risk and mitigation strategy. Risk assessment review should be conducted on a regular basis. Following describes the risk management process.

Contractor Response to Task:

As an on-going customer, the risk for MPSERS is minimal. However, Medstat recognizes that there are elements of risk when implementing large-scale decision support systems like the one MPSERS is planning. Our experience shows that an ongoing effort to identify risk and develop appropriate mitigation plans is crucial to overall success. All project participants must be are aware of and address risks that have the potential to derail the successful on-time completion of the project. We believe a good risk management plan includes the following elements:

- Reviewing status of mitigation activities for high risk areas previously identified and prioritized.
- Identifying new areas of risk to the project.
- Prioritize risk areas.
- Propose mitigation strategies for high risk areas.

1.403 Change Management

If a proposed contract change is approved by the Contract Compliance Inspector, the Contract Compliance Inspector will submit a request for change to the Department of Management and Budget, Purchasing Operations Buyer, who will make recommendations to the Director of Purchasing Operations regarding ultimate approval/disapproval of change request. If the DMB Purchasing Operations Director agrees with the proposed modification, and all required approvals are obtained (including State Administrative Board), the Purchasing Operations Buyer will issue an addendum to the Contract, via a Contract Change Notice. **Contactors who provide products or services prior to the issuance of a Contract Change Notice by the DMB Purchasing Operations, risk non-payment for the out-of-scope/pricing products and/or services.**

1.5 Acceptance

1.501 Criteria

Acceptance of Services depends on completion of the specific tasks outlined in the work statement, including but not limited to:

a. submission of requested reports within the requested time frames including making reports available electronically
b. providing consulting services as listed under Tasks including responding to requests within agreed upon number of days/hours
c. appearance at selected meetings as requested
d. submission of acceptable billing that includes details of task performed and rates charged

1.502 Final Acceptance

Final acceptance is tied to adequate performance of required services under this statement of work. Any intermediate acceptance of sub-Deliverables does not complete the requirement of Final Acceptance.

1.6 Compensation and Payment

1.601 Compensation and Payment

See Article 1, Attachment A for pricing and Attachment C for hourly rates.

1.7 Additional Terms and Conditions Specific to this SOW

1.701 Additional Terms and Conditions Specific to this SOW - Reserved

Article 1, Attachment A
Pricing

The Medstat Solution	
Annual Fee	
Option to continue with Advantage Suite, including: ▪ **Web-access to the Management Report Set** ▪ **On-line access to the ad hoc Report Writer** ▪ **Medstat MarketScan Norms** ▪ **Related data management services** ▪ **Standard reporting services** ▪ **Quarterly updates**	$240,870
Medstat Episode Grouper	$10,000
Predictive Modeling Capabilities using DCGs	$20,000
Plan Design Modeling Tool (Medstat Modeler)	$15,000
Migration Modeling Tool	$20,000
One Run of Auto Audit Auditing Tool	$7,500
Subtotal	$312,870
Discount	$63,870
Total Price	$249,000

The fees shown above are fixed-fee annual amounts based on the pricing parameters set forth below. Year One fees will commence on January 1, 2007.

General Pricing Assumptions

Payment Terms and Due Dates
Payment of the annual fixed-fee amounts shown in the table above is due quarterly, in advance.

Volume
The price includes the management of data for up to 175,000 plan participants. If the volume changes during the contract term, the annual fees may be adjusted accordingly on the contract anniversary date.

Other Scope Parameters
- Each year of the contract, MPSERS will provide an update of the following information prior to the contract anniversary date: Volume, Data Sources, Users, and Workstation Locations.

- Pricing is valid only for the full package of products and services proposed. If the product and service mix changes, or if the pricing parameters change based on revised information from MPSERS, the pricing may be reconsidered and is subject to change.
- Pricing assumes MPSERS's agreement to the terms and conditions of the Medstat Services Agreement.

Not Included in the Price

The following costs are not included in the fees shown in the Pricing Table:

Additional Services: Medstat offers a wide range of specialized consulting services to assist customers like MPSERS maximize the value of its investment in advanced information technology and meet future needs for in-depth research and analysis. These services can be priced after the scope of the project is defined. Some of these project's can be covered by the 10 days of on site assistance per year included in the price. Hourly rates for applicable personnel are listed in Article 1, Attachment C.

User Access

Service fees are based on the following usage assumptions:

- ***Full Access Users:*** Up to four (4) authorized users. Full Access Users have access to the Management Report Set and the ad hoc report writer. Pricing assumes all "full access" users are employees of MPSERS. In order for an entity other than MPSERS to use the product, we require the execution of a Third Party Access agreement to ensure the confidentiality of MPSERS's data.

Months of Online Data

Using the data sources noted in the section above, Medstat will build and maintain a rolling 36-month database (based on the date claims were paid) for online use.

New user Training

User training is included in the price, as follows:

- ***Full Access Users:*** Provide Advantage Suite Training on the use of the application for up to 12 MPSERS employees over the life of the contract. The New User Training class spans two (2) consecutive days at the Medstat training facility in Ann Arbor, Michigan, using the Medstat standard training database. In addition, a Medstat analyst will conduct one (1) or two (2) days of follow-up training on the MPSERS database at MPSERS offices.

Account Management and Support Services

The following Medstat services are included in the price:

- ***Account Management:*** Services to manage the Account Team assigned to MPSERS, ensure the provision of sufficient resources to exceed MPSERS]'s needs, oversee the delivery of all services, and maintain superior performance of Medstat commitments to our partnership.
- ***Consulting Support:*** Medstat will provide consulting services to support MPSERS and provide relevant, actionable opportunities for MPSERS to improve the performance of its health plan.
- ***Account Plan Consultation:*** Ongoing communication and quarterly conference calls with the BCBSMI MPSERS Account Team to continually address data quality issues.
- ***Annual Customer Conference:*** Registration fees, travel and lodging for one (1) MPSERS employee to attend the annual customer conference for networking and learning opportunities with other Medstat product users.
- ***Medstat Data Center:*** Services to house, maintain, and operate the relevant Medstat systems in the Medstat Data Center, install hardware and software updates, and maintain a secure technical environment for proper system operation and access.
- ***Data Management Services:*** Collection, transformation, testing, and management of MPSERS's healthcare data, maintenance and updating of the database on an quarterly basis, and consultation with MPSERS on database quality and opportunities for improvement.
- ***User Support:*** Telephone support and e-mail assistance from Medstat Product Support is available 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday, excluding Medstat holidays. Assistance through the Medstat Customer Portal is available at any time.

Database Updates

Medstat will perform database updates on a quarterly basis. The price assumes a single submission of data from all data sources. MPSERS will update valid value maps and lookup data at least 10 business days before the beginning of the update cycle. During the update cycle, Medstat will perform the following services:

- Refresh the database, roll off old data, and report to MPSERS on update results, including reconciliation to input data and key data quality indicators.
- Update the Management Report Set. (Reports developed using the ad hoc report writer can be scheduled for update by individual users.)

Please note that Medstat makes the following assumptions related to database updates:

- Data suppliers will submit valid data within the database update cycle.
- No database rebuild will be needed to retrospectively change: (1) data transformation logic; (2) valid values, maps, or rollups; or (3) reprocess data already in the database.

All rates quoted in bidder's response to this RFP will be firm for the duration of the Contract. No price changes will be permitted.

2. Provide the hourly rate for each year of the contract for all applicable personnel, not limited to the following. Please make any additions necessary:

FIRST YEAR:

Senior staff _____

Database Manager _____

Analyst _____

Support staff _____

Programmer/Processor_____

Consultant _____

SECOND YEAR:

Senior staff _____

Database Manager _____

Analyst _____

Support staff _____

Programmer/Processor_____

Consultant _____

THIRD YEAR:

Senior staff _____

Database Manager _____

Analyst _____

Support staff _____

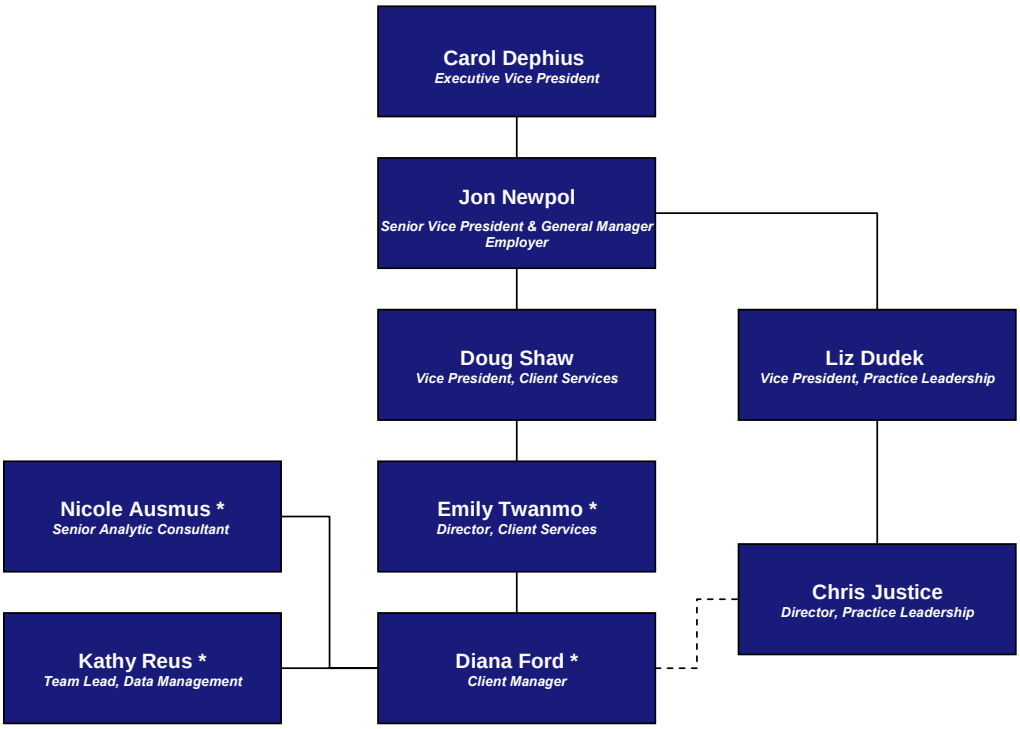
Programmer/Processor_____

Consultant _____

Article 1, Attachment B

Organizational Chart, including Key Personnel

The diagram below illustrates the Medstat organizational structure that will continue to support MPSERS.



*** Key Personnel**

Article 1, Attachment C
Labor Rates

All rates quoted in this Contract will be firm for the duration of the Contract. No price changes will be permitted.
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Provide the hourly rate for each year of the contract for all applicable personnel, not limited to the following. Please make any additions necessary:

FIRST YEAR:

Client Director	$412.50
Client Manager	$262.50
Medical Director	$450.00
Senior Consultant	$225.00
Consultant	$150.00
Analyst	$125.00
Sr. Database Architect	$225.00
Database Architect	$150.00

SECOND YEAR:

Client Director	$412.50
Client Manager	$262.50
Medical Director	$450.00
Senior Consultant	$225.00
Consultant	$150.00
Analyst	$125.00
Sr. Database Architect	$225.00
Database Architect	$150.00

THIRD YEAR:

Client Director	$412.50
Client Manager	$262.50
Medical Director	$450.00
Senior Consultant	$225.00
Consultant	$150.00
Analyst	$125.00
Sr. Database Architect	$225.00
Database Architect	$150.00

Article 1, Attachment D, E & F – Reserved

Article 2 – General Terms and Conditions

2.010 Contract Structure and Administration

2.011 Definitions

Capitalized terms used in this Contract (including its Exhibits) shall have the meanings given below, unless the context requires otherwise:

(a) "Days" means calendar days unless otherwise specified.
(b) "24x7x365" means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).
(c) "Additional Service" means any Services/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. "Additional Service" does not include New Work.
(d) "Amendment Labor Rates" means the schedule of fully-loaded hourly labor rates attached as **Article 1, Attachment C**.
(e) "Audit Period" has the meaning given in **Section 2.111**.
(f) "Business Day," whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.
(g) "Incident" means any interruption in Services.
(h) "Business Critical" means any function identified in any Statement of Work as Business Critical.
(i) "Deliverable" means physical goods and/or commodities as required or identified by a Statement of Work
(j) "Key Personnel" means any Personnel designated in **Article 1, Section 1.201 and/or Attachment B,** as Key Personnel.
(k) "New Work" means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. "New Work" does not include Additional Service.
(l) "Services" means any function performed for the benefit of the State.
(m) "State Location" means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
(n) "Subcontractor" means a company Contractor delegates performance of a portion of the Services to, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.
(o) "Work in Process" means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

2.012 Attachments and Exhibits

All Attachments and/or Exhibits attached to any, and all Statement(s) of Work, attached to, or referencing this Contract, are incorporated in their entirety into, and form part of, this Contract.

2.013 Statements of Work

(a) The parties agree that the Services/Deliverables to be rendered by Contractor pursuant to this Contract (and any future amendments of it) will be defined and described in detail in Statements of Work or Purchase Orders (PO) executed under this Contract. Contractor shall not be obliged or authorized to commence any work to implement a Statement of Work until authorized via a PO issued against this Contract, or an amendment to this Contract (see 2.106). Contractor shall perform in accordance with this Contract, including the Statements of Work/Purchase Orders executed under it.
(b) Unless otherwise agreed by the parties, each Statement of Work (as defined in Article 1) will include, or incorporate by reference to the appropriate Attachment containing, the following information:
- a description of the Services to be performed by Contractor under the Statement of Work;
- a project schedule (including the commencement and completion dates for all tasks, subtasks (for all projects of sufficient duration and complexity to warrant sub task breakdown), and Deliverables;

- a list of the Deliverables to be provided, if any, including any particular specifications and acceptance criteria for such Deliverables, and the dates on which the Deliverables are scheduled to be completed and delivered to the State;
- all Deliverable price schedules and other charges associated with the Statement of Work, the overall fixed price for such Statement of Work and any other appropriate pricing and payment terms;
- a specification of Contractor's and the State's respective performance responsibilities with respect to the performance or completion of all tasks, subtasks and Deliverables;
- a listing of any Key Personnel of Contractor and/or its Subcontractors for that Statement of Work and any future Statements of Work;
- any other information or provisions the parties agree to include.

(c) Reserved.

(d) The initial Statements of Work, as of the Effective Date, are attached to this Contract.

2.014 Issuing Office

This Contract is issued by the Department of Management and Budget, Purchasing Operations ("DMB-PO") and Department of Management and Budget, Office of Workforce Deelopment and Retirement Administration (WDRA) (collectively, including all other relevant State of Michigan departments and agencies, the "State"). DMB-PO is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. **DMB-PO is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contractor Administrator within Purchasing Operations for this Contract is:

Melissa Castro
Purchasing Operations
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Email: castrom@michigan.gov
Phone: 517-373-1080

2.015 Contract Compliance Inspector

Upon receipt at DMB-PO of the properly executed Contract, it is anticipated that the Director of DMB Purchasing Operations, in consultation with (insert the end using agency), will direct that the person named below, or any other person so designated, be authorized to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of such Contract as that authority is retained by Purchasing Operations**. The Contract Compliance Inspector for this Contract is:

Phil Stoddard
Department of Management and Budget
Office of Workforce Development and Retirement Administration
PO Box 30171
Lansing, MI 48909
Email: stoddardp@michigan.gov
Phone: 517-322-6235

2.016 Project Manager

The following individual will oversee the project:

Name: Brian McLane
Department of Management and Budget
Office of Workforce Development and Retirement Administration
PO Box 30171
Lansing, MI 48909
Email: mclaneb@michigan.gov
Phone: 517-322-1926

2.020 Contract Objectives/Scope/Background

2.021 Background - Reserved

2.022 Purpose - Reserved

2.023 Objectives and Scope - Reserved

2.024 Interpretation - Reserved

2.025 Form, Function and Utility

If the Contract is for use of more than one (1) State agency and if the Deliverable/Service does not the meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

2.030 Legal Effect and Term

2.031 Legal Effect

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under this Contract, until Contractor is notified in writing that this Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a Purchase Order against the Contract has been issued.

2.032 Contract Term

This Contract is for a period of three (3) years from January 1, 2007 through December 31, 2009. All outstanding Purchase Orders shall also expire upon the termination (cancellation for any of the reasons listed in 2.210) of the Contract, unless otherwise extended pursuant to the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.033 Renewal(s)

This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to two (2) additional one (1) year periods. Successful completion of negotiations surrounding the terms of the extension will be a pre-requisite for the exercise of any option year.

2.040 Contractor Personnel

2.041 Contractor Personnel

(a) Personnel Qualifications. All persons assigned by Contractor to the performance of Services under this Contract shall be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and shall be fully qualified to perform the work assigned to them. Contractor shall include a similar provision in any subcontract entered into with a Subcontractor.

For the purposes of this Contract, independent contractors engaged by Contractor solely in a staff augmentation role shall be treated by the State as if they were employees of Contractor for this Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

(b) Key Personnel

(i) In discharging its obligations under this Contract, Contractor shall provide the named Key Personnel on the terms indicated. **Article 1, Attachment B** provides an organization chart showing the roles of certain Key Personnel, if any.

(ii) Key Personnel shall be dedicated as defined in **Article 1, Attachment B** to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.

(iii) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. Additionally, the State's request shall be based on legitimate, good-faith reasons. Proposed alternative for the individual denied, shall be fully qualified for the position.

(iv) Contractor shall not remove any Key Personnel from their assigned roles or the Contract without the prior written consent of the State. If the Contractor does remove Key Personnel without the prior written consent of the State, it shall be considered an unauthorized removal ("Unauthorized Removal"). It shall not be considered an Unauthorized Removal if Key Personnel must be replaced for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. It shall not be considered an Unauthorized Removal if Key Personnel must be replaced because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides thirty (30) days of shadowing unless parties agree to a different time period. The Contractor with the State shall review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its rights under **Section 2.210**.

(v) It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.210**, the State may assess liquidated damages against Contractor as specified below.

For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the liquidated damages amount shall be $25,000.00 per individual provided Contractor identifies a replacement approved by the State pursuant to **Section 2.041** and assigns the replacement to the Project to shadow the Key Personnel s/he is replacing for a period of at least 30 days prior to such Key Personnel's removal.

If Contractor fails to assign a replacement to shadow the removed Key Personnel for at least 30 days, in addition to the $25,000.00 liquidated damages for an Unauthorized Removal, Contractor shall pay the amount of $833.33 per day for each day of the 30 day shadow period that the replacement Key Personnel does not shadow the removed Key Personnel, up to $25,000.00 maximum per individual. The total liquidated damages that may be assessed per Unauthorized Removal and failure to provide 30 days of shadowing shall not exceed $50,000.00 per individual.

(c) Re-assignment of non-Key Personnel. Prior to re-deploying to other projects, at the completion of their assigned tasks on the Project, teams of its non-Key Personnel who are performing Services on-site at State facilities or who are otherwise dedicated primarily to the Project, Contractor will give the State at least 10 Business Days notice of the proposed re-deployment to give the State an opportunity to object to the re-deployment if the State reasonably believes such team's Contract responsibilities are not likely to be completed and approved by the State prior to the proposed date of re-deployment.

(d) Re-assignment of Personnel at the State's Request. The State reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement personnel for the removed person shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with removed personnel results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted in **Section 2.076** for a time as agreed to by the parties.

(e) Staffing Levels.

(i) All staff requirements not specified in the applicable Statement of Work or State-approved project plan as State personnel will be supplied by Contractor. This includes secretarial, clerical and Contract administration support staff necessary for Contractor to perform its obligations hereunder.

(ii) Contractor shall provide sufficient personnel resources for the completion of Contract tasks indicated in Contractor's project plan approved by the State. If the level of personnel resources is insufficient to complete any Contractor Contract tasks in accordance with the Contract time schedule as demonstrated by Contractor's failure to meet mutually agreed to time schedules, Contractor shall promptly add additional qualified personnel resources to the performance of the affected tasks, at no additional charge to the State, in an amount sufficient to complete performance of Contractor's tasks in accordance with the Contract time schedule.

(f) Personnel Turnover. The Parties agree that it is in their best interests to keep the turnover rate of employees of Contractor and its Subcontractors who are performing the Services to a reasonable minimum. Accordingly, if the State determines that the turnover rate of such employees is excessive and so notifies Contractor, Contractor will meet with the State to discuss the reasons for the turnover rate and otherwise use commercially reasonable efforts to minimize such turnover rate. If requested to do so by the State, Contractor will submit to the State its proposals for reducing the turnover rate to an acceptable level. In any event, notwithstanding the turnover of personnel, Contractor remains obligated to perform the Services without degradation and in accordance with the State-approved Contract schedule.

(g) Location. All staff assigned by Contractor to work on the Contract will perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel will, at a minimum, spend at least the amount of time on-site at State facilities as indicated in the applicable Statement of Work. Subject to availability, selected Contractor personnel may be assigned office space to be shared with State personnel.

2.042 Contractor Identification

Contractor employees shall be clearly identifiable while on State property by wearing a State-issued badge, as required. Contractor employees are required to clearly identify themselves and the company they work for whenever making contact with State personnel by telephone or other means.

2.043 Cooperation with Third Parties

Contractor agrees to cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel, and, as reasonably requested by the State, to provide to the State's agents and other contractors with reasonable access to Contractor's Project personnel, systems and facilities to the extent they relate to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities and provided Contractor receives reasonable prior written notice of such request. The State acknowledges that Contractor's time schedule for the Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with such requests for access.

2.044 Subcontracting by Contractor

(a) Contractor shall have full responsibility for the successful performance and completion of all of the Services and Deliverables. The State will consider Contractor to be the sole point of contact with regard to all contractual matters under this Contract, including payment of any and all charges for Services and Deliverables.

(b) Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Purchasing Operations has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.076** for a time agreed upon by the parties.

(c) In any subcontracts entered into by Contractor for the performance of the Services, Contractor shall require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any proprietary information, including pricing, contained in such contracts before providing them to the State. The management of any Subcontractor will be the responsibility of Contractor, and Contractor shall remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor shall make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract. Attached as **Exhibit A** is a list of the Subcontractors, if any, approved by the State as of the execution of this Contract, together with a copy of the applicable subcontract.

(d) Except where specifically approved in writing by the State on a case-by-case basis, Contractor shall flow down the obligations in **Sections 2.040, 2.110, 2.150, 2.160, 2.171(c), 2.172(b), 2.180, 2.260, 2.276, 2.297** in all of its agreements with any Subcontractors.

(e) The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract.

2.045 Contractor Responsibility for Personnel

Contractor shall be responsible for all acts and omissions of its employees, as well as the acts and omissions of any other personnel furnished by Contractor to perform the Services.

2.050 State Standards

2.051 Existing Technology Standards

The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at http://www.michigan.gov/dit.

2.052 PM Methodology Standards

The State has adopted a standard documented Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. See the State's PMM website at http://www.michigan.gov/projectmanagement.

The Contractor shall use the State's PPM to manage this Contract. If the Contractor requires training on the PMM, those costs shall be the responsibility of the Contractor, unless otherwise stated.

2.053 Adherence to Portal Technology Tools - Reserved

2.054 Acceptable Use Policy

To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--,00.html. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

2.060 Deliverables

2.061 Ordering

(a) Any Services/Deliverables to be furnished under this Contract shall be ordered by issuance of written Purchase Orders/Blanket Purchase Order by the State after approval by the Contract Administrator or his/her designee. All orders are subject to the terms and conditions of this Contract. In the event of conflict between an order and this Contract, the Contract shall take precedence as stated in **Section 2.293**. In no event shall any additional terms and conditions contained on a Purchase Order/Blanket Purchase Order be applicable, unless specifically contained in that Purchase Order/Blanket Purchase Order's accompanying Statement of Work.

2.062 Software - Reserved

2.063 Hardware - Reserved

2.064 Equipment to be New and Prohibited Products - Reserved

2.070 Performance

2.071 Performance, In General

The State engages Contractor to execute the Contract and perform the Services/provide the Deliverables, and Contractor undertakes to execute and complete the Contract in its entirety in accordance with the terms and conditions of this Contract and with the participation of State representatives as specified in this Contract.

2.072 Time of Performance

(a) Contractor shall use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables in accordance with the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.

(b) Without limiting the generality of **Section 2.072(a)**, Contractor shall notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and, in such event, shall inform the State of the projected actual delivery date.

(c) If Contractor believes that a delay in performance by the State has caused or will cause Contractor to be unable to perform its obligations in accordance with specified Contract time periods, Contractor shall notify the State in a timely manner and shall use commercially reasonable efforts to perform its obligations in accordance with such Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent such delay is caused by the State.

2.073 Liquidated Damages - Reserved

2.074 Bankruptcy

If Contractor shall file for protection under the bankruptcy laws, or if an involuntary petition shall be filed against Contractor and not removed within 30 days, or if the Contractor becomes insolvent, be adjudicated bankrupt, or if it should make a general assignment for the benefit of creditors, or if a receiver shall be appointed due to its insolvency, and Contractor and/or its affiliates are unable to provide reasonable assurances that Contractor and/or its affiliates can deliver the services provided herein, the State may, without prejudice to any other right or remedy,

terminate this Contract, in whole or in part, and, at its option, may take possession of the "Work in Process" and finish such Works in Process by whatever appropriate method the State may deem expedient. Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process shall be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

To secure the State's progress payments before the delivery of any services or materials required for the execution of Contractor's obligations hereunder, and any work which Contractor may subcontract in the support of the performance of its obligations hereunder, title shall vest in the State to the extent the State has made progress payments hereunder.

2.075 Time is of the Essence

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

2.076 Service Level Agreements (SLAs) - Reserved

2.080 Delivery and Acceptance of Deliverables

2.081 Delivery Responsibilities - Reserved

2.082 Delivery of Deliverables - Reserved

2.083 Testing - Reserved

2.084 Approval of Deliverables, In General

(a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, in accordance with the following procedures. Formal approval by the State requires that the Deliverable be confirmed in writing by the State to meet its specifications, which will include the successful completion of Testing as applicable in **Section 2.083**, to be led by the State with the support and assistance of Contractor. The parties acknowledge that the approval process set forth herein will be facilitated by ongoing consultation between the parties, visibility of interim and intermediate Deliverables and collaboration on key decisions.

(b) The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables/Services being reviewed.

(c) Prior to commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor in accordance with **Section 2.083(a)**.

(d) The State will approve in writing a Deliverable/Service upon confirming that it conforms to and, performs in accordance with, its specifications without material deficiency. The State may, but shall not be required to, conditionally approve in writing a Deliverable/Service that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor's expense all deficiencies in the Deliverable/Service that remain outstanding at the time of State approval.

(e) If, after three (3) opportunities (the original and two repeat efforts), Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that Contractor cure the failure and give Contractor additional time to cure the failure at the sole expense of Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever Contractor has failed to do, in which event Contractor shall bear any excess expenditure incurred by the State in so doing beyond the Contract price for such Deliverable/Service and will pay the State an additional sum equal to ten percent (10%) of such excess expenditure to cover the State's general expenses provided the State can furnish proof of such general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure such breach. Notwithstanding the foregoing, the State shall not use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

(f) The State, at any time and in its reasonable discretion, may halt the testing or approval process if such process reveals deficiencies in or problems with a Deliverable/Service in a sufficient quantity or of a sufficient severity as to make the continuation of such process unproductive or unworkable. In such case, the State may stop using the Service or return the applicable Deliverable to Contractor for correction and re-delivery prior to resuming the testing or approval process.

2.085 Process For Approval of Written Deliverables

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Deliverable (failing which the State Review Period, by default, shall be five (5) Business Days for Written Deliverables of 100 pages or less and 10 Business Days for Written Deliverables of more than 100 pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable prior to its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Deliverable (or at the State's election, subsequent to approval of the Deliverable). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected Deliverable from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

2.086 Process for Approval of Services

The State Review Period for approval of Services is governed by the applicable Statement of Work (failing which the State Review Period, by default, shall be 30 Business Days for Services). The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Service is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Services (or at the State's election, subsequent to approval of the Service). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within 30 Business Days resubmit the Service in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon implementation of a corrected Service from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Service for conformity and that the identified deficiencies have been corrected.

2.087 Process for Approval of Physical Deliverables - Reserved

2.088 Final Acceptance

Unless otherwise stated in the Statement of Work or Purchase Order, "Final Acceptance" of each Deliverable shall occur when each Deliverable/Service has been approved by the State following the State Review Periods identified in **Sections 2.080-2.087**. Payment will be made for Deliverables installed and accepted. Upon acceptance of a Service, the State will pay for all Services provided during the State Review Period that conformed to the acceptance criteria.

2.090 Financial

2.091 Pricing

(a) Fixed Prices for Services/Deliverables
Each Statement of Work/PO issued under this Contract shall specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. To the extent the parties agree that certain specific Services will be provided on a time and materials basis, such Services shall be provided at the Amendment Labor Rates (**Article 1, Attachment C**). The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.
(b) Adjustments for Reductions in Scope of Services/Deliverables
If the scope of the Services/Deliverables under any Statement of Work issued under this Contract is subsequently reduced by the State, the parties shall negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope, using the rates in **Article 1, Attachment C** unless specifically identified in an applicable Statement of Work.
(c) Services/Deliverables Covered
For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under this Contract, the State shall not be obligated to pay any amounts in addition to the charges specified in this Contract.

2.092 Invoicing and Payment Procedures and Terms

(a) Invoicing and Payment – In General
(i) Each Statement of Work issued under this Contract shall list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment and commodities to be provided, and the associated payment milestones and payment amounts.
(ii) Each Contractor invoice will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. The charges for Services billed on a time and materials basis shall be determined based on the actual number of hours of Services performed, at the applicable Labor Rates specified in **Article 1, Attachment C**. Invoices for Services performed on a time and materials basis will show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 2.094**.
(iii) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

(b) Taxes (See Section 2.305 and Article 3, Section 3.022-3.024 for additional)
The State is exempt from Federal Excise Tax, State and Local Sales Taxes, and Use Tax with respect to the sale to and use by it of tangible personal property. Such taxes shall not be included in Contract prices as long as the State maintains such exemptions. Copies of all tax exemption certificates shall be supplied to Contractor, if requested.

(c) Out-of-Pocket Expenses
Contractor acknowledges that the out-of-pocket expenses that Contractor expects to incur in performing the Services/ providing the Deliverables (such as, but not limited to, travel and lodging, document reproduction and shipping, and long distance telephone) are included in Contractor's fixed price for each Statement of Work.

Accordingly, Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for such an expense at the State's current travel reimbursement rates. See http://www.mi.gov/dmb/0,1607,7-150-9141_13132---,00.html for current rates.

(d) Pro-ration
To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services shall be pro-rated for any partial month.

(e) Antitrust Assignment
The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.

(f) Final Payment
The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under this Contract shall constitute a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.093 State Funding Obligation

The State's obligation under this Contract is payable only and solely from funds appropriated for the purpose of this Contract. Contractor acknowledges and agrees that all funds for payments after the end of the current fiscal year are subject to the availability of a legislative appropriation for the purpose of this Contract. Events of non-appropriation are addressed further in **Section 2.210** of this Contract.

2.094 Holdback – Reserved

2.095 Electronic Payment Availability

Public Act 533 of 2004 requires that payments under this contract be processed by electronic funds transfer (EFT). Contractor is required to register to receive payments by EFT at the Contract & Payment Express website (www.cpexpress.state.mi.us).

2.100 Contract Management

2.101 Contract Management Responsibility

(a) Contractor shall have overall responsibility for managing and successfully performing and completing the Services/Deliverables, subject to the overall direction and supervision of the State and with the participation and support of the State as specified in this Contract. Contractor's duties will include monitoring and reporting the State's performance of its participation and support responsibilities (as well as Contractor's own responsibilities) and providing timely notice to the State in Contractor's reasonable opinion if the State's failure to perform its responsibilities in accordance with **Article 1, Attachment E** (Project Plan) is likely to delay the timely achievement of any Contract tasks.
(b) The Services/Deliverables will be provided by the Contractor either directly or through its affiliates, subsidiaries, subcontractors or resellers. Regardless of the entity providing the Service/Deliverable, the Contractor will act as a single point of contact coordinating these entities to meet the State's need for Services/Deliverables. Nothing in this Contract, however, shall be construed to authorize or require any party to violate any applicable law or regulation in its performance of this Contract.

2.102 Problem and Contract Management Procedures

Problem Management and Contract Management procedures will be governed by the Contract and the applicable Statements of Work.

2.103 Reports and Meetings

(a) Reports.

Within 30 days after the Effective Date, the parties shall determine an appropriate set of periodic reports to be issued by Contractor to the State. Such reports may include:

(i) separately address Contractor's performance in each area of the Services;

(ii) for each area of the Services, assess the degree to which Contractor has attained or failed to attain the pertinent objectives in that area, including on-time completion and delivery of Deliverables;

(iii) explain the reasons for any failure to achieve on-time completion and delivery of Deliverables and include a plan for corrective action where appropriate;

(iv) describe any circumstances that Contractor anticipates will impair or prevent on-time completion and delivery of Deliverables in upcoming reporting periods;

(v) include plans for corrective action or risk mitigation where appropriate and describe the status of ongoing problem resolution efforts;

(vi) provide reports setting forth a comparison of actual hours spent by Contractor (including its augmented personnel and Subcontractors) in performing the Project versus hours budgeted by Contractor.

(vii) set forth a record of the material personnel changes that pertain to the Services and describe planned changes during the upcoming month that may affect the Services.

(viii) include such documentation and other information may be mutually agreed to verify compliance with, and meeting the objectives of, this Contract.

(ix) set forth an updated schedule that provides information on the status of upcoming Deliverables, expected dates of delivery (or redelivery) of such Deliverables and estimates on timing for completion of the Project.

(b) Meetings.

Within 30 days after the Effective Date, the parties shall determine an appropriate set of meetings to be held between representatives of the State and Contractor. Contractor shall prepare and circulate an agenda sufficiently in advance of each such meeting to give participants an opportunity to prepare for the meeting. Contractor shall incorporate into such agenda items that the State desires to discuss. At the State's request, Contractor shall prepare and circulate minutes promptly after a meeting.

2.104 System Changes - Reserved

2.105 Reserved

2.106 Change Requests

The State reserves the right to request from time to time, any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services/Deliverables. At a minimum, to the extent applicable, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the services/deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

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

If the State requests or directs the Contractor to perform any services or provide deliverables that are consistent with and similar to the Services/Deliverables being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the Statements of Work, then before performing such services or providing such deliverables, the Contractor shall notify the State in writing that it considers the services or deliverables to be an Additional Service/Deliverable for which the Contractor should receive additional compensation. If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable. If the Contractor does so notify the State, then such a service or deliverable shall be governed by the Change Request procedure in this Section.

In the event prices or service levels are not acceptable to the State, the Additional Services or New Work shall be subject to competitive bidding based upon the specifications.

(a) Change Requests

(i) State Requests

If the State should require Contractor to perform New Work, Additional Services or make changes to the Services that would affect the Contract completion schedule or the amount of compensation due Contractor (a "Change"), the State shall submit a written request for Contractor to furnish a proposal for carrying out the requested Change (a "Change Request").

(ii) Contractor Recommendations

Contractor shall be entitled to propose a Change to the State, on its own initiative, should it be of the opinion that this would benefit the Contract.

(iii) Upon receipt of a Change Request or on its own initiative, Contractor shall examine the implications of the requested Change on the technical specifications, Contract schedule and price of the Deliverables and Services and shall submit to the State without undue delay a written proposal for carrying out the Change. Contractor's proposal will include any associated changes in the technical specifications, Contract schedule and price and method of pricing of the Services. If the Change is to be performed on a time and materials basis, the Amendment Labor Rates shall apply to the provision of such Services. If Contractor provides a written proposal and should Contractor be of the opinion that a requested Change is not to be recommended, it shall communicate its opinion to the State but shall nevertheless carry out the Change as specified in the written proposal if the State directs it to do so.

(iv) By giving Contractor written notice within a reasonable time, the State shall be entitled to accept a Contractor proposal for Change, to reject it or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice shall be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").

(v) No proposed Change shall be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Purchasing Operations.

(vi) If the State requests or directs Contractor to perform any activities that Contractor believes constitute a Change, Contractor must notify the State that it believes the requested activities are a Change prior to commencing the performance of the requested activities. If Contractor fails to so notify the State prior to commencing performance of the requested activities, such activities shall be considered to be performed gratuitously by Contractor, and Contractor shall not have any right thereafter to assert any claim for additional compensation or time for the performance of such activities. If Contractor commences performance of gratuitous services outside the scope of this Contract and subsequently elects to stop performing such out-of-scope services, Contractor must, at the request of the State, back out or reverse any changes resulting from such performance that would adversely affect the Contract.

2.107 Management Tools

Contractor will use an automated tool for planning, monitoring and tracking the Contract's progress. In addition, Contractor shall use automated project management tools as reasonably necessary to perform the Services, which tools shall include the capability to produce through the end of the Contract: (i) staffing tables with names of personnel assigned to Contract tasks, (ii) project plans showing tasks, subtasks, Deliverables and the resources required and allocated to each (including detailed plans for all Services to be performed within the next sixty (60) days, updated semi-monthly) and (iii) graphs showing critical events, dependencies and decision points during the course of the Contract. Any tool(s) used by Contractor for such purposes must produce information of a type and in a manner and format that will support reporting in compliance with the State's standard to the extent such information is described with reasonable detail in the Statements of Work and to the extent the related work is of sufficient project complexity and duration to warrant such reporting.

2.110 Records and Inspections

2.111 Records and Inspections

The Contractor agrees that the State may, upon 24-hour notice, perform an audit at Contractor's location(s) to determine if the Contractor is complying with the requirements of the Contract. The Contractor agrees to cooperate with the State during the audit and produce all records and documentation that verifies compliance with the Contract requirements.

2.112 Errors

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

2.120 State Responsibilities

2.121 State Performance Obligations

(a) Equipment and Other Resources. To facilitate Contractor's performance of the Services/Deliverables, the State shall provide to Contractor such equipment and resources as identified in the Statements of Work or other Contract Exhibits as items to be provided by the State.
(b) Facilities. The State shall designate space as long as it is available and as provided in the Statement of Work, to house Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). Contractor shall have reasonable access to, and unless agreed otherwise by the parties in writing shall observe and comply with all rules and regulations relating to, each of the State Facilities (including hours of operation) used by Contractor in the course of providing the Services. Contractor agrees that it will not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for Contractor's use, or to which Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.
(c) Return. Contractor shall be responsible for returning to the State any State-furnished equipment, facilities and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.
(d) Except as otherwise provided in **Section 2.220**, the State's failure to perform its responsibilities as set forth in this Contract shall not be deemed to be grounds for termination by Contractor. However, Contractor will not be liable for any default or delay in the performance of its obligations under this Contract to the extent such default or delay is caused by nonperformance of the State's obligations under this Contract, provided Contractor provides the State with reasonable written notice of such nonperformance and Contractor uses commercially reasonable efforts to perform notwithstanding the State's failure to perform. In addition, if the State's nonperformance of its responsibilities under this Contract materially increases the time required for Contractor's performance or Contractor's cost of performance, Contractor shall be entitled to seek an equitable extension via the Change Request process described in **Section 2.106**.

2.130 Security

2.131 Background Checks

The Contractor shall authorize the investigation of its personnel proposed to have access to State facilities and systems on a case by case basis. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. Such investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints.

Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

All Contractor personnel will also be expected to comply with the State's security and acceptable use policies for State IT equipment and resources. See http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--,00.html. Furthermore, Contractor personnel will be expected to agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. It is expected the Contractor will present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff will be expected to comply with all Physical Security procedures in place within the facilities where they are working.

2.140 Reserved

2.150 Confidentiality

2.151 Freedom of Information

All information in any proposal submitted to the State by Contractor and this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the "FOIA").

2.152 Confidentiality

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor shall mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below) which is marked confidential, restricted, proprietary or with a similar designation. "Confidential Information" of the State shall mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State pursuant to applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State pursuant to its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. In the case of information of either Contractor or the State "Confidential Information" shall exclude any information (including this Contract) that is publicly available pursuant to the Michigan FOIA.

2.153 Protection of Confidential Information

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access in order to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect such Confidential Information from unauthorized use or disclosure.

2.154 Exclusions

Notwithstanding the foregoing, the provisions of this Section will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose such information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of this Section will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose such Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of such disclosure as reasonably requested by the furnishing party.

2.155 No Implied Rights

Nothing contained in this Section shall be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

2.156 Remedies

Each party acknowledges that, if it breaches (or attempts or threatens to breach) its obligations under this Section, the other party may be irreparably harmed. Accordingly, if a court of competent jurisdiction should find that a party has breached (or attempted or threatened to breach) any such obligations, the non-breaching party shall be entitled to seek an injunction preventing such breach (or attempted or threatened breach).

2.157 Security Breach Notification

In the event of a breach of this Section, Contractor shall take (i) prompt corrective action to cure any such deficiencies and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor shall report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within ten (10) days of becoming aware of such use or disclosure or such shorter time period as is reasonable under the circumstances.

2.158 Survival

The parties' respective obligations under this Section shall survive the termination or expiration of this Contract for any reason.

2.159 Destruction of Confidential Information

Promptly upon termination or cancellation of the Contract for any reason, Contractor shall certify to the State that Contractor has destroyed all State Confidential Information.

2.160 Proprietary Rights

2.161 Ownership

Ownership of Work Product by State. All Deliverables shall be owned by the State and shall be considered works made for hire by the Contractor for the State. The State shall own all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

2.162 Source Code Escrow - Reserved

2.163 Rights in Data

(a) The State will be and remain the owner of all data made available by the State to Contractor or its agents, Subcontractors or representatives pursuant to the Contract. Contractor will not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of Contractor, nor will any employee of Contractor other than those on a strictly need to know basis have access to the State's data. Contractor will not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, Contractor shall only use personally identifiable information as strictly necessary to provide the Services and shall disclose such information only to its employees who have a strict need to know such information. Contractor shall comply at all times with all laws and regulations applicable to such personally identifiable information.

(b) The State is and shall remain the owner of all State-specific data pursuant to the Contract. The State may use the data provided by the Contractor for any purpose. The State will not possess or assert any lien or other right against the Contractor's data. Without limiting the generality of this Section, the State shall only use personally identifiable information as strictly necessary to utilize the Services and shall disclose such information only to its employees who have a strict need to know such information, except as provided by law. The State shall comply at all times with all laws and regulations applicable to such personally identifiable information. Other material developed and provided to the State shall remain the State's sole and exclusive property.

2.164 Ownership of Materials

State and Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, will be owned by the State. Any software licensed through the Contractor and sold to the State, will be licensed directly to the State.

2.165 Standard Software - Reserved

2.166 Pre-existing Materials for Custom Software Deliverables - Reserved

2.167 General Skills

Notwithstanding anything to the contrary in this Section, each party, its Subcontractors and their personnel shall be free to use and employ its and their general skills, know-how and expertise, and to use, disclose and employ any generalized ideas, concepts, know-how, methods, techniques or skills gained or learned during the course of performing the Services, so long as it or they acquire and apply the foregoing without disclosure of any confidential or proprietary information of the other party.

2.170 Warranties And Representations

2.171 Warranties and Representations

The Contractor represents and warrants:

(a) It is capable in all respects of fulfilling and shall fulfill all of its obligations under this Contract. The performance of all obligations under this Contract shall be provided in a timely, professional, and workman-like manner and shall meet the performance and operational standards required under this Contract.

(b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.

(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.

(d) If, under this Contract, Contractor 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 Contractor's other responsibilities with respect to such items in this Contract, Contractor 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.

(e) The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.

(f) It is qualified and registered to transact business in all locations where required.

(g) Neither the Contractor 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 Contractor'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. Contractor shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.

(h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or shall accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor shall not attempt to influence any State employee by the direct or indirect offer of anything of value.

(i) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or such Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.

(j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.

(k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor 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 change in the business, properties, financial condition, or results of operations of Contractor.

(m) All written information furnished to the State by or behalf of Contractor in connection with this Contract, including its bid, it true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.

(n) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or such department within the previous five (5) years for the reason that Contractor failed to perform or otherwise breached an obligation of such contract.

2.172 Software Warranties - Reserved

2.173 Equipment Warranty - Reserved

2.174 Physical Media Warranty - Reserved

2.175 Standard Warranties - Reserved

2.176 Consequences For Breach

In addition to any remedies available in law, if the Contractor breaches any of the warranties contained in this section, such breach may be considered as a default in the performance of a material obligation of this Contract.

2.180 Insurance

2.181 Liability Insurance

(a) Liability Insurance

The Contractor 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 the Contractor's performance of services under the terms of this Contract, whether such services are performed by the Contractor, 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.

The Contractor 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 the Contractor is required to maintain pursuant to this Contract.

All insurance coverages provided relative to this Contract/Purchase Order are 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 Contractor 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. All policies of insurance required in this Contract shall be issued by companies that have been approved to do business in the State.
See http://www.mi.gov/cis/0,1607,7-154-10555_22535---,00.html.

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

Before the Contract is signed by both parties or before the purchase order is issued by the State, the Contractor 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 coverages 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.

The Contractor 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)

The Contractor 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. The Contractor 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, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor 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 the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor 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.

The Contractor 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 Contractor for any reason under this Contract, and the equipment, software and other contents of such office space, including without limitation, those contents used by Contractor 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 Contractor. 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 a Contractor subcontract with other insurance provisions, Contractor 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, Contractor may include any Subcontractors under Contractor'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 Contractor's liability or responsibility.

(c) Certificates of Insurance and Other Requirements
Contractor 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, the Contractor shall provide evidence that the State and its agents, officers and employees are listed as additional insureds 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.

Contractor 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 Contractor under this Contract to any indemnified party or other persons. Contractor shall be responsible for all deductibles with regard to such insurance. If Contractor 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 Contractor 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 Contractor, or Contractor shall pay the entire cost (or any part thereof) upon demand by the State.

2.190 Indemnification

2.191 Indemnification

(a) General Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its subcontractors, or by anyone else for whose acts any of them may be liable.
(b) Code Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

(c) Employee Indemnification
In any and all claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, 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 provisions.
(d) Patent/Copyright Infringement Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees 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 the Contractor 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 patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor shall at the Contractor'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 the Contractor, (ii) replace or modify to the State's satisfaction 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 Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Notwithstanding the foregoing, the Contractor shall have no obligation to indemnify or defend the State for, or to pay any costs, damages or attorneys' fees related to, any claim based upon (i) equipment developed based on written specifications of the State; or (ii) use of the equipment in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the equipment by the State; or (iii) the combination, operation, or use of the equipment with equipment or software not supplied by the Contractor under this Contract.

2.192 Continuation of Indemnification Obligations

The Contractor's duty to indemnify pursuant to this Section continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred prior to expiration or cancellation.

2.193 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 Contractor of such claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within ten (10) days following receipt of written notice from the State relating to any claim, Contractor shall notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and prior to the State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.

(b) If Contractor 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) Contractor 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) Contractor 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 Contractor given within 10 days after the State's receipt of Contractor's information requested by the State pursuant to clause (ii) of this paragraph if the State determines that Contractor has failed to demonstrate to the reasonable satisfaction of the State Contractor'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 Contractor 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 Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor shall promptly reimburse the State for all such reasonable costs and expenses.

2.200 Limits of Liability and Excusable Failure

2.201 Limits of Liability

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

Neither the Contractor nor the State shall be liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability shall not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

2.202 Excusable Failure

Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent such default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; 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 commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay and provided further that such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay Contractor's performance of the Services/provision of Deliverables for more than 10 Business 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/Deliverables from an alternate source, and the State shall not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance shall continue; (b) the State may terminate any portion of the Contract so affected and the charges payable there under shall be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to Contractor, except to the extent that the State shall pay for Services/Deliverables provided through the date of termination.

Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

2.203 Disaster Recovery

Contractor and the State recognize that the State provides essential services in times of natural or man-made disasters. Therefore, except as so mandated by Federal disaster response requirements, Contractor personnel dedicated to providing Services/Deliverables under this Contract will provide the State with priority service for repair and work around in the event of a natural or manmade disaster.

2.210 Termination/Cancellation by the State

The State may terminate 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:

2.211 Termination for Cause

(a) In the event that Contractor breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA as defined in **Section 2.076**), 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 (such time period not to be less than 30 days), 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 termination to Contractor, terminate this Contract in whole or in part, for cause, as of the date specified in the notice of termination.

(b) In the event that this Contract is terminated for cause, in addition to any legal remedies otherwise available to the State by law or equity, Contractor shall be responsible for all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs shall not be considered by the parties to be consequential, indirect or incidental damages, and shall not be excluded by any other terms otherwise included in this Contract, provided such costs are not in excess of 50% more than the prices for such Service/Deliverables provided under this Contract.

(c) In the event the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State shall pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.

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

2.212 Termination for Convenience

The State may terminate this Contract for its convenience, in whole or part, if the State determines that such a termination is in the State's best interest. Reasons for such termination shall be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate this Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days prior to the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.

2.213 Non-Appropriation

(a) Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State shall have the right to terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State shall give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or such time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise made available, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in such manner and for such periods of time as the State may elect. The charges payable under this Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of such reduction.

(c) In the event the State terminates this Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor pursuant to this Section, the State shall pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. For the avoidance of doubt, this Section will not preclude Contractor from reducing or stopping Services/Deliverables and/or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

2.214 Criminal Conviction

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense incident to the application for, or performance of, a State, public or private Contract or subcontract; convicted of a criminal offense, including 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 Contractor's business integrity.

2.215 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, § 5, and Civil Service Rule 7-1. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in such written notice.

2.216 Rights and Obligations Upon Termination

(a) If this Contract is terminated by the State for any reason, Contractor 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 Contractor'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 the Contractor maintains title in Deliverables that is intended to be transferred to the State at the termination of the Contract, Contractor will transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables 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 Contractor 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 Contractor 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.

(b) In the event the State terminates this Contract prior to its expiration for its own convenience, the State shall pay Contractor 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 Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor pursuant to this Contract shall, at the option of the State, become the State's property, and Contractor 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, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

(c) 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 deliverables provided under this Contract, and may further pursue completion of the Services/Deliverables under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.217 Reservation of Rights

Any termination of this 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.

2.218 Contractor Transition Responsibilities

In the event this contract is terminated, for convenience or cause, dissolved, voided, rescinded, nullified, expires or is otherwise rendered unenforceable, the Contractor 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 this Contract, the Contractor 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 90 days. These efforts shall include, but are not limited to, the following:

(a) Personnel - The Contractor 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. The Contractor 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 this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors or Contactors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors or vendors. Contractor will notify all of Contractor's subcontractors of procedures to be followed during transition.

(b) Information - The Contractor agrees to provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under this Contract. The Contractor will provide the State with asset management data generated from the inception of this Contract through the date on which this Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor will deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

(c) Software. - The Contractor shall reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under this Contract. This shall include any documentation being used by the Contractor to perform the Services under this Contract. If the State transfers any software licenses to the Contractor, those licenses shall, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Deliverables/Services.

(d) Payment - If the transition results from a termination for any reason, reimbursement shall be governed by the termination provisions of this Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates specified by **Article 1, Attachment C**. The Contractor will prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.219 State Transition Responsibilities

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 the Contractor agree:

(a) Reconciling all accounts between the State and the Contractor;
(b) Completing any pending post-project reviews.

2.220 Termination by Contractor

2.221 Termination by Contractor

If the State materially breaches its obligation to pay Contractor undisputed amounts due and owing under this Contract in accordance with **Section 2.090**, or if the State breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for Contractor to perform the Services, and if the State does not cure the breach within the time period specified in a written notice of breach provided to the State by Contractor (such time period not to be less than 30 days), then Contractor may terminate this Contract, in whole or in part based on Statement of Work for cause, as of the date specified in the notice of termination; provided, however, that Contractor must discharge its obligations under **Section 2.250** before any such termination.

2.230 Stop Work

2.231 Stop Work Orders

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order shall be specifically identified as such and shall indicate that it is issued under this **Section 2.230**. Upon receipt of the stop work order, Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State shall either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.210**.

2.232 Cancellation or Expiration of Stop Work Order

If a stop work order issued under this **Section 2.230** is canceled or the period of the stop work order or any extension thereof expires, Contractor shall resume work. The parties shall agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract shall be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within thirty (30) calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment will conform to the requirements of **Section 2.106.**

2.233 Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, such termination shall be deemed to be a termination for convenience under **Section 2.212**, and the State shall allow reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State shall not be liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.230**.

2.240 Reserved

2.250 Dispute Resolution

2.251 In General

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work shall be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor shall submit a letter executed by Contractor's Contract Administrator or his designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the supporting data provided with such an affidavit are current and complete to Contractor's best knowledge and belief.

2.252 Informal Dispute Resolution

(a) All operational disputes between the parties shall be resolved under the Contract Management procedures developed pursuant to **Section 2.100**. If the parties are unable to resolve any disputes after compliance with such processes, the parties shall meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve such dispute without the need for formal legal proceedings, as follows:

(i) The representatives of Contractor and the State shall meet as often as the parties reasonably deem necessary in order to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

(ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.

(iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DMB, or designee, shall issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute shall be considered the State's final action and the exhaustion of administrative remedies.

(b) This **Section 2.250** will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or pursuant to **Section 2.253**.

(c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work pursuant to the Contract.

2.253 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.252** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is such that the damages to such party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.254 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment shall not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.210** and **2.220**, as the case may be.

2.260 Federal and State Contract Requirements

2.261 Nondiscrimination

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

2.262 Unfair Labor Practices

Pursuant to 1980 PA 278, MCL 423.231, et seq., the State shall not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled pursuant to section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, shall not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.263 Workplace Safety and Discriminatory Harassment

In performing Services for the State, the Contractor shall comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor shall comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html.

2.270 Litigation

2.271 Disclosure of Litigation

(a) Disclosure. Contractor must disclose any material criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, each Contractor (and each Subcontractor) must notify the State of any material civil litigation, arbitration or proceeding which arises during the term of the Contract and extensions thereto, to which Contractor (or, to the extent Contractor is aware, any Subcontractor hereunder) is a party, and which involves: (i) disputes that might reasonably be expected to adversely affect the viability or financial stability of Contractor or any Subcontractor hereunder; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor hereunder by a governmental or public entity arising out of their business dealings with governmental or public entities. Any such litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") must be disclosed in a written statement to the Contract Administrator within 30 days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated as such. Information provided to the State from Contractor's publicly filed documents referencing its material litigation will be deemed to satisfy the requirements of this Section.

(b) Assurances. In the event that any such Proceeding disclosed to the State pursuant to this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about:

(i) the ability of Contractor (or a Subcontractor hereunder) to continue to perform this Contract in accordance with its terms and conditions, or

(ii) whether Contractor (or a Subcontractor hereunder) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in such Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then Contractor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that:

(A) Contractor and/or its Subcontractors hereunder will be able to continue to perform this Contract and any Statements of Work in accordance with its terms and conditions, and

(B) Contractor and/or its Subcontractors hereunder have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in such Proceeding.

(c) Contractor shall make the following notifications in writing:

(1) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor shall notify Purchasing Operations.

(2) Contractor shall also notify 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.

(3) Contractor shall also notify Purchasing Operations within 30 days whenever changes to company affiliations occur.

2.272 Governing Law

The Contract shall in all respects be governed by, and construed in accordance with, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.

2.273 Compliance with Laws

Contractor shall comply with all applicable state, federal, and local laws and ordinances ("Applicable Laws") in providing the Services/Deliverables.

2.274 Jurisdiction

Any dispute arising from the Contract shall be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to such jurisdiction on the grounds of lack of personal jurisdiction of such court or the laying of venue of such court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

2.280 Environmental Provision

2.281 Environmental Provision

For the purposes of this Section, "Hazardous Materials" is a generic term used to describe asbestos, ACBMs, PCBs, petroleum products, such construction materials as paint thinners, solvents, gasoline, oil, etc., and any other material the manufacture, use, treatment, storage, transportation or disposal of which is regulated by the federal, state or local laws governing the protection of the public health, natural resources or the environment. This includes, but is not limited to, materials such as batteries and circuit packs, and other materials that are regulated as (1) "Hazardous Materials" under the Hazardous Materials Transportation Act, (2) "chemical hazards" under the Occupational Safety and Health Administration standards, (3) "chemical substances or mixtures" under the Toxic Substances Control Act, (4) "pesticides" under the Federal Insecticide Fungicide and Rodenticide Act, and (5) "hazardous wastes" as defined or listed under the Resource Conservation and Recovery Act. This Contract does not cover the handling, removal, or disposal of all Hazardous Materials.

(a) The Contractor shall use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material in accordance with all federal, State and local laws. The State shall provide a safe and suitable environment for performance of Contractor's Work. Prior to the commencement of Work, the State shall advise Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of such Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor shall immediately stop all affected Work, give written notice to the State of the conditions encountered, and take appropriate health and safety precautions.
(b) Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State shall order a suspension of Work in writing. The State shall proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State shall terminate the affected Work for the State's convenience.
(c) Once the Hazardous Material has been removed or rendered harmless by the State, the affected Work shall be resumed as directed in writing by the State. Any determination by the Michigan Department of Community Health and/or the Michigan Department of Environmental Quality (whichever is applicable) that the Hazardous Material has either been removed or rendered harmless shall be binding upon the State and Contractor for the purposes of resuming the Work. If any such incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.076** for a time as mutually agreed by the parties.
(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor shall bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material in accordance with Applicable Laws to the condition approved by applicable regulatory agency(ies). If the Contractor fails to take appropriate action pursuant to Applicable Laws and consistent with the State requirements, then the State may take appropriate action.

2.290 General

2.291 Amendments

The Contract may not be modified, amended, extended, or augmented, except by a writing executed by the parties.

2.292 Assignment

(a) Neither party shall have the right to assign the Contract, or to assign 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 other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as such affiliate is adequately capitalized and can provide adequate assurances that such affiliate can perform the Contract. Any purported assignment in violation of this Section shall be null and void. It is the policy of the State of Michigan to withhold consent from proposed assignments, subcontracts, or novations when such transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.
(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. In the event of any such permitted assignment, Contractor shall not be relieved of its responsibility to perform any duty imposed upon it herein, and the requirement under the Contract that all payments shall be made to one entity shall continue.

2.293 Entire Contract; Order of Precedence

(a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to such subject matter and as additional terms and conditions on the purchase order shall apply as limited by **Section 2.061**.

(b) In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of **Sections 2.110 through 2.220** of the Contract, which may be modified or amended only by a formal Contract amendment.

2.294 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 the Contract.

2.295 Relationship of the Parties (Independent Contractor Relationship)

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

2.296 Notices

(a) Any notice given to a party under the Contract 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.

State:
State of Michigan
Purchasing Operations
Attention: Melissa Castro
PO Box 30026
530 West Allegan
Lansing, Michigan 48909

Contractor:
The Medstat Group, Inc.
Attention: Diana Ford
777 E. Eisenhower Parkway
Ann Arbor, MI 48108

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

(b) Binding Commitments
Representatives of Contractor identified in **Article 1, Attachment B** shall have the authority to make binding commitments on Contractor's behalf within the bounds set forth in such table. Contractor may change such representatives from time to time upon written notice.

2.297 Media Releases and Contract Distribution

(a) Media Releases
Neither Contractor nor the State will make any news releases, public announcements or public disclosures, nor will they have any conversations with representatives of the news media, pertaining to the Contract, the Services or the Contract without the prior written approval of the other party, and then only in accordance with explicit written instructions provided by that party. In addition, neither Contractor nor the State will use the name, trademarks or other proprietary identifying symbol of the other party or its affiliates without such party's prior written consent. Prior written consent of the Contractor must be obtained from authorized representatives.

(b) 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.

2.298 Reformation and 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.

2.299 Consents and Approvals

Except as expressly provided otherwise in the Contract, if either party requires the consent or approval of the other party for the taking of any action under the Contract, such consent or approval shall be in writing and shall not be unreasonably withheld or delayed.

2.300 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.

2.301 Survival

Any provisions of the Contract that impose continuing obligations on the parties including the parties' respective warranty, indemnity and confidentiality obligations, shall survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

2.302 Covenant of Good Faith

Each party agrees that, in its dealings with the other party or in connection with the Contract, it shall act reasonably and in good faith. Unless stated otherwise in the Contract, the parties will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under the Contract.

2.303 Permits

Contractor shall obtain and pay any associated costs for all required governmental permits, licenses and approvals for the delivery, installation and performance of the Services. The State shall pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

2.304 Website Incorporation

State expressly states that it will not be bound by any content on the Contractor's website, even if the Contractor'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.

2.305 Taxes

Contactors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes defined in Section 3.022 for all persons involved in the resulting Contract.

The State may refuse to award a contract to any Contactor who has failed to pay any applicable State taxes. The State may refuse to accept Contactor's bid, if Contactor has any outstanding debt with the State. Prior to any award, the State will verify whether Contactor has any outstanding debt with the State.

2.306 Prevailing Wage - Reserved

2.307 Call Center Disclosure - Reserved

2.308 Future Bidding Preclusion

Contractor acknowledges that, to the extent this Contract involves the creation, research, investigation or generation of a future RFP, it may be precluded from bidding on the subsequent RFP. The State reserves the right to disqualify any bidder if the State determines that the bidder has used its position (whether as an incumbent Contractor, or as a Contractor hired to assist with the RFP development, or as a Contactor offering free assistance) to gain a leading edge on the competitive RFP.

2.310 Reserved

2.320 Extended Purchasing - Reserved

2.330 Federal Grant Requirements- Reserved