STATE OF MICHIGAN
ENTERPRISE PROCUREMENT

Department of Technology, Management, and Budget
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30026 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number **4**
to
Contract Number **071B5500049**

CONTRACTOR	
	Priority Health
	1231 East Beltline NE
	Grand Rapids, MI 49525
	Kelly Lahr
	616-464-8358
	Kelly.lahr@priorityhealth.com
	*******5520

STATE			
	Program Manager	Danyelle Simon	DTMB, ORS
		517-284-4576	
		Simond10@michigan.gov	
	Contract Administrator	Mary Ostrowski	DTMB
		(517) 284-7021	
		OstrowskiM@michigan.gov	

CONTRACT SUMMARY

DESCRIPTION: HMO Services for MPSERS

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2015	December 31, 2015	4 - 1 Year	December 31, 2016

PAYMENT TERMS	DELIVERY TIMEFRAME
NET 45	N/A

ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
☐ P-card	☐ Direct Voucher (DV)	☐ Other	☒ Yes	☐ No

MINIMUM DELIVERY REQUIREMENTS

N/A

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
☒	1-Year	☐		December 31, 2017

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$166,718,200.00	$ 81,750,000.00	$248,468,200 00

DESCRIPTION: The following amendments are incorporated into the contract.

1 Effective 1/1/17, this contract is exercising the second option year and is increased by $81,750,000.00. The revised expiration date is 12/31/17 (Standard Terms and Conditions, Introduction section).

2. Effective 1/1/17, pricing on this contract is deleted and replaced per attached Exhibit C: 2017 HMO Rates.

3. Effective 12/12/16, the Contract Administrator has been changed to Mary Ostrowski (Standard Terms and Conditions Section 3, Contract Administrator).

4. Effective 12/12/16 the Notices contact and Program Manager for Contractor has been updated to Kelly Lahr (Standard Terms and Conditions Section 2, Notices and Section 4, Program Manager).

5 .Effective 12/12/16, the Program Manager has been change to Danyelle Simon (Standard Contract Terms

Section 4, Program Manager):

Danyelle Simon
Office of Retirement Service, Plan Development and Compliance
Email: simond10@michigan.gov
Phone: (517) 284-4576

All other terms, conditions, specification and pricing remain the same. Per vendor and Agency agreement, DTMB Procurement approval, and State Administrative Board approval on December 6, 2016.

Exhibit C

2017 HMO Rates

Without Medicare	
Self	$715.89
Spouse	$591.74
Dependent Unit	$256.04
With Medicare	
Self	$145.62
Spouse	$125.52
Dependent Unit	$143.21

The Dependent Unit rate covers all dependents on a contract. If a contract has a split dependent unit (has dependents both with Medicare and without Medicare), the higher dependent unit rate will be paid.

Form No. DTMB-3521 (Rev. 7/2010)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

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

CHANGE NOTICE NO. 3

to

CONTRACT NO. 071B5500049

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Priority Health	Paula Brawdy	paula.brawdy@priorityhealth.com
1231 East Beltline NE	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
Grand Rapids MI, 49525	616-240-0445	*****5520

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB	Lacey Wilke	517-241-0023	wilkel@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Lance Kingsbury	(517) 284-7017	KingsburyL@michigan.gov

CONTRACT SUMMARY

DESCRIPTION: Health Maintenance Organization (HMO) Services For Michigan Public School Employees Retirement System (MPSERS)

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2015	December 31, 2015	4 - 1-Year	December 31, 2015

PAYMENT TERMS	DELIVERY TIMEFRAME
Net 45	N/A

ALTERNATE PAYMENT OPTIONS	EXTENDED PURCHASING
☐ P-card ☐ Direct Voucher (DV) ☐ Other	☒ Yes ☐ No

MINIMUM DELIVERY REQUIREMENTS

N/A

DESCRIPTION OF CHANGE NOTICE

EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
☒	1 Year	☐		December 31, 2016

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$81,718,200.00	$ 85,000,000.00	$166,718,200.00

DESCRIPTION: Effective January 1, 2016, this contract is hereby increased $20,000,000.00, extended to December 31, 2016, and the following, new premium rates are incorporated. All other terms, conditions, specifications, and pricing remain the same.

2016 HMO Rates

Without Medicare	
Self	$ 656.71
Self & Spouse	$ 1,198.54
Self & Children	$ 892.30
Self, Spouse & Children	$ 1,434.13
With Medicare	
Self	$ 173.64
Self & Spouse	$ 325.57
Self & Children	$ 326.95
Self, Spouse & Children	$ 478.88
One with Medicare & One without Medicare	
Self w/o Medicare, Spouse w/Medicare	$ 762.05
Self w/Medicare, Spouse w/o Medicare	$ 762.05
Self w/o Medicare, Spouse w/Medicare & Children	$ 997.64
Self w/Medicare, Spouse w/o Medicare & Children	$ 997.64

Form No. DTMB-3521 (Rev. 5/2015)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

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

CHANGE NOTICE NO. 2

to

CONTRACT NO. 071B5500049

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Priority Health	Paula Brawdy	Paula.brawdy@priorityhealth.com
1231 East Beltline NE	PHONE	VENDOR TAX ID # (LAST FOUR DIGITS ONLY)
Grand Rapids, MI 49525	(616) 240-0445	-5520

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB	Lacey Wilke	(517) 241-0023	wilkel@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Lance Kingsbury	(517) 284-7017	kingsburyl@michigan.gov

CONTRACT SUMMARY

DESCRIPTION: Health Maintenance Organization (HMO) Services for Michigan Public School Employees Retirement System (MPSERS)

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2015	December 31, 2015	4, one year	December 31, 2015
PAYMENT TERMS	**F.O.B.**	**SHIPPED TO**	
Net 45	N/A	N/A	

ALTERNATE PAYMENT OPTIONS	EXTENDED PURCHASING
☐ P-card ☐ Direct Voucher (DV) ☐ Other	☒ Yes ☐ No

MINIMUM DELIVERY REQUIREMENTS

N/A

DESCRIPTION OF CHANGE NOTICE

EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF EXTENSION/OPTION	EXPIRATION DATE AFTER CHANGE
☒ No ☐ Yes	☐	☐		

CURRENT VALUE	VALUE/COST OF CHANGE NOTICE	ESTIMATED REVISED AGGREGATE CONTRACT VALUE
$81,718,200.00	$0.00	$81,718,200.00

DESCRIPTION:
Effective immediately, the following rates hereby supersedes the original rates, as referenced in Exhibit C:

2015 Final HMO Rates (no decreases)
With Medicare
Self & Spouse: $311.06
Self, Spouse & Children: $462.32

All other terms, conditions, pricing and specifications remain the same. Per contractor and ORS approval.

Form No. DTMB-3521 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

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

CHANGE NOTICE NO. 1

to

CONTRACT NO. 071B5500049

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Priority Health	Paula Brawdy	paula.brawdy@priorityhealth.com
1231 East Beltline NE	TELEPHONE	CONTRACTOR #, MAIL CODE
Grand Rapids, MI 49525	(616) 240-0445	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB	Lacey Wilke	(517) 241- 0023	wilkel@michigan.gov
BUYER	DTMB	Mary Ostrowski	(517) 284-7021	ostrowskim@michigan.gov

CONTRACT SUMMARY:

DESCRIPTION:
Health Maintenance Organization (HMO) Services for Michigan Public School Employees Retirement System (MPSERS)

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
1 Year	January 1, 2015	December 31, 2015	4 Option Years
PAYMENT TERMS	**F.O.B**	**SHIPPED**	**SHIPPED FROM**
NET 45	N/A	N/A	N/A

ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS	
☐ P-card	☐ Direct Voucher (DV)	☐ Other	☒ Yes	☐ No

MINIMUM DELIVERY REQUIREMENTS:
N/A

DESCRIPTION OF CHANGE NOTICE:

EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
☒ No ☐ Yes	☐	☐		December 31, 2015

VALUE/COST OF CHANGE NOTICE:	ESTIMATED REVISED AGGREGATE CONTRACT VALUE:
$48,718,200.00	$81,718,200.00

Effective January 13, 2015, this Contract is hereby INCREASED by $48,718,200.00. All other terms, conditions, specifications and pricing remain the same. Per vendor and agency agreement, DTMB approval, and State Administrative Board Approval on January 13, 2015.

Form No. DTMB-3522 (Rev. 4/2012)
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
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

NOTICE OF
CONTRACT NO. 071B071B5500049
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Priority Health	Paula Brawdy	paula.brawdy@priorityhealth.com
1231 East Beltline NE	TELEPHONE	CONTRACTOR #, MAIL CODE
Grand Rapids, MI 49525	(616) 240-0445	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB	Lacey Wilke	(517) 241- 0023	wilkel@michigan.gov
BUYER:	DTMB	Mary Ostrowski	(517) 284-7021	ostrowskim@michigan.gov

CONTRACT SUMMARY:

DESCRIPTION:

Health Maintenance Organization (HMO) Services for Michigan Public School Employees Retirement System (MPSERS)

INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
1 Year	January 1, 2015	December 31, 2015	4 Option Years
PAYMENT TERMS	**F.O.B**	**SHIPPED**	**SHIPPED FROM**
NET 45	N/A	N/A	N/A

ALTERNATE PAYMENT OPTIONS:	AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other	☒ YES ☐ NO

MINIMUM DELIVERY REQUIREMENTS:

N/A

MISCELLANEOUS INFORMATION:

N/A

ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:	$33,000,000.00

Form No. DTMB-3522 (Rev. 4/2012)
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
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CONTRACT NO. 071B071B5500049

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Priority Health	Paula Brawdy	paula.brawdy@priorityhealth.com
1231 East Beltline NE	TELEPHONE	CONTRACTOR #, MAIL CODE
Grand Rapids, MI 49525	(616) 240-0445	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB	Lacey Wilke	(517) 241- 0023	wilkel@michigan.gov
BUYER:	DTMB	Mary Ostrowski	(517) 284-7021	ostrowskim@michigan.gov

CONTRACT SUMMARY:

DESCRIPTION:

Health Maintenance Organization (HMO) Services for Michigan Public School Employees Retirement System (MPSERS)

INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
1 Year	January 1, 2015	December 31, 2015	4 Option Years
PAYMENT TERMS	**F.O.B**	**SHIPPED**	**SHIPPED FROM**
NET 45	N/A	N/A	N/A

ALTERNATE PAYMENT OPTIONS:	AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other	☒ YES ☐ NO

MINIMUM DELIVERY REQUIREMENTS:

N/A

MISCELLANEOUS INFORMATION:

N/A

ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:	$33,000,000.00

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the solicitation #007114B0003234**. Orders for delivery will be issued directly by the Department of Insurance & Financial Services through the issuance of a Purchase Order.**

Notice of Contract #: 071B5500049

FOR THE CONTRACTOR:	**FOR THE STATE:**
Priority Health	
Firm Name	Signature
	Tom Falik, Services Division Director
Authorized Agent Signature	Name/Title
	DTMB - Procurement
Authorized Agent (Print or Type)	Enter Name of Agency
Date	Date

STATE OF MICHIGAN
Department of Technology, Management and Budget
Procurement

HMO Services for MPSERS
Contract No. 071B5500049

Buyer: Mary Ostrowski
Telephone Number: (517)284-7021
DTMB-Procurement Telephone Number 1-855-MI-PURCH (1-855-647-8724)
E-Mail Address: ostrowskim@michigan.gov

STATE OF MICHIGAN

Contract No. 071B5500049

HMO Services for MPSERS

DEFINITIONS

24x7x365 means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).

Actuarial Equivalences/Actuarially Equivalent means the financial value of the coverage and the cost sharing provisions are the same for a given population and spending pattern.

Additional Service means any Services within the scope of the Contract, but not specifically provided under any Statement of Work.

Audit Period means the seven year period following Contractor's provision of any work under the Contract.

Bidder(s) are those companies that submit a proposal in response to this RFP.

Breach means the acquisition, access, Use or Disclosure of Protected Health Information or Personal Identifying Information in a manner not permitted under the Privacy Rule or the Michigan identify Theft Protection Act, as applicable, which compromises the security or privacy of such information.

Business Day means any day other than a Saturday, Sunday or State-recognized legal holiday from 8:00am EST through 5:00pm EST unless otherwise stated.

Blanket Purchase Order is an alternate term for Contract and is used in the State's computer system.

CAHPS means Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey(s).

CCI means Contract Compliance Inspector.

Center for Medicare and Medicaid Services (CMS) means the federal agency that administers and oversees the Medicare and Medicaid programs.

Claim means a submission for payment of a Service.

Community Rates mean premium rates filed with State of Michigan that vary by benefit plan and by demographics but not by an individual's or group's claims experience.

Contract means a binding agreement entered into by the State of Michigan and an HMO for health care coverage for Retirement System Members.

Contract Holder means a Retirant, pension beneficiary or COBRA participant who satisfies all of the Eligibility criteria necessary to receive hospital/medical/pharmacy coverage through the Retirement System.

Days means calendar days unless otherwise specified.

DEG means Data Exchange Gateway. This is the State of Michigan standard for sharing data with external partners. The DEG provides a web-based https Secure Internet File Transfer mechanism between agencies within the State of Michigan and their external partners, using an Internet browser without the need for external software.

Deleted – N/A means that section is not applicable or included in this RFP. This is used as a placeholder to maintain consistent numbering.

Deliverable means physical goods and/or services required or identified in a Statement of Work.

Dependent means an individual who satisfies, through a Contract Holder, all of the eligibility criteria necessary to receive hospital/medical/pharmacy coverage under the Plan Sponsor's Plan and is identified by the Plan Sponsor to the Contractor.

DTMB means the Michigan Department of Technology, Management and Budget.

Eligibility means the status of an individual with respect to their coverage under the Plan as determined by Plan Sponsor.

Healthcare Effectiveness Data and Information Set (HEDIS) is a tool used to measure health care plans in terms of performance and service.

Health Maintenance Organization (HMO) means a type of managed care organization (MCO) that provides a form of health care coverage that is fulfilled through hospitals, doctors, and other Providers with which the HMO has a contract.

HIPAA means the Health Insurance Portability and Accountability Act of 1996.

Identification (ID) Card means the card produced by the Contractor that documents the Member's coverage under the plan.

Identity Theft Protection Act means Public Act 452 of 2004, MCL 445.61, et.seq.

Incident means any interruption in any function performed for the benefit of the Plan Sponsor.

Low Income Premium Subsidy means the premium paid by the low-income subsidy beneficiary for basic prescription drug coverage after the premium subsidy is applied.

Late Enrollment Penalty means the amount a beneficiary owes for enrolling in coverage when first eligible.

Medicare Advantage (MA) Plan means any plan which is available to Medicare beneficiaries and that is operated by an entity that has been approved by CMS.

Member means each Contract Holder and eligible Dependent.

MPSERS means the Michigan Public School Employees Retirement System; also referred to as the "Retirement System".

NCQA means the National Committee for Quality Assurance, a private, not-for-profit organization which provides tools for the measurement, analysis, and improvement of health care systems.

New Work means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, such that once added will result in the need to provide the Contractor with additional consideration. "New Work" does not include Additional Service.

ORS means Office of Retirement Services.

Personal Identifying Information or PII has the same meaning as the term Section 3(q) of the Identify Theft Protection Act.

Plan means the Plan Sponsor's program which provides hospital/medical/pharmacy coverage to Members.

Plan Design means a description of the Plan Sponsor's Plan related to medical coverage and limitations thereto, including the framework of policies, interpretations, rules, practices and procedures applicable to such coverage, required and signed by the Plan Sponsor and submitted to the Contractor.

Plan Sponsor means the Office of Retirement Services.

Plan Year means a calendar year, from January 1st through December 31st.

PMPM means Per Member Per Month.

Premium means the periodic payment made on an insurance policy.

Privacy Rule means the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, Subparts A and E.

Provider means a health care professional or a health care facility that provides medical services to Members.

Retirant means a member who retires with a retirement allowance payable from reserves of the retirement system. The Public School Employees Retirement Act. MCL 38.1307(4).

RFP means a Request for Proposal designed to solicit proposals for services.

Services means any function performed for the Plan Sponsor as required in the Statement of Work.

SLA means Service Level Agreement.

Source Reduction means any practice that reduces the amount of any hazardous substance, pollutant, or contaminant entering any waste stream or otherwise released into the environment prior to recycling, energy recovery, treatment, or disposal.

State Location means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.

Subcontractor means a company selected by the Contractor who is chosen to perform a portion of the Services, but does not include independent contractors engaged by Contractor solely in a staff augmentation role. It also means a person or entity that creates, maintains, or transmits Protected Information on behalf of Contractor.

Unit means a Contract Holder and their Dependent(s).

Work in Progress means a Deliverable that has been partially prepared, but has not been presented to the Plan Sponsor for Approval.

Work Product refers to any data compilations, reports, and other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of an in furtherance of performing the services required by the Contract.

834 File is the standard electronic process in the industry.

EXHIBIT A
STATEMENT OF WORK
CONTRACT ACTIVITIES

Background
Office of Retirement Services (ORS) administers the MPSERS Plan, which provides post-employment health coverage to Non-Medicare eligible and Medicare eligible Retirants, beneficiaries and their Dependents enrolled in the health plan. Health coverage is provided to retired employees of local school districts, intermediate school districts, tax-supported community or junior colleges, and certain universities. Financing for MPSERS is provided through public school employer contributions and Contract Holder premiums. ORS currently manages health coverage for approximately 238,000 Members in the MPSERS health plans. Approximately 33% of the Members are not Medicare eligible and 67% are Medicare eligible. The self-funded portion of the Plan does not include participants in the HMO's, in which there are at present, approximately 28,000 Members.

1.0 Requirements
The Contractor must be able to provide and administer both a Non-Medicare and Medicare product inclusive of pharmacy coverage to Eligible Members who elected enrollment in an HMO and pursuant to the requirements listed herein.

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

A. General

1) Except as otherwise specified herein, the only benefit requirement is that in-network coverage must be Actuarially Equivalent to or exceed the coverage offered under MPSERS' self-funded Plan.
2) Plan Sponsor requires signed Actuarial Equivalence Attestation from a certified actuary or a demonstration of actuarial equivalence from an underwriter.
3) All service categories covered by the self-funded Plan must be covered by the HMO Contract.

B. Coverage Outside Service Area
Many MPSERS retirees travel outside of Michigan, in some instances for three to six months of the year. Where a Member's primary residence remains in Michigan, the Contractor must provide comprehensive benefits to members when they travel outside of the service area.

C. Eligibility
Plan Sponsor is responsible for determining eligibility and transmitting enrollment information for Members. Plan Sponsor has the sole authority to determine the effective date of the Member including retroactive adjustments.

Enrollment information for Members will be transferred to the Contractor from Plan Sponsor by electronic medium including all necessary information with respect to current enrollees December 1, 2014.

1) Coverage for Non-Medicare Eligible Members:
   Coverage for individuals who have not reached Medicare eligibility will be in the form of a traditional HMO contract. **IMPORTANT: See Continuity of Coverage in (3) below.**

2) Coverage for Medicare Eligible Members:
   Coverage for Medicare-eligible individuals must be in the form of a Medicare Advantage plan.

3) Continuity of Coverage:

a. If a Member aging into Medicare resides in a county that the HMO does not offer Medicare Advantage, the Members on that Contract are no longer eligible for coverage under that HMO.
b. The HMO must notify ORS, at a minimum, one month prior to the Member's Medicare eligibility date.
c. HMO must also communicate termination of coverage to the Members.

4) Where the Contractor is informed by the Center for Medicare and Medicaid Services (CMS) that a Member has been dis-enrolled from the HMO Medicare Advantage Plan, the Contractor must notify Plan Sponsor.

a. The Contractor must do this each week via a discrepancy report—in a format as approved by Plan Sponsor-- delivered via the Data Exchange Gateway (DEG) to the Plan Sponsor.

D. Coverage Rules

To avoid unacceptable administrative complexity, there are several rules for who may be covered by which health plan. The primary rule is that:

1) If the Retirant elects to be covered by an HMO, then all Members of that Unit must be covered by the same HMO.

2) If one or more Members of a Unit is Non-Medicare-eligible and one or more is Medicare-eligible, then the Non-Medicare-eligible(s) must be covered by the basic Non-Medicare HMO plan and the Medicare-eligible(s) must be covered by the Medicare plan of the same HMO.

3) In cases where two members of a Unit are both Non-Medicare-eligible at the beginning of their HMO coverage, and one attains Medicare eligibility, that individual must become covered by the Medicare plan of the HMO that covers the Non-Medicare Member.

4) In the case of those families where both Members are MPSERS Retirants, each may be treated as an individual Contract Holder if they so elect. Thus, either, or both, may elect HMO coverage without regard to any election by the other.

5) The Contractor must follow Dependent coverage rules in Exhibit F.

E. Population

Population tables are available via the Plan Sponsor upon request. These tables contain data on the Non-Medicare and Medicare populations for all of the zip codes throughout Michigan including primary beneficiary zip code, date of birth and gender. Population is reported by "Member Type" as follows:

1) Non-Medicare Eligibles:
   a. Single Contracts under which a single individual is covered (a retiree or surviving beneficiary).
   b. Single Contracts under which a single individual is covered (a retiree or surviving beneficiary) and there are (one or more) children.
   c. Two person Contracts under which a retiree and spouse are covered where both Non-Medicare eligible.
   d. Family Contracts under which a retiree and spouse are covered where both are Non-Medicare eligible and there are (one or more) children.

2) Splits (1 Medicare/1 Non-Medicare):
   a. Split two person Contracts under which there is a retiree and a spouse where Non-Medicare eligible and one is Medicare eligible.
   b. Split two person Contracts under which there is a retiree and a spouse where one is Non-Medicare eligible and one is Medicare eligible and there are (one or more) children.

3) Medicare:
   a. Single Contracts under which a single individual is covered (a retiree or surviving beneficiary).
   b. Single Contracts under which a single individual is covered (a retiree or surviving beneficiary) and there are (one or more) children.
   c. Two person Contracts under which a retiree and spouse are covered where both are Medicare eligible.
   d. Family Contracts under which a retiree and spouse are covered where both are Medicare eligible and there are (one or more) children.

Note: For any retiree with spousal coverage, the gender of the spouse is the opposite of the retiree. For any retiree with covered child(ren), no information about the number of child(ren), their age or gender will be provided.

F. Geographic Regions

HMO's may only be offered in the State of Michigan. An HMO must be made available and marketed to all Members who reside in the HMO's licensed service area in Michigan. An HMO may not be offered in only a portion of the Contractor's Michigan service area.

G. Premiums

Insured rate quotations from any HMO must meet the following requirements:

1) Premium Rates:
   By August 1 of each subsequent Contract year, the Contractor will be notified of the maximum allowable premium. At the time, the Contractor may adjust the benefit design, subject to Plan Sponsor approval, and as long as the value of the plan remains actuarially equivalent to or exceeds the value of the self-insured Plan.

2) Renewals:
   Not later than the September 1 of each subsequent Contract year, the Contractor must notify the DTMB and Plan Sponsor of its willingness to continue participation and specify any adjustments it intends to make to the benefit plan design to Plan Sponsor for their review and approval. The Plan Sponsor reserves the right, at its sole discretion, to accept or reject any benefit design adjustment.

3) Low Income Subsidy:
   Contractor must have the capability to administer all aspects related to the Low Income Subsidy (LIS) process including the Low Income Premium Subsidy (LIPS) and Low Income Cost Sharing CMS components. This includes, but is not limited to:

   a. Identify members based on Medicare reports.
   b. Determine how much of a premium subsidy eligible members should receive.
   c. Pass-back of applicable subsidy amounts to members.
   d. Pass through of remaining subsidy amounts to Plan Sponsor.
   e. Administer Low Income Cost Share for eligible members.
   f. Provide robust reporting to Plan Sponsor, as requested.

4) Late Enrollment Penalty:
   Contractor must have the capability to administer the Late Enrollment Penalty (LEP) for members where applicable. This includes, but is not limited to:
   a. Identify members based on Medicare reports.
   b. Determine the LEP applicable members should receive.
   c. Provide robust reporting to Plan Sponsor as requested.
   d. Invoice the Plan Sponsor on a monthly basis for applicable amounts.

H. Member Communication Materials

1) The Contractor must prepare and distribute, at its own cost, announcements, letters, notices, brochures, forms, postage-paid response envelopes, and other supplies and Services for distribution to Members. This includes but is not limited to:
    a. CMS required mailings for Medicare members
    b. Summary of Benefits
    c. Explanation of Benefits
    d. Plan update notifications

2) Modified member communications must be provided at no additional charge and are subject to the approval of Plan Sponsor.

3) The Contractor must submit for approval by Plan Sponsor, no later than 30 days prior to distribution, any material which will be distributed to Retirants and their Dependents during or in conjunction with enrollment/ marketing opportunities.

    a. All enrollment or marketing activities must be approved by Plan Sponsor to assure equal access to all Members who reside in the HMO's licensed service area. This applies to all information placed on the Contractor's MPSERS-specific website relative to the Members and the Plan.

I. Enrollment

1) The Contractor must comply with all applicable requirements of HIPAA (see Exhibit H, HIPAA Business Associate Addendum), as amended.

2) The Plan Sponsor is the source for all demographic and enrollment data. The Contractor must store and use the Member information provided by the Plan Sponsor.

    a. Any changes, additions or terminations of the Member enrollment information or changes or additions to the Member demographic information (including email addresses and phone numbers) must originate from the Plan Sponsor. This includes Members responding to opt-out notifications for Medicare eligible Members.
    b. The Contractor must not make any changes to the Member information that would lead to the Contractor and the Plan Sponsor having different information for the same Member.
    c. Reports provided by CMS that affect Medicare eligibility will be processed by the Plan Sponsor and any enrollment changes that result from those reports will be transmitted to the Contractor by fax or by digital transmission in the standard 834 format.

3) The Contractor must support the Plan Sponsor as needed via telephone, and email anytime during business hours for immediate contact to confirm the enrollment status of a Member at any given time. Responses surrounding the enrollment status of a member must not exceed 48 hours.

4) The Contractor must have the capability to accept digital transmission on a weekly basis from the Plan Sponsor, in a HIPAA compliant 834 format, inclusive of all fields contained in the Exhibit I and I2, 834 File Layout, and which is provided through a State of Michigan provided DEG.
    a. The Contractor must work with the Plan Sponsor on the implementation of secure data transfers for all exchanges.
    b. All files that include HIPAA-protected information must be transmitted using the State's DEG.

5) The Contractor must participate in reconciliations of the full membership as scheduled by the Plan Sponsor.

6) The Contractor is responsible for any changes, and any associated costs therein, to their systems or processes required to support the receipt and processing of the Plan Sponsor's enrollment files.
   a. The Contractor must work with the Plan Sponsor to develop a timeline for implementation and testing of any changes to either the Plan Sponsor or the Contractor processing systems.
   b. The Contractor must maintain a testing environment for such purposes.

7) The Contractor must have validation edits in place to ensure, for each data load, that all fields are properly populated and readable.

   a. 100% of all accurate records that pass the Contractor' validation edits must be uploaded according to the Plan Sponsor's schedule within one Business Day with confirmation of changes submitted to the Plan Sponsor.
   b. Any records that do not pass the Contractor's validation tests must be reported to the Plan Sponsor within two Business Days after the file has been uploaded.
   c. All discrepancy reporting must be in the format defined by the Plan Sponsor.

8) The Contractor must have the ability to adjust an enrollment record real-time upon the request of an authorized Plan Sponsor employee.

9) The Contractor must provide to the Plan Sponsor, by means of a secured Internet portal, access to the system used to maintain Enrollment.

   a. All access must be controlled with a user-specific User ID and password. Generic or shared passwords will not be permitted.

10) The Contractor must provide to the Providers, by means of a secured Internet portal, access to Enrollment.

11) It is anticipated the Contractor will begin enrolling new members for coverage effective January 1, 2015. All enrollments will originate with the Plan Sponsor, then forwarded to the Contractor either by fax or by digital transmission using the standard 834 format.

12) The Plan Sponsor currently uses a common insurance application which must be completed by all new enrollees. The form indicates whether Members are enrolling in the standard plan or an HMO plan. Enrollment is considered complete once the common insurance application has been certified by the Plan Sponsor. The Contractor must have the ability to provide additional Medicare applications if the Plan Sponsor requires it. The Contractor must work to achieve the Member's effective date provided by Plan sponsor either by fax or by digital transmission using the standard 834 format. The Contractor is responsible for providing any additional application to enrollees. Members may not be required to begin completing an additional application until the Plan Sponsor notifies Contractor of enrollment either by fax or by digital transmission using the standard 834 format.
   a. The Plan Sponsor anticipates that during the tenure of this contract, paper applications will be eliminated and all enrollments and enrollment changes will be received and transmitted digitally.

13) Member Identification (ID) Cards must be mailed within 10 days of the Contractor's receipt of an eligibility record from the ORS for Non-Medicare members, and CMS-approved enrollment for Medicare members.
    a. Contractor is encouraged to provide online access to printable, temporary Member ID cards.

J. Member Satisfaction

The Contractor must share with Plan Sponsor its annual Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey results or book of business customer service satisfaction results. Results must be separated by Non-Medicare and Medicare populations. These results will be shared with Plan Sponsor at the earliest practical opportunity following completion of the survey.

K. Data Transfer

Contractor must agree to work with the Plan Sponsor-chosen data management contractor (hereafter referred to as the "data vendor") in a manner inclusive of, but not limited to the following:

1) Contractor must deliver Member data files to Plan Sponsor data vendor in agreed-upon format that meets the data vendor's functionality specifications for file layout and submission.

    a. Delivery of data files with all required fields correctly populated must be completed within 15 Days after the close of each month.

2) Contractor is responsible for all expenses, including the cost of any subcontractors, related to producing the data and providing it to the data vendor. This includes any costs associated with resubmissions and processing costs incurred by the data vendor due to the transmittal of incomplete, inaccurate, or unreadable data files belonging to the Plan Sponsor.

3) Contractor must work with the data vendor, including developing any process improvement procedures needed, to correct all issues that impede or prevent accurate data reporting from the database.

4) Member data must be securely maintained for the duration of this Contract, in compliance with State policy, Exhibit J, General Security Requirements

5) Upon termination or expiration of the Contract, the Contractor must deliver all data to the data vendor within five Days of request for the same (see Section 25 of Standard Contract Terms).

6) The Contractor must be able to provide summary enrollment statistics by various categories, along with other enrollment data, upon the Plan Sponsor request.

L. Comparison of Benefits

The Contractor must provide an accurate and complete comparison of its benefits with those of the Retirement System.

M. Coverage Areas

The Contractor must explain, in detail, its rules for coverage outside its service area, especially outside of Michigan.

Priority Health's Out of Area Benefits Rider is attached as Exhibit K.

2.0 Staffing

The Contractor must provide sufficient staff to provide the services as required in this Contract.

2.1 Contractor Representative

The Contractor must appoint a single point-of-contact who is specifically assigned to State of Michigan accounts, that will respond to State inquiries regarding the Contract Activities, answering questions related to ordering and delivery, etc. (the "Contractor Representative").

Priority Health's Contractor Representative:
Paula Brawdy

The Contractor must notify the Contract Administrator at least 30 calendar days before removing or assigning a new Contractor Representative.

2.2 Customer Service Toll-Free Number

The Contractor must specify its toll-free number for the State to make contact with the Contractor Representative. The Contractor Representative must be available for calls during the hours of 8 am to 5 pm EST.

Priority Health's Toll-Free Number: 1 (888) 389-6648, x3

2.3 Key Personnel

1. The Contractor must appoint a Senior Account Manager (SAM) assigned to Plan Sponsor, whose function includes, but is not limited to:

a. Direct responsibility for the day-to-day operations of the Contract ("Key Personnel"). Key Personnel must be specifically assigned to the State account, be knowledgeable on the contractual requirements, and respond to State inquires within 24 hours.

b. Supporting resolution of Enrollment and Membership issues with Plan Sponsor and Contractor's internal units.

c. Presenting on at least a quarterly basis unless mutually agreed upon by Contractor and Plan Sponsor-Plan experience, trends, Member issues, and Contractor's Healthcare Effectiveness Data and Information Set (HEDIS) measurements. Reporting and comparative analyses that is specific to the Plan Sponsor enrollment with Contractor is required for overall cost-use metrics, but not for HEDIS metrics.

d. Attendance at annual Member meetings within the State of Michigan. These meetings are intended to provide Members the opportunity to become educated on their coverage for the following year. The Contractor is responsible for their proportional costs of all expenses related to the meetings and Contractor's own travel expenses.

e. Attendance at Plan Sponsor bi-monthly Board meetings.

f. Keeping primary work location and assignment at the Contractor's Michigan office.

g. Serving as the single point of accountability for all projects initiated between the Contractor and Plan Sponsor for management of the Contractor's Account Team.

h. Availability onsite at Plan Sponsor's location within 48 hours of a request of the same by Plan Sponsor.

i. Authority and ability to make day-to-day decisions regarding service issues and to escalate issues which need to be escalated above the SAM.

j. Ability within the Contractor's organization to obtain the use of Contractor's resources, both direct and indirect, as are necessary.

k. Designating one qualified back-up to the SAM, whose role and responsibilities must include: involvement in account management and who is capable of performing the responsibilities of the SAM in the event that the SAM is unavailable; the Contractor's SAM back-up must be familiar with all specific requirements of this Contract; this back-up role may be filled by another key-staff person.

Priority Health's SAM:
Paula Brawdy

2. The Contractor must identify the Key Personnel, indicate where they will be physically located, describe the functions they will perform, and provide current chronological résumés.

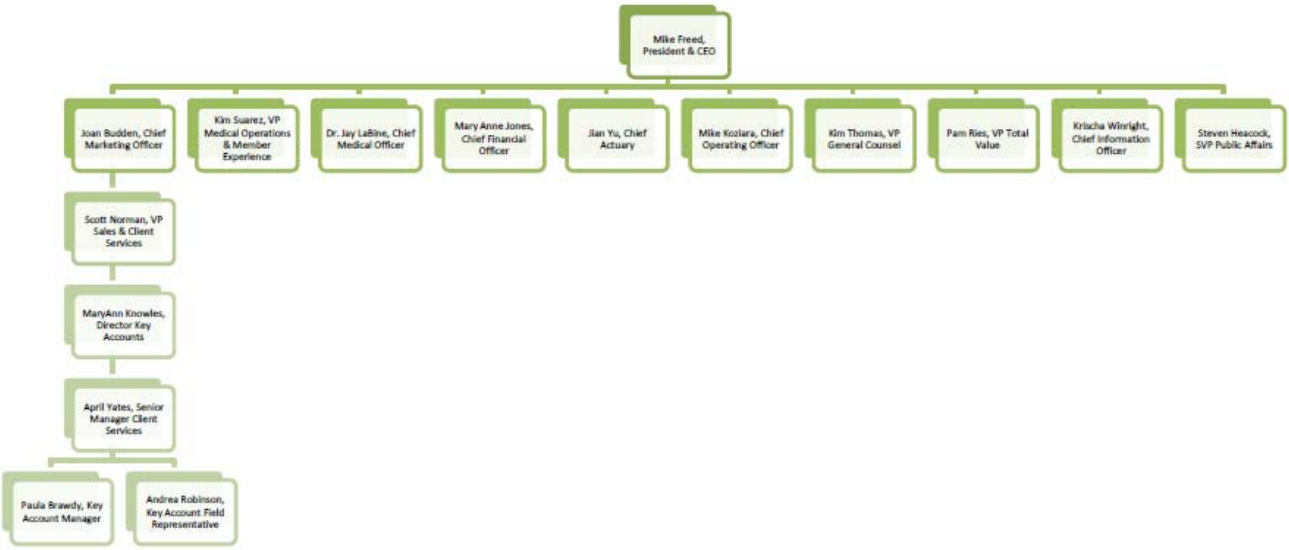
Paula Brawdy, Key Account Manager, Grand Rapids MI
April Yates, Senior Manager Client Services, Grand Rapids MI
Andrea Robinson, Key Account Field Service Representative, Grand Rapids MI

3. The State has 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 must notify the State of the proposed assignment, introduce the individual to the State's Project Manager, and 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. The State may require a 30-calendar day training period for replacement personnel.

4. Contractor must not remove any Key Personnel from their assigned roles on this Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("**Unauthorized Removal**"). An Unauthorized Removal does not include replacing Key Personnel 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. Any Unauthorized Removal may be considered by the State to be a material breach of this Contract, in respect of which the State may elect to terminate this Contract for cause under Termination for Cause in the Standard Terms.

2.4 Organizational Chart

The Contractor must provide an overall organizational chart that details staff members, by name and title, and subcontractors.



2.5 Disclosure of Subcontractors

If the Contractor intends to utilize subcontractors, the Contractor must disclose the following:

1) The legal business name; address; telephone number; a description of subcontractor's organization and the services it will provide; and information concerning subcontractor's ability to provide the Contract Activities.

<u>Priority Health Subcontractors:</u>

Express Scripts, Inc (ESI), One Express Way, St. Louis, MO 63121 (314) 996-0900.

ESI is a pharmacy benefit manager which will provide claim adjudication, retail pharmacy network management, mail order pharmacy services, and formulary rebate contract management as of 1/1/15.

Diplomat Specialty Pharmacy, 4100 S. Saginaw, Flint, MI 48507 (888) 720-4450,

This is Priority Health's specialty pharmacy vendor that provides dispensing and clinical services for patients on specialty medication.

Priority Health maintains our Pharmacy and Therapeutics Committee to manage Priority Health's own formulary (Priority Health does not use the ESI national formulary.) Priority Health also provides its own clinical pharmacy management programs and customer service.

The pharmacy claim rates are passed through from ESI to Priority Health and directly to Priority Health employer groups. No additional administrative fees are passed to PH employers from ESI.

2) The relationship of the subcontractor to the Contractor.

3) Whether the Contractor has a previous working experience with the subcontractor. If yes, provide the details of that previous relationship.

4) A complete description of the Contract Activities that will be performed or provided by the subcontractor.

5) Of the total bid, the price of the subcontractor's work.

2.6 Security

1. Under the terms of the Contract, Plan Sponsor wishes to disclose certain information to Contractor, some of which may constitute Protected Health Information and/or Personally Identifiable Information (collectively, Protected Information). In consideration of the receipt of such information, Contractor must agree to protect the privacy and security of the information.

2. Further, Contractor's work and deliverables must comply with all applicable State information technology policies and standards including the Michigan Department of Technology, Management and Budget (DTMB) General Security Requirements (Exhibit J) including that:

1) Contractor must develop a security plan that includes physical security, business continuity, change management, and that identifies all controls for confidentiality, integrity, and availability.

2) Contractor must have written policies and procedures addressing the use of any protected health data and information that falls under the Health Insurance Portability and Accountability Act (HIPAA) requirements (Exhibit H). The policies and procedures must meet all applicable federal and State requirements including the HIPAA requirements. These policies and procedures must include restricted access to the protected health data and information by the Contractor's employees.

<u>3. Disclaimer</u>

Plan Sponsor makes no warranty or representation that compliance by Contractor with this Section, HIPAA, the HIPAA Rules, or other applicable laws pertaining to Protected Information will be adequate or satisfactory for Contractor's own purposes. Contractor is solely responsible for all decisions made by Contractor regarding the safeguarding of Protected Information.

4. The Contractor must have, in place, a security plan that details the security requirements of the information system, identifies security controls that satisfy those requirements, and enables periodic reviews and/or timely revisions responsible to system and provide to the Program Manager updates and organizational changes.

5. The Contractor must comply with the compliance requirements of all State and federal Laws, including but not limited to:

a. Health Insurance Portability and Accountability Act (HIPAA);
b. Financial Modernization Act of 1999 (Gramm-Leach-Bliley)
c. Michigan Identity Theft Protection Act, MCL 445.61 et seq;
d. Michigan Social Security Number Privacy Act, MCL 445.82 et seq.

6. The Contractor must annually conduct assessments of risks and threats for unauthorized access, use, or disruption on information systems that support the Plan Sponsor.

7. The Contractor must have authentication controls and account management (for end-user and

8. The Contractor must have a system of controls in place when changes (including emergency / non-routine and configuration) to existing IT resources are logged, authorized, tested, approved, and documented.

9. The Contractor must have, in place, a contingency plan to detect and respond to incidents including those involving potential unauthorized access, use, or disclosure of protected information.

10. The Contractor must have a system of controls in place to restrict physical access to their organization's facilities and data centers to authorized personnel.

11. The Contractor must provide security awareness training required for their employees at minimum on a semi-annual basis.

12. The Contractor must have security controls employed for web application(s) to provide a high level of security to protect confidentiality of data transmitted over the public internet.

13. The Contractor must have a copy on file of their personnel security policy and related documents describing hiring practices that include mandatory background checks.

14. The Contractor must explain any additional security measures in place to ensure the security of State facilities.

15. The Contractor's staff may be required to make deliveries to or enter State facilities. The Contractor must: (a) explain how it intends to ensure the security of State facilities, (b) whether it uses uniforms and ID badges, etc., (c) identify the company that will perform background checks, and (d) the scope of the background checks. The State may require the Contractor's personnel to wear State issued identification badges.

Priority Health employees wear photo identification badges, and agree to wear State issued identification badges while at State facilities.
Priority Health contracts with HireRight to conduct background checks of employees during the hiring process. The scope of these background checks includes:

Federal Criminal Search
Statewide Criminal Search
SSN Trace
Employment Verification
Education Verification
MVR
Health Care Sanctions – State
National Sex Offender Registry

3.0 Records Management and Retention

The Contractor must have a records management policy in place to securely store and maintain physical and electronic records. In addition, the Contractor must:

1) Ensure that only authorized staff has access to records.

2) Ensure that all staff or other personnel that handles records are trained on the policies and procedures for keeping the records secure and that retention and disposal is handled appropriately.

3) Perform routine self-audit and monitoring activities of their records management program, including monitoring policies and procedures to ensure compliance.

4) Have a disaster recovery plan.

4.0 Project Management

4.1 Meetings

The State may request meetings, as it deems appropriate.

4.2 Reporting

1. The Contractor must provide complete analysis and reports, in a format as determined by ORS.

2. Encounter/Claims Data – The Contractor must provide ORS specific encounter data, utilization data, financial and claims data on a Quarterly basis.

3. The Contractor must provide the ORS with copies of the Michigan-specific HEDIS reports according to the most current National Committee for Quality Assurance (NCQA) specifications and timelines.

5.0 Ordering

5.1 Authorizing Document

The appropriate authorizing document for the Contract will be the issuance of a written Purchase Order, Blanket Purchase Order, or Direct Voucher.

6.0 Invoice and Payment

6.1 Invoice Requirements

All invoices submitted to the State must include: (a) date; (b) purchase order; (c) quantity; (d) description of the Contract Activities; (e) unit price; (f) shipping cost (if any); and (g) total price. Overtime, holiday pay, and travel expenses will not be paid.

6.2 Payment Methods

The State will make payment for Contract Activities by Purchase Order, or Direct Voucher.

7.0 Liquidated Damages

1. Late or improper completion of the Contract Activities will cause loss and damage to the State and it would be impracticable and extremely difficult to fix the actual damage sustained by the State. Therefore, if there is late or improper completion of the Contract Activities the State is entitled to collect liquidated damages in the amount of $5,000.00 and an additional $100.00 per day for each day Contractor fails to remedy the late or improper completion of the Work in Exhibit A.

2. Unauthorized Removal of Key Personnel will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and it would be impracticable and extremely difficult to fix the actual damage sustained by the State. Therefore, the State may assess liquidated damages against Contractor as specified below.

a. The State is entitled to collect $1,000.00 per individual per day for the removal of any Key Personnel without prior approval of the State.

b. The State is entitled to collect $1,000.00 per individual per day for an unapproved or untrained key personnel replacement.

Exhibit C
2015 HMO Rates

Without Medicare	
Self	$649.84
Self & Spouse	$1,186.25
Self & Children	$883.85
Self, Spouse & Children	$1,420.26
With Medicare	
Self	$166.20
Self & Spouse	$310.77
Self & Children	$316.88
Self, Spouse & Children	$461.45
One w/Medicare & One w/o Medicare	$748.51
Self w/o Medicare, Spouse w/Medicare	$748.51
Self w/Medicare, Spouse w/o Medicare	$982.52
Self w/o Medicare, Spouse w/Medicare & Children	$982.52
Self w/Medicare, Spouse w/o Medicare & Children	

EXHIBIT D
HMO Services for MPSERS
Mandatory Requirements

1. The Contractor must provide services exactly as written in Exhibit A – Statement of Work of the Contract and in strict accordance with the Plan Design.

2. The Contractor agrees to the Standard Contract Terms unconditionally and with no exceptions.

3. The Contractor is a HMO licensed in the State of Michigan and accredited by the National Council for Quality Assurance (NCQA), a national organization that evaluates HMO quality. The coverage offered to Members must be authorized under the Bidder's HMO license.

4. The Contractor must provide services in all locations that they are currently approved by OFIR to service.

5. The Contractor must provide comprehensive benefits to members when they reside outside of the service area.

6. The Contractor must provide all services at or below the 2015 premium rates as listed in Exhibit C - Pricing of the Contract.

Exhibit F

Dependent Coverage

www.michigan.gov
(To Print: use your browser's print function)

Coverage for Your Dependents

Eligible dependents for health, dental, and vision insurance plans include the following:

- Your spouse. If he or she is an eligible public school retiree, you will be covered together on one contract.
- Your unmarried child by birth or legal adoption until December 31 of the year in which he or she turns age 19.
- Your unmarried child by legal guardianship until age 18.
- Your unmarried child by birth or legal adoption until December 31 of the year in which he or she reaches age 25 if a full-time student and dependent on you for support.

- Your unmarried child by birth or legal adoption who is totally and permanently disabled, dependent on you for support, and unable to self-sustain employment.
- Either your parent(s) or parent(s)-in-law residing in your household - one set of parents or the other, but not both.

Coverage for your eligible dependents will be the same as yours.

In the case of legal adoption, a child is eligible for coverage as of the date of placement. Placement occurs when you become legally obligated for the total or partial support of the child in anticipation of adoption. A sworn statement with the date of placement or a court order verifying placement is required.

Note: Recent national health care extends coverage to adult children through the age of 26 for active employee plans, but this does not apply to retirees.

Required proof.

You will be asked to provide photocopies of the following: marriage certificate if you're adding a spouse, birth certificates as proof of age and relationship, tax returns as proof of dependency, school records as proof of full-time attendance, court orders to prove legal guardianship, and

driver's license or tax returns as proof of residence for your parent(s) or parent(s)-in-law. If you are enrolling an incapacitated child age 19 or older, you will also need to provide proof of disability. Click here to view the comprehensive list of documents you need to submit for an insurance dependent.

Additional notes about insurance for your dependents.

- If you choose the survivor option, insurance benefits continue for your eligible dependents upon your death. These dependents will continue to be eligible for insurances until either the named survivor dies or until the dependent no longer meets the eligibility requirements.
- A federal law known as *COBRA (Consolidated Omnibus Budget Reconciliation Act)*, allows your dependent the option of paying for continued health insurance coverage for up to 36 months after a qualifying event. The insurance carrier may also offer a conversion policy. Your dependents will be notified of these options.
- If you divorce, your former spouse's coverage ceases as of the divorce date. He or she may be eligible for COBRA continuation, however. Be sure to send ORS your divorce papers as soon as they are available.
- If you marry after your retirement pension begins you may name a new spouse as a survivor pension beneficiary under certain conditions. This person would be eligible for insurance coverage after your death (with certain restrictions) but must pay the full, unsubsidized monthly premiums. Read more information now.

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Exhibit H
HIPPA Business Associate Addendum
Exhibit H
[Rev. 9-20-13]

The parties to this Business Associate Addendum (Addendum) are the State of Michigan, acting by and through the Department of Technology, Management and Budget, on behalf of Office of Retirement Services (State) and Priority Health (Contractor). This Addendum supplements and is made a part of the existing contracts between the parties including the following Contract(s): HMO Services for MPSERS Contract #071B5500049 (Contract).

For purposes of this Addendum, the State is (check one):

(X) Covered Entity (CE)

( ) Business Associate (Associate)

and the Contractor is (check one):

( ) Covered Entity (CE)

(X) Business Associate (Associate)

RECITALS

A. Under the terms of the Contract, CE wishes to disclose certain information to Associate, some of which may constitute Protected Health Information or Personally Identifiable Information (collectively, Protected Information). In consideration of the receipt of such information, Associate agrees to protect the privacy and security of the information as set forth in this Addendum.

B. CE and Associate intend to protect the privacy and provide for the security of Protected Information disclosed to Associate under the Contract in compliance with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (HIPAA), the Health Information Technology for Economic and Clinical Health Act (HITECH Act), Public Law 111-5, regulations promulgated by the U.S. Department of Health and Human Services (DHHS) (HIPAA Rules) and other applicable laws, as amended.

C. As part of the HIPAA Rules, the Privacy Rule and the Security Rule (defined below) require CE to enter into a contract containing specific requirements with Associate prior to the disclosure of Protected Health Information, as set forth in, but not limited to, 45 CFR Parts 160 and 164 and the HITECH Act, and as otherwise contained in this Addendum.

In consideration of the mutual promises below and the exchange of information pursuant to this Addendum, the parties agree as follows:

1. Definitions.

a. Except as otherwise defined herein, capitalized terms in this Addendum have the same meaning as those terms under HIPAA, the HITECH Act, and the HIPAA Rules.

b. "Agent" has the same meaning given to the term under the federal common law of agency.

c. "Agreement" means the Contract and this Addendum, as read together.

d. "Breach" means the acquisition, access, Use or Disclosure of Protected Health Information or Personal Identifying Information in a manner not permitted under the Privacy Rule or the Michigan Identify Theft Protection Act, as applicable, which compromises the security or privacy of such information.

e. "Contract" means the underlying written agreement or purchase order between the parties for the goods or services to which this Addendum is added. Contract also includes all amendments and addendums to the original contract, both effective before and effective after the date of this Addendum.

f. "Designated Record Set" has the same meaning as the term under 45 CFR §164.501.

g. "Disclosure" means, the release, transfer, provision of access to, or divulging of Protected Information in any manner outside the entity holding the information.

h. "Electronic Health Record" has the same meaning as the term under Section 13400 of the HITECH Act.

i. "Electronic Protected Health Information" or "Electronic PHI" has the same meaning as the term under 45 CFR §160.103, limited to the information created, received, maintained or transmitted by Associate on behalf of CE.

j. "HIPAA Rules" means the Privacy, Security, Breach Notification, and Enforcement Rules at 45 CFR Part 160 and Part 164.

k. "HITECH Act" means The Health Information Technology for Economic and Clinical Health Act, part of the American Recovery and Reinvestment Act of 2009, specifically Division A: Title XIII Subtitle D—Privacy, and its corresponding regulations as enacted under the authority of the Act.

l. "Identity Theft Protection Act" means Public Act 452 of 2004, MCL 445.61, *et seq*.

m. "Individual" has the same meaning as the term under 45 CFR §160.103 and includes a person who qualifies as a personal representative in accordance with 45 CFR §165.502(g).

n. "Personal Identifying Information" or "PII" has the same meaning as the term Section 3(q) of the Identity Theft Protection Act.

o. "Privacy Rule" means the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, Subparts A and E.

p. "Protected Health Information" or "PHI" has the meaning given to the term under the Privacy Rule, 45 CFR §160.103, limited to the information created, received, maintained or transmitted by Associate on behalf of CE.

q. "Protected Information" means PHI and PII created, received, maintained or transmitted by Associate on behalf of CE.

r. "Security Incident" means the attempted or successful unauthorized access, Use, Disclosure, modification, or destruction of Protected Information or interference with system operations in an information system.

s. "Security Rule" means the Standards for Security of Electronic Protected Health Information at 45 CFR Part 160 and Subparts A and C of Part 164.

t. "Subcontractor" means a person or entity that creates, receives, maintains, or transmits Protected Information on behalf of Associate and who is now considered a Business Associate, as the latter term is defined in 45 CFR §160.103.

u. "Unsecured Protected Health Information" or "Unsecured PHI" means Protected Health Information that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of technology or methodology specified by DHHS as defined in the Breach Rule, 45 CFR §164.402.

v. "Use" means, with respect to Protected Information, the sharing, employment, application, utilization, examination, or analysis of such information within an entity that maintains such information.

2. Obligations and Activities of Associate.

a. Permitted Uses and Disclosures. Associate may Use and Disclose Protected Information only as necessary to perform services owed CE under the Contract and meet its obligations under this Addendum, provided that such Use or Disclosure would not violate the Privacy Rule, the privacy provisions of the HITECH Act or the Identity Theft Protection Act, if done by CE. All other Uses or Disclosures by Associate not authorized by this Addendum, or by specific written instruction of CE, are prohibited. Except as otherwise limited by this Addendum, Associate may Use and Disclose Protected Information as follows:

i. Associate may Use Protected Information for the proper management and administration of the Associate or to carry out the legal responsibilities of the Associate.

ii. Associate may Disclose Protected Information for the proper management and administration of the Associate, provided that Disclosures are Required by Law; or Associate obtains reasonable assurances from the person to whom the information is Disclosed that it will remain confidential and Used, or further Disclosed, only as Required by Law, or for the purpose for which it was Disclosed to the person, and the person notifies the Associate of any instances of which it is aware that the confidentiality of the information has been breached.

iii. Associate may Use Protected Health Information to provide Data Aggregation services to CE for the Health Care Operations of CE, as permitted by 45 CFR §164.504(e)(2)(i)(B). Associate agrees that said services shall not be provided in a manner that would result in Disclosure of Protected Health Information to another CE who was not the originator or lawful possessor of said information. Further, Associate agrees that any such wrongful Disclosure of Protected Health Information constitutes a Breach and shall be reported to CE in accordance with this Addendum.

iv. Associate may Use Protected Health Information to report violations of law to appropriate federal and state authorities, consistent with 45 CFR §164.502(j)(1).

b. Appropriate Safeguards. Associate must implement appropriate safeguards to protect against the Use or Disclosure of Protected Information other than as permitted by this Addendum so as to comply with the HIPAA Rules, the HITECH Act, and applicable state laws and maintain written policies concerning the same. Associate must implement and maintain administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of Protected Information, including specifically Electronic PHI, as provided for in the Security Rule and as mandated by Section 13401 of the HITECH Act. These safeguards shall include, at minimum:

i. Achieving and maintaining compliance with the HIPAA Security Rule, as necessary in conducting operations on behalf of CE under this Addendum.

ii. Providing a level and scope of security that is at least comparable to the level and scope of security established by the National Institute of Standards and Technology (NIST) in NIST 800-53, Recommended Security Controls for Federal Information Systems, Annex 2: Consolidated Security Controls-Moderate Baseline. The oldest acceptable version is the most recently approved version of NIST that has been approved for 6 months or more; however, Associate is encouraged to adopt newly approved versions of NIST as soon as practicable. If Associate chooses to use the Control Objectives for Information and Related Technology (COBIT), Information Systems Audit and Control Association (ISACA), or International Organization for Standardization (ISO) standards, Associate must demonstrate and document how each aspect of the chosen standard comports with the applicable version of NIST and make such documentation available to CE upon request. If Associate uses a standard other than those described in this subsection, Associate must demonstrate and document how each aspect of the chosen standard comports with the appropriate version of NIST and present to CE for review and approval. Additionally, whichever standard is chosen must comport with HIPAA Rules, including specifically the Security Rule and Privacy Rule.

iii. Achieving and maintaining compliance with the Michigan Information Technology Security Policies set forth by the Office of Michigan Cyber Security and Infrastructure Protection.

iv. In case of a conflict between any of the security standards contained in any of these enumerated sources, the most stringent shall apply. The most stringent means those safeguards that provide the highest level of protection to Protected Information from unauthorized Disclosure. Further, Associate must comply with changes to these standards that occur after the effective date of this Addendum.

v. Upon request, Associate must provide CE with all information security and privacy policies, disaster recovery and business continuity policies, network connectivity diagrams, and all other security measures implemented by Associate.

c. Security Incidents. Associate must notify and report to CE in the manner described herein any Security Incident, whether actual or suspected, and any Use or Disclosure of Protected Information in violation of this Addendum, and take the following actions:

i. Notice to CE. Associate must notify CE, via e-mail and telephone, within five (5) business days of the discovery of any Security Incident or any Use or Disclosure of Protected Information in violation of this Addendum. Associate must follow its notification to CE with a report that meets the requirements outlined immediately below.

ii. Investigation; Report to CE. Associate must promptly investigate any Security Incident. Within ten (10) business days of the discovery, Associate must submit a preliminary report to CE identifying, to the extent known at the time, any information relevant to ascertaining the nature and scope of the Security Incident. Within fifteen (15) business days of the discovery of the Security Incident and unless otherwise directed by CE in writing, Associate must provide a complete report of the investigation to CE. Such report shall identify, to the extent possible: (a) each individual whose Protected Information has been, or is reasonably believed by Associate to have been accessed, acquired, Used or Disclosed; (b) the type of Protected Information accessed, Used or Disclosed (e.g., name, social security number, date of birth) and whether such information was Unsecured; (c) who made the access, Use, or Disclosure; and (d) an assessment of all known factors relevant to a determination of whether a Breach occurred under applicable provisions of HIPAA, the HIPAA Rules, the HITECH Act, or a Breach of Security under the Identity Theft Protection Act, and any other applicable federal or state regulations. The report shall also include a full, detailed corrective action plan, including information on measures that were taken to halt and contain any improper Use or Disclosure. If CE requests information in addition to that listed in the report, Associate shall make reasonable efforts to provide CE with such information. Associate agrees

that CE reserves the right to review and recommend changes to any corrective action plan and make a final determination as to whether a Breach of PHI or PII occurred and whether any notifications may be required under applicable state or federal regulations, including Section 13402 of the HITECH Act. In the event of a Breach of Unsecured PHI, as determined by CE, Associate agrees, consistent with 45 CFR §164.404(c), Section 13402 of the HITECH Act and Section 12 of the Identity Theft Protection Act, as applicable, to provide CE with information and documentation in its control necessary to meet the requirements of said sections, and in a manner and format to be reasonably specified by CE.

iii. Mitigation. Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Associate of a Security Incident or a Use or Disclosure of Protected Information in violation of the requirements of this Addendum. Associate must take: (a) prompt corrective action to cure any such violation and (b) any other action pertaining to such unauthorized Use or Disclosure required by applicable federal and state laws and regulations.

d. Responsibility for Notifications. If the cause of a Breach of Protected Information is attributable to Associate or its Agents or Subcontractors, Associate is responsible for all required reporting and notifications of the Breach as specified in and in accordance with Section 13402 of the HITECH Act and the Identity Theft Protection Act, as applicable, unless CE notifies Associate in writing that CE intends to be responsible for said reporting and notifications. In all cases, CE's authorized representative shall approve the time, manner, and content of any such notification and its approval must be obtained before the notification is made. In the event of such Breach, and without limiting Associate's obligations of indemnification as further described in this Addendum, Associate must indemnify, defend, and hold harmless CE for any and all claims or losses, including reasonable attorneys' fees, costs, and expenses incidental thereto, which may be suffered by, accrued against, charged to, or recoverable from CE in connection with the occurrence.

e. Associate's Agents and Subcontractors. If Associate uses one or more Subcontractors or Agents to provide services under the Agreement, and such Agents or Subcontractors receive or have access to Protected Information, each Subcontractor or Agent must sign an agreement with Associate containing substantially the same provisions as this Addendum and in conformance with 45 CFR §164.504(e)(2), and to assume toward Associate all of the obligations and responsibilities that the Associate, by this Addendum, assumes toward CE. Associate agrees to provide said Agents or Subcontractors PHI in accordance with the HIPAA Rules, the HITECH Act, and PII in accordance with applicable federal and state law and must: (i) implement and maintain sanctions against Subcontractors and Agents that violate such restrictions and conditions; and (ii) mitigate, to the extent practicable, the effects of any such violation.

f. Access to Protected Health Information. Associate agrees to make PHI regarding an Individual maintained by Associate or its Agents or Subcontractors in a Designated Record Set available to such Individual for inspection and copying in order to meet CE's obligations under 45 CFR §164.524. An Individual's request for access must be submitted on standard request forms available from Associate. If CE receives a request for access, CE, in addition to addressing the request on its behalf, will forward the request in writing to Associate in a timely manner. If Associate or its Agents or Subcontractors maintain Electronic Health Records for CE, then Associate must provide, where applicable, electronic access to the Electronic Health Records to CE.

g. Amendment of Protected Health Information. Associate agrees to make any amendment(s) to PHI in a Designated Record Set to meet CE's obligations under 45 CFR §164.526. An Individual's amendment request must be submitted on standard forms available from Associate. If CE receives a request for an amendment, CE, in addition to addressing the request on its behalf, will forward the request in writing to Associate in a timely manner.

h. Accounting Rights. Associate agrees to respond to a request by an Individual for an accounting of Disclosures of PHI in accordance with 45 CFR §164.528. Associate must maintain necessary and sufficient documentation of Disclosures of PHI and information related to such Disclosures as would be required for CE to respond to a request by an Individual for an accounting of Disclosures under 45 CFR §164.528. An Individual's request for a report of accounting must be submitted on standard request forms available from Associate. If CE receives a request for an accounting, CE, in addition to addressing the request on its own behalf, will forward the request in writing to Associate in a timely manner. Associate must also comply with the requirements of Section 13405(c) of the HITECH Act, as applicable.

i. Access to Records and Internal Practices. Unless otherwise protected or prohibited from discovery or Disclosure by law, Associate must make its internal practices, books, and records, including policies and procedures (collectively, Compliance Information), relating to the Use or Disclosure of PHI and PII and the protection of same, available to CE or to the Secretary of DHHS (Secretary) for purposes of the Secretary determining CE's compliance with the HIPAA Rules and the HITECH Act. Associate shall have a reasonable time within which to comply with requests for such access, consistent with this Addendum. In no case shall access be required in less than five (5) business days after Associate's receipt of such request, unless otherwise designated by the Secretary.

j. Minimum Necessary. Associate (and its Agents or Subcontractors) shall only request, Use and Disclose the minimum amount of Protected Information necessary to accomplish the purpose of the request, Use or Disclosure, in accordance with the Minimum Necessary requirements of the Privacy Rule, including, but not limited to 45 CFR §§ 164.502(b) and 164.514(d) and the HITECH Act.

k. Compliance.

i. To the extent that Associate carries out one or more of CE's obligations under the HIPAA Rules, Associate must comply with all requirements that would be applicable to CE.

ii. Associate must honor all restrictions consistent with 45 CFR §164.522 that CE or the Individual makes Associate aware of, including the Individual's right to restrict certain Disclosures of PHI to a health plan where the Individual pays out of pocket or in full for the healthcare item or service, in accordance with Section 13405(a) of the HITECH Act.

l. Data Ownership. Unless otherwise specified in this Addendum, Associate agrees that Associate has no ownership rights with respect to the Protected Information and that CE retains all rights with respect to ownership of such information. Associate further agrees not to receive remuneration, directly or indirectly, in exchange for Protected Information, except with the prior written consent of CE.

m. Retention of Protected Information. Notwithstanding Section 5(d) of this Addendum, Associate and its Subcontractors or Agents shall retain all Protected Information throughout the term of the Contract and shall continue to maintain the information required under Section 2(h) of this Addendum for a period of six (6) years from the date of creation or the date when it last was in effect, whichever is later, or as Required by Law. This obligation shall survive the termination of the Contract.

n. Destruction of Protected Information. Associate must implement policies and procedures for the final disposition of Protected Information, including electronic PHI, and the hardware and equipment on which it is stored, including but not limited to, removal before re-Use, in accordance with the Security Rule, the HITECH Act, and other applicable laws relating to the final disposition of Protected Information.

o. Audits, Inspection, and Enforcement. Within ten (10) days of a written request by CE, Associate and its Agents or Subcontractors must allow CE to conduct a reasonable inspection of the facilities, systems, books, records, agreements, policies and procedures relating to the Use or Disclosure of Protected Information pursuant to this Addendum for the purpose of determining whether Associate has complied with this

Addendum; provided, however, that: (i) Associate and CE shall mutually agree in advance upon the scope, timing and location of such an inspection; (ii) CE shall protect the confidentiality of all confidential and proprietary information of Associate to which CE has access during the course of such inspection; and (iii) CE or Associate shall execute a nondisclosure agreement, if requested by Associate or CE. The fact that CE inspects, or fails to inspect, or has the right to inspect, Associate's facilities, systems, books, records, agreements, policies and procedures does not relieve Associate of its responsibility to comply with this Addendum, nor does CE's (i) failure to detect or (ii) detection, but failure to notify Associate or require Associate's remediation of any unsatisfactory practices, constitute acceptance of such practice or a waiver of CE's enforcement rights under this Addendum. If Associate is the subject of an audit, compliance review, or complaint investigation by DHHS that is related to the performance of its obligations pursuant to this Addendum, Associate must notify CE and provide CE with a copy of any PHI that Associate provides to DHHS concurrently with providing such information to DHHS. If, as a result of an audit or other investigation of Associate, DHHS assesses any civil penalties, Associate shall pay such penalties.

p. Audit Findings. Associate must implement any appropriate Safeguards, as identified by CE in an audit conducted under paragraph 2(o).

q. Reserved.

r. Safeguards During Transmission. Associate must utilize safeguards that reasonably and appropriately maintain and ensure the confidentiality, integrity, and availability of Protected Information transmitted to CE under this Addendum, in accordance with the standards and requirements of the HIPAA Rules and other applicable federal or state regulations, until such Protected Information is received by CE, and in accordance with any specifications set forth in Attachment A.

s. Due Diligence. Associate must exercise due diligence and take reasonable steps to ensure that it remains in compliance with this Addendum and is in compliance with applicable provisions of HIPAA, the HIPAA Rules, the HITECH Act and other applicable laws or regulations pertaining to Protected Information, and that its Agents, Subcontractors and vendors are in compliance with their obligations as required by this Addendum.

t. Sanctions and Penalties. Associate understands that a failure to comply with the provisions of HIPAA, the HITECH Act, the HIPAA Rules or any other state or federal regulation that is applicable to Associate may result in the imposition of sanctions or penalties on Associate under HIPPA, the HIPAA Rules, the HITECH Act, or any other applicable laws or regulations pertaining to PHI and PII.

u. Indemnification. Associate shall indemnify, hold harmless and defend CE from and against any and all claims, losses, liabilities, costs and other expenses resulting from, or relating to, the acts or omissions of Associate or its Agents or Subcontractors in connection with the representations, duties, and obligations of Associate under this Addendum, including but not limited to any unauthorized Use or Disclosure of Protected Information. This includes credit-monitoring services, third party audits of Associate's handling and remediation of the Breach, and reimbursement for State employee time spent handling the Security Incident, as reasonably deemed appropriate by CE. The parties' respective rights and obligations under this subsection shall survive termination of the Agreement.

3. Obligations of CE.

a. Safeguards During Transmission. CE must utilize safeguards that reasonably and appropriately maintain and ensure the confidentiality, integrity, and availability of Protected Information transmitted to Associate under this Addendum, in accordance with the standards and requirements of the HIPAA Rules and other applicable federal or state regulations, until such Protected Information is received by Associate, and in accordance with any specifications set forth in Attachment A.

b. Notice of Limitations and Changes. CE must notify Associate of any limitations in its notice of privacy practices in accordance with 45 CFR §164.520, or any restriction to the Use or Disclosure of PHI that CE has agreed to in accordance with 45 CFR §164.528, to the extent that such limitation may affect Associate's Use or Disclosure of PHI. CE must also notify Associate of any changes in, or revocation of, permission by Individual to Use or Disclose PHI of which it becomes aware, to the extent that such changes may affect Associate's Use or Disclosure of PHI.

4. Term. This Addendum shall continue in effect as to each Contract to which it applies until such Contract is terminated or is replaced with a new contract between the parties containing provisions meeting the requirements of the HIPAA Rules and the HITECH Act, whichever first occurs. However, certain obligations will continue as specified in this Addendum.

5. Termination.

a. Material Breach. Except as otherwise provided in the Contract, a breach by Associate of any provision of this Addendum, as determined by CE, shall constitute a material breach of the Agreement and provide grounds for CE to terminate the Agreement for cause, subject to section 5(b):

i. Default. If Associate refuses or fails to timely perform any of the provisions of this Addendum, CE may notify Associate in writing of the non-performance, and if not corrected within thirty (30) days, CE may immediately terminate the Agreement. Associate agrees to continue performance of the Agreement to the extent it is not terminated.

ii. Duties. Notwithstanding termination of the Agreement, and subject to any reasonable directions from the CE, Associate agrees to take timely, reasonable and necessary action to protect and preserve property in the possession of the Associate in which CE has an interest.

iii. Erroneous Termination for Default. If after such termination it is determined, for any reason, that Associate was not in default, or that Associate's action or inaction was excusable, such termination shall be treated as a termination for convenience, and the rights and obligations of the parties shall be the same as if the Contract had been terminated for convenience, as described in this Addendum or in the Contract.

b. Reasonable Steps to Cure Breach. If CE knows of a pattern of activity or practice of Associate that constitutes a material breach or violation of the Associate's obligations under the provisions of this Addendum or another arrangement and does not terminate the Agreement under Section 5(a), then CE shall take reasonable steps to cure such breach or end such violation, as applicable. If CE's efforts to cure such breach or end such violation are unsuccessful, CE shall either (i) terminate the Agreement, if feasible or (ii) if termination of the Agreement is not feasible, CE shall report Associate's breach or violation to the Secretary.

c. Reserved.

d. Effect of Termination.

(i) At the direction of CE, and except as provided in section 5(d)(ii), upon termination of the Agreement for any reason, Associate must return or destroy all Protected Information that Associate or its Agents or Subcontractors still maintain in any form, and shall retain no copies of such information. If CE directs Associate to destroy the Protected Information, Associate must certify in writing to CE that such information has been destroyed. If CE directs associate to return such information, Associate must do so promptly in any format reasonably specified by CE.

(ii) If Associate believes that returning or destroying the Protected Information is not feasible, including but not limited to, a finding that record retention requirements provided by law make return or destruction infeasible, Associate must promptly provide CE written notice of the conditions making return or

destruction infeasible. Upon mutual agreement of CE and Associate that return or destruction of Protected Information is infeasible, Associate must continue to extend the protections of this Addendum to such information, and must limit further Use of such Protected Information to those purposes that make the return or destruction of such Protected Information infeasible.

6. Reserved.

7. No Waiver of Immunity. No term or condition of this Addendum shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protection, or other provisions of applicable laws, including the Michigan Governmental Immunity Act, MCL 691.1401, *et seq*., the Court of Claims Act, MCL 600.6401, *et seq*., the Federal Tort Claims Act, 28 U.S.C. 2671, *et seq.*, or the common law, as applicable, as now in effect or hereafter amended.

8. Reserved.

9. Disclaimer. CE makes no warranty or representation that compliance by Associate with this Addendum, HIPAA, the HIPAA Rules, the HITECH Act or other applicable laws pertaining to Protected Information will be adequate or satisfactory for Associate's own purposes. Associate is solely responsible for all decisions made by Associate regarding the safeguarding of Protected Information.

10. Reserved.

11. Amendment.

a. Amendment to Comply with Law. The parties agree to take such action as is necessary to amend this Addendum from time to time as may be necessary for CE and Associate to comply with and implement the standards and requirements of HIPAA, the Privacy Rule, the Security Rule, the Breach Rule, the HITECH Act, the Identity Theft Protection Act, and other applicable laws relating to the security or privacy of PHI and PII. Upon the request of either party, the other party agrees to promptly enter into negotiations concerning the terms of an amendment to this Addendum embodying written assurances consistent with the standards and requirements of HIPAA, the Privacy Rule, the Security Rule, the Breach Rule, the HITECH Act, the Identity Theft Protection Act, or other applicable laws. Either party may terminate the Agreement upon thirty (30) days written notice if (i) the other does not promptly enter into negotiations to amend this Agreement when requested by the requesting party under this Section or (ii) the non-requesting party does not enter into an amendment to this Agreement when requested providing assurances regarding the safeguarding of PHI and PII that the requesting party, in its sole discretion, deems sufficient to satisfy the standards and requirements of HIPAA, the HIPAA Rules, the HITECH Act, the Identity Theft Protection Act, and other applicable laws.

b. Amendment of Attachment A. Attachment A may be modified or amended by mutual agreement of the parties in writing from time to time without formal amendment of this Addendum.

12. Assistance in Litigation or Administrative Proceedings. Associate must make itself, and any Subcontractors, employees or Agents assisting it in the performance of its obligations under this Addendum available to CE, at no cost to CE, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against a party, its directors, officers or employees, departments, agencies, or divisions based upon a claimed violation of HIPAA, the HITECH Act, the HIPAA Rules, the Identity Theft Protection Act, or other laws relating to security and privacy of Protected Information, except where the other party or its Subcontractor, employee or Agent is a named adverse party.

13. No Third Party Beneficiaries. Nothing express or implied in this Addendum is intended to confer, nor shall anything herein confer, upon any person other than CE, Associate and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

14. Effect on Contract. Except as specifically required to implement the purposes of this Addendum, or to the extent inconsistent with this Addendum, all other terms of the Contract shall remain in force and effect. This Addendum is incorporated into the Contract as if set forth in full therein. The parties expressly acknowledge and agree that sufficient mutual consideration exists to make this Addendum legally binding in accordance with its terms. Associate and CE expressly waive any claim or defense that this Addendum is not part of the Agreement between the parties under the Contract.

15. Interpretation and Order of Precedence. This Addendum is incorporated into and becomes part of each Contract identified herein. Together, this Addendum and each separate Contract constitute the Agreement of the parties with respect to their Business Associate relationship under HIPAA, the HIPAA Rules, and the HITECH Act. The provisions of this Addendum shall prevail over any provisions in the Contract that may conflict or appear inconsistent with any provision in this Addendum. This Addendum and the Contract shall be interpreted as broadly as necessary to implement and comply with HIPAA, the HITECH Act, the HIPAA Rules, and applicable state laws. The parties agree that any ambiguity in this Addendum shall be resolved in favor of a meaning that complies and is consistent with HIPAA, the HITECH Act, and the HIPAA Rules. This Addendum supersedes and replaces any previous separately executed HIPAA addendum between the parties. In the event of any conflict between the mandatory provisions of the HIPAA Rules and the HITECH Act and the provisions of this Addendum, the HIPAA Rules and the HITECH Act shall control. Where the provisions of this Addendum differ from those mandated by the HIPAA Rules or the HITECH Act, but are nonetheless permitted by the HIPAA Rules and the HITECH Act, the provisions of this Addendum shall control.

16. Effective Date. This Addendum is effective upon receipt of the last approval necessary and the affixing of the last signature required.

17. Survival of Certain Contract Terms. Notwithstanding anything herein to the contrary, Associate's obligations under Section 2(d) (Responsibility for Notifications), Section 2(u) (Indemnification), Section 5(d) (Effect of Termination), Section 12 (Assistance in Litigation or Administrative Proceedings), Section 13 (No Third Party Beneficiaries), and applicable record retention laws shall survive termination of this Agreement and shall be enforceable by CE as provided herein in the event of such failure to perform or comply by the Associate.

18. Representatives and Notice.

a. Representatives. For the purpose of this Addendum, the individuals identified in the Contract shall be the representatives of the respective parties. If no representatives are identified in the Contract, the individuals listed below are hereby designated as the parties' respective representatives for purposes of this Addendum. Either party may from time to time designate in writing new or substitute representatives.

b. Notices. Except as otherwise provided in this Addendum, all required notices shall be in writing and shall be hand delivered or given by certified or registered mail to the representatives at the addresses set forth below.

Covered Entity Representative:

Name: _____
Title: _____
Department: _____
Division: _____
Address: _____
_____
_____

Business Associate Representative:

Name: _____
Title: _____
Department: _____
Division: _____
Address: _____
_____
_____

Any notice given to a party under this Addendum shall be deemed effective, if addressed to such party, upon: (i) delivery, if hand delivered; or (ii) the third (3rd) business day after being sent by certified or registered mail.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the Addendum Effective Date.

Associate	**Covered Entity**
[INSERT NAME]	[INSERT NAME]
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

ATTACHMENT A

This Attachment sets forth additional terms to the HIPAA Business Associate Addendum dated _____, between _____ and _____ (Addendum) and is effective as of _____ (the Attachment Effective Date). This Attachment applies to the specific contracts listed below covered by the Addendum. This Attachment may be amended from time to time as provided in Section 11(b) of the Addendum.

1. Specific Contract Covered. This Attachment applies to the following specific contract covered by the Addendum: _071B5500049_____

2. Additional Permitted Uses. In addition to those purposes set forth in Section 2(a) of the Addendum, Associate may Use Protected Information as follows:

_____

_____

3. Additional Permitted Disclosures. In addition to those purposes set forth in Section 2(b) of the Addendum, Associate may Disclose Protected Information as follows:

_____

_____

4. Subcontractor(s). The parties acknowledge that the following subcontractors or agents of Associate shall receive Protected Information in the course of assisting Associate in the performance of its obligations under the Contract and the Addendum:

_____

_____

5. Receipt. Associate's receipt of Protected Information pursuant to the Contract and Addendum shall be deemed to occur as follows, and Associate's obligations under the Addendum shall commence with respect to such Protected Information upon such receipt:

_____

_____

6. Additional Restrictions on Use of Data. CE is a Business Associate of certain other Covered Entities and, pursuant to such obligations of CE, Associate shall comply with the following restrictions on the Use and Disclosure of Protected Information:

_____

_____

7. Additional Terms. *[This section may include specifications for disclosure format, method of transmission, use of an intermediary, use of digital signatures or PKI, authentication, additional security of privacy specifications, de-identification or re-identification of data and other additional terms.]*

_____

_____

Associate	**Covered Entity**
[INSERT NAME]	[INSERT NAME]
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

Exhibit I
834 File Layout

Date	PIR Number	Revised by	Revision History
06/10/2009	74632	Vivek Menon	Added the transaction details for COBRA / Pays-us premium paid through date.
07/14/2009	74278	Vivek Menon	Added coverage level code for Children and dependent in loop 2300 HD segment.
07/15/2009	74944	Vivek Menon	Coordination of Benefits.
10/12/2009	75404	Vivek Menon	Added NM1 segment in the COB loop.

Exhibit I-2
834 File Layout

```
ISA*00*          *00*          *30*386000134      *30*<Vendor Tax ID#>
*120504*2359*^*00501*000000001*0*P*:~
GS*BE*386000134*<Vendor Tax ID#>*20120504*2359*1*X*005010X220A1~
ST*834*0235*005010X220A1~
BGN*00*235*20120504*2359****2~
DTP*007*D8*20120504~
N1*P5*MICHIGAN OFFICE OF RETIREMENT SERVICES*FI*386000134~
N1*IN*<Vendor Name>*FI*<Vendor Tax ID#>~
INS*Y*18*021*28*A*E**RT*N*N~
REF*0F*123456789~
REF*6O*123456789~
REF*ZZ*2&MIPG&20040501~
REF*F6*123456789A~
DTP*286*D8*20040501~
DTP*356*D8*20120701~
NM1*IL*1*DOE*JANE*L***34*123456789~
PER*IP**HP*1234567890~
N3*123 FIRST ST~
N4*BELLEVUE*MI*49021~
DMG*D8*19500101*F~
HD*021**HLT**SPO~
DTP*348*D8*20120701~
INS*Y*18*001*43*A*C**RT*N*N~
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REF*F6*987654321A~
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DTP*356*D8*20080401~
DTP*338*D8*20080401~
DTP*338*D8*20080401~
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PER*IP**HP*1234567890~
N3*111 MAIN ST~
N4*SALINE*MI*48176~
DMG*D8*19450401*M~
HD*001**HLT**ESP~
DTP*303*D8*20120501~
COB*P*987654321A*1~
DTP*344*D8*20080424~
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COB*P*987654321A*1~
DTP*344*D8*20080424~
NM1*IN*2*MEDICARE PART B~
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REF*6O*123456789~
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REF*F6*123456789A~
DTP*286*D8*19990801~
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NM1*IL*1*PERRY*KATIE*W***34*123456789~
PER*IP**HP*6164539312~
N3*987 FRONT ST~
N4*GRAND BLANC*MI*49534~
DMG*D8*19481212*M~
HD*001**HLT**ESP~
DTP*303*D8*20131201~
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DTP*344*D8*20131201~
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COB*P*123456789A*1~
DTP*344*D8*20131201~
NM1*IN*2*MEDICARE PART B~
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DTP*286*D8*20100701~
DTP*356*D8*20130831~
DTP*338*D8*20130501~
DTP*338*D8*20130501~
NM1*IL*1*SMITH*JOE*M**JR*34*987654321~
PER*IP**HP*1234567890~
N3*9999 TEST DRIVE~
N4*LANSING*MI*48075~
DMG*D8*19480523*M~
HD*024**HLT**ESP~
DTP*349*D8*20130831~
COB*P*987654321A*1~
DTP*344*D8*20130501~
NM1*IN*2*MEDICARE PART A~
COB*P*9876543216A*1~
DTP*344*D8*20130501~
NM1*IN*2*MEDICARE PART B~
SE*86*0235~
GE*1*1~
IEA*1*000000001~
```

Exhibit J
General Security Requirements

On award of the Contract, the Contractor must comply with State and federal statutory and regulatory requirements, and rules; National Institute of Standards and Technology (NIST) publications; Control Objectives for Information and Related Technology (COBIT); all other industry specific standards; national security best practices and all requirements herein.

The Contractor must perform annual testing of all security control requirements to determine they are working as intended. Annual certification must be provided in writing to the CCI or designee in the form of a Service Organization Controls (SOC) 2, Type II review or similar audit report upon award.

A. Governing Security Standards and Publications

a) The State of Michigan information is a valuable asset that must be protected from unauthorized disclosure, modification, use, or destruction. Prudent steps must be taken to ensure that its integrity, confidentiality, and availability are not compromised.

The Contactor must collect, process, store, and transfer State personal, confidential, or sensitive data in accordance with the Contract, State of Michigan policies, and the laws of the State of Michigan and the United States, including, but is not limited to the following:

- The Michigan Identity Theft Protection Act, MCL 445.61 et seq;
- The Michigan Social Security Number Privacy Act, MCL 445.82 et seq.
- Family Educational Rights and Privacy Act

State of Michigan Policies

- The Contractor must comply with the State of Michigan information technology standards http://www.michigan.gov/dmb/0,1607,7-150-56355-107739--,00.html.

B. Security Risk Assessment

The Contractor must conduct assessments of risks and identify the damage that could result from unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of the State. Security controls should be implemented based on the potential risks. The Contractor must ensure that reassessments occur whenever there are significant modifications to the information system and that risk assessment information is updated.

C. System Security Plan

The Contractor must develop and implement a security plan that provides an overview of the security requirements for the information system. If a security plan does not exist, the Contractor must provide a description of the security controls planned for meeting those requirements. The security plan must be reviewed periodically and revised to address system/organizational changes or problems.

D. Network Security

The Contractor is responsible for the security of and access to State data, consistent with legislative or administrative restrictions. Unsecured operating practices, which expose other connected networks to malicious security violations, are not acceptable. The Contractor must coordinate with DTMB to enter the proper pointers into the State of Michigan infrastructure.

E. Data Security

The Contractor has the responsibility to protect the confidentiality, integrity, and availability of State of Michigan data that is generated, accessed, modified, transmitted, stored, disposed, or used by the system, irrespective of the medium on which the data resides and regardless of format (such as in electronic, paper or other physical form).

The Contractor must:

1. Process the personal data in accordance with the personal data protection laws of the State of Michigan and the United States.

2. Have in place appropriate technical and organizational internal and security controls to protect the personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, and which provide a level of security appropriate to the risk represented by the processing and the nature of the data to be protected. Technical and organizational security controls must be implemented that are appropriate to the risks, such as against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, presented by the processing.

3. Provide secure and acceptable methods of transmitting personal, confidential or sensitive information over telecommunication devices such as data encryption (128 bit minimum), Secure Socket Layer (SSL), dedicated leased line or Virtual Private Network (VPN).

4. Supply the State with information associated with security audits performed in the last three years upon award.

5. Have in place procedures so that any third party it authorizes to have access to the personal data, including processors, will respect and maintain the confidentiality, integrity, and availability of the data upon award.

6. Process the personal, confidential, and sensitive data only for purposes described in the Contract.

7. Identify to the State a contact point within its organization authorized to respond to enquiries concerning processing of the personal, confidential or sensitive data, and will cooperate in good faith with the Department.

8. Not disclose or transfer the personal, confidential, or sensitive data to a third party unless it is approved under this Contract.

9. Not use data transferred by the State as a result of this Contract for marketing purposes.

F. Media Protection

- The Contractor must implement measures to provide physical and environmental protection and accountability for tapes, diskettes, printouts, and other media containing State personal, confidential, and sensitive information to prevent the loss of confidentiality, integrity, or availability of information including data or software, when stored outside the system. This can include storage of information before it is input to the system and after it is output.

- The Contractor must ensure that only authorized users have access to information in printed form or on digital media removed from the information system, physically control and securely store information media, both paper and digital, restrict the pickup, receipt, transfer, and delivery of such media to authorized personnel.

G. Media Destruction and Disposal

The Contractor must sanitize or destroy information system digital media containing personal, confidential, or sensitive information before its disposal or release for reuse to prevent unauthorized individuals from gaining access to and using information contained on the media.

- Personal, confidential, or sensitive information must be destroyed by burning, mulching, pulverizing, or shredding. If shredded, strips should not be more than 5/16-inch, microfilm should be shredded to affect a 1/35-inch by 3/8-inch strip, and pulping should reduce material to particles of one inch or smaller.

- Disk or tape media must be destroyed by overwriting all data tracks a minimum of three times or running a magnetic strip over and under entire area of disk at least three times. If the CD, DVD, or tape cannot be overwritten it must be destroyed in an obvious manner to prevent use in any disk drive unit and discarded. Hand tearing, recycling, or burying information in a landfill are unacceptable methods of disposal. Electronic data residing on any computer systems must be purged based on retention periods required by the State.

H. Access Control

The Contractor must limit information system access to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise. Access must be immediately removed when a staff changes job duties or leaves the employment.

Authentication Process

Authentication is the process of verifying the identity of a user. Authentication is performed by having the user enter a user name and password in order to access the system.

To help protect information from unauthorized access or disclosure, users must be identified and authenticated per the table below prior to accessing confidential or sensitive information, initiating transactions, or activating services.

Publicly available information such as the mother's maiden name, birth date, and address as the sole authenticator is not a secure means of authentication and should not be used.

Automatic user logons are prohibited. Device-to-device logons must be secured (preferably using client certificates or password via tunneled session). For certain implementations, source restrictions (sign-on can occur only from a specific device) provide a compensating control, in addition to the ID and password.

Authentication information (e.g., a password or PIN) must never be disclosed to another user or shared among users.

The authentication process is limited to three unsuccessful attempts and must be reinstated by the authorized personnel (preferably the System security Administrator). User accounts should be systematically disabled after 90 days of inactivity and must be deleted after one year of inactivity.

Password Requirements

The purpose of a password is to authenticate a user accessing the system and restrict use of a userID only to the assigned user. To the extent that the functionality is supported within the technology or product, the controls listed must be implemented.

These following controls or content rules apply at any point where a new password value is to be chosen or assigned. These rules must be enforced automatically as part of a new password content checking process:

Password Property	Value
Minimum Length	Eight characters with a combination of alpha, numeric, and special characters
Composition	• At least two numeric characters (0 through 9), neither of which may be at the beginning or the end of the password • A combination of two upper (A through Z) and lower case (a through z) letters • Special characters (!, @, #, $, %, ^, &, *, (,), +, =, /, <, >, ?,., :, ;, \) • UserID in password is not allowed
Expiration Requirement (Maximum Password Age):	30 days
Revocation	Passwords should be revoked after three failed attempts (the State strongly supports password revocation after three failed attempts if system allows). Passwords should be systematically disabled after 90 days of inactivity to reduce the risk of compromise through guessing, password cracking or other attack and penetration methods.
Temporary passwords	• Must be randomly chosen or generated • System must force the user to change the temporary password at initial login
Change process	System must force user to: • Confirm their current password/PIN, • Reenter current password/PIN • Create a new password/PIN • Reenter new password/PIN System must prevent users from being able to consecutively change their password value in a single day (The goal is to prevent recycling through password history records to reuse an earlier-used password value)
Login process	Password/PIN must not appear on the screen during the login process (The exception to this is during selection of a machine-generated password).
Encryption of passwords/PINs	Passwords must be stored and transmitted with a minimum of 128-bit encryption. Passwords must be masked when entered on any screen
Compromise of password/PIN	Must be changed immediately
Forgotten password/PIN	Must be reset by authorized person (system Security Administrator)
Current user password/PIN	Must not be maintained or displayed in any readable format on the system
Audit logs	Maintain a record of when a password was changed, deleted, or revoked. The audit trail shall capture all unsuccessful login and authorization attempts for a one year period.
Password history	Keep a password history and perform a check against the history to verify the password has not been used for a minimum of one year
Privileged account access (e.g. supervisor or root)	Security administrator must change the password for that account immediately when user changes responsibilities

I. System Security Application Control

Application controls apply to individual computer systems and may include such controls as data origin, input controls, processing controls, output controls, application access controls, application interfaces, audit trail controls, and system documentation. Application controls consist of mechanisms in place over each separate computer system to ensure authorized data is processed completely, accurately, and reliably. The Contractor is responsible for ensuring application controls are in place and functioning properly within their organization. Ongoing testing and reporting of controls must be part of the business process in order to have a solid understanding of risks, strengths, and weaknesses.

A comprehensive solution is required to ensure that business critical applications are handled efficiently and are prioritized. Dynamic recovery procedures and fail over facilities must be incorporated into the scheduling process whenever possible; and where manual processes are needed, extensive tools must be available to minimize delays and ensure critical services are least impacted.

J. System Auditing

The Contractor must (i) create, protect, and retain information system audit log records to the extent needed to enable the monitoring, analysis, investigation, and reporting of unlawful, unauthorized, or inappropriate information system activity, and (ii) ensure that the actions of individual information system users can be uniquely traced to those users so they can be held accountable for their actions.

The Contractor must observe the following guidelines regarding system auditing:

1. Audit record should contain the following:
   - date and time of the event
   - subject identity
   - type of event
   - how data changed
   - where the event occurred
   - outcome of the event

2. System alerts if audit log generation fails

3. System protects audit information from unauthorized access

4. Audit record should be reviewed by individuals with a “need to know” on a regular basis

5. Audit logs are retained for sufficient period of time.

K. Configuration Control and Management

The configuration management policy and procedures must be consistent with applicable federal laws, directives, policies, regulations, standards, and guidance.

L. Incident Reporting

The Contractor must immediately notify any security incidents and/or breaches to the CCI.

- The Contractor must have a documented and implemented Incident Response Policy and Procedure
- Incident handling form for consistent, repeatable process for monitoring and reporting when dealing with incidents.
- Incident response resource identified to assist users in handling and reporting incidents.
- Personnel trained in their incident response roles and responsibilities at least annually.

M. Physical and Environmental Security

The Contractor must have established physical and environmental security controls to protect systems, the related supporting infrastructure, and facilities against threats associated with their physical environment.

1. The Contractor must have established environmental protection for magnetic and other media from fire, temperature, liquids, magnetism, smoke, and dust.

2. The Contractor must control all physical access points to facilities containing information systems (except those areas within the facilities officially designated as publicly accessible), review physical security logs periodically, investigate security violations or suspicious physical access activities, and initiate remedial actions.

3. The Contractor must periodically review the established physical and environmental security controls to ensure that they are working as intended.

N. Disaster Recovery and Business Continuity Plan

The Contractor must have developed, periodically update, and regularly test disaster recovery and business continuity plans designed to ensure the availability of State data in the event of an adverse impact to the contractors information systems due to a natural or man-made emergency or disaster event.

O. Security Awareness Training

The Contractor must ensure their staff having access to State information are made aware of the security risks associated with their activities and of applicable laws, policies, and procedures related to security identified in Section A of this document, and ensuring that personnel are trained to carry out their assigned information security related duties.

Exhibit K

Priority Health Out of Area Benefits Rider

Michigan Public School Employees Retirement System (MPSERS)

Early Retiree Out-of-Area Benefits

Your Certificate of Coverage provides you with important information about your health care benefits, including Prior Approval requirements. You would normally use your Primary Care Provider (PCP) as your personal health care manager and receive a higher level of benefits (the HMO Benefits level).

This Rider is issued to you in addition to your Certificate of Coverage to provide Coverage for Out-Of-Area Benefits.

Note: a Medicare-eligible spouse and/or a Medicare-eligible dependent may be able to enroll as a member of MPSERS's **Priority**Medicare plan. Contact MPSERS for eligibility criteria and additional information.

OUT-OF-AREA BENEFITS

Your Certificate of Coverage and your Schedule of Copayments and Deductibles describe Coverage for services available in the Michigan Service Area. The Out-of-Area Benefits described in this Out-of-Area Benefits Rider are designed to extend benefits when you are traveling outside of the Priority Health Service Area but within the United States. Members who are traveling outside of the United States are Covered for Medical Emergencies and Urgent Care Services only.

The following Schedule of Copayments and Deductibles provides you with information about your costs when you receive health care services out-of-area and the maximum limitations of your health care benefits. You are responsible for the Copayments and Deductibles listed on the Out-of-Area Schedule of Copayments and Deductibles. An out-of-area provider may bill you for amounts in excess of Reasonable and Customary Charges, and these charges are not Covered by Priority Health. You are also responsible for any Balance Billing charges in excess of Reasonable and Customary Charges. Read the entire Certificate and the Schedules of Copayments and Deductibles carefully.

In accordance with the terms and conditions of the Certificate of Coverage, you are entitled to Out-Of-Area Benefits Covered Services when these services are:

A. Medically/Clinically Necessary (as defined in this Certificate and according to Medical and Behavioral Health policies established by Priority Health with the input of Physicians not employed by Priority Health or according to criteria developed by reputable external sources and adopted by Priority Health); and

B. Approved in advance by us when Prior Approval is considered necessary (except in a Medical Emergency); and

C. Not excluded in the Certificate or a Rider or an amendment to the Certificate.

If you seek services that require Prior Approval, without receiving Prior Approval from us, you will be responsible for the cost of those services. You will also be responsible for those services that are beyond those approved, beyond the benefit maximums or excluded from Coverage. You or your Physician must call (800) 269-1260 to obtain Prior Approval for services. Emergency admissions must be reported to us as soon as reasonably possible after admission.

DEDUCTIBLES

Out-of-Area Benefits have a Deductible. A Deductible is the amount you must pay before Priority Health will pay for Covered Services under this Out-of-Area Benefits level. Any out-of-pocket member costs you pay for Covered Services because the Maximum Individual Lifetime Benefit is exhausted do not apply towards the Deductible.

OUT-OF-AREA BENEFITS - SCHEDULE OF COPAYMENTS AND DEDUCTIBLES

Deductible	Out-of-Area Benefits - 70%/30% Plan
A Deductible is the amount of Covered expenses you must incur during the Contract Year before Out-of-Area Benefits will be paid. Deductible amounts you pay are excluded from any Coinsurance Maximums.	• $1,000.00 Individual Deductible per Contract Year • $2,000.00 Family Deductible per Contract Year (but not to exceed the Individual Deductible per person)
Services	**Out-of-Area Benefits – 70%/30% Plan**
Hospital Services (Including radiology examinations and laboratory services) (See Other Referral Care section below for additional Copayment information.)	
Hospital Inpatient Care and Inpatient Longterm Acute Care Services	• 70% Coverage of Reasonable and Customary Charges • The Coinsurance Maximum applies to these services • Prior Approval is required at least five working days in advance, except in emergencies or for Hospital stays for a mother and her Newborn of up to 48 hours following a vaginal delivery and 96 hours following a cesarean section
Hospital Outpatient Care and Hospital Observation Care Services (Including ambulatory surgery center facility charges)	• 70% Coverage Of Reasonable and Customary Charges. • The Coinsurance Maximum applies to these services • Prior Approval is required for certain surgical procedures • Prior Approval is required for certain radiology examinations
Medical Emergency and Urgent Care Services	
Emergency Room Services	• $100.00 Copayment per visit (Copayment waived only if you become confined in a Hospital as an inpatient) • Emergency room services with Participating and Non-Participating Providers are Covered at the HMO Benefits level
Urgent Care Center Services	$45.00 Copayment
Ambulance Services	$100.00 Copayment

Services	Out-of-Area Benefits – 70%/30% Plan
Physician Services **(Primary and Referral Care)** (See Other Referral Care section below for additional Copayment information.)	
Office/Home Visits and Consultations (Preventive Health Care Services Covered in the Service Area only at HMO Benefits level)	• 70% Coverage of Reasonable and Customary Charges • Prescription drug Copayment may also apply when selected injectable drugs are provided
Virtual Visits (For virtual visits placed through your Member Center at *priorityhealth.com*)	• $15.00 Copayment per virtual visit • **NOTE:** Deductible does *not* apply to virtual visits
Inpatient Hospital Visits	70% Coverage of Reasonable and Customary Charges
Surgery	70% Coverage of Reasonable and Customary Charges
Ambulatory Surgery Center Services	70% Coverage of Reasonable and Customary Charges
Maternity Services (Prenatal and postnatal)	70% Coverage of Reasonable and Customary Charges
Vasectomy	Not Covered
Tubal Ligation	Not Covered
Allergy Testing and Serum	70% Coverage of Reasonable and Customary Charges
Allergy Injections	70% Coverage of Reasonable and Customary Charges
Other Referral Care (Copayments are for all medical services including, but not limited to, Physician and Hospital services)	
Family Planning/Infertility Services	Not Covered
Temporomandibular Joint Dysfunction or Syndrome	50% Coverage of Reasonable and Customary Charges
Orthognathic Surgery	50% Coverage of Reasonable and Customary Charges

Services	Out-of-Area Benefits – 70%/30% Plan

Certain Surgeries and Treatments (Physician fees only)
• *Bariatric surgery*
• Reconstructive surgery
  ○ Blepharoplasty of upper lids
  ○ Breast reduction
  ○ *Panniculectomy*
  ○ *Rhinoplasty*
  ○ *Septorhinoplasty*
  ○ Surgical treatment of male gynecomastia
• Skin disorder treatments
  ○ Scar revisions
  ○ Keloid scar treatment
  ○ Treatment of hyperhidrosis
  ○ Excision of lipomas
  ○ Excision of seborrheic keratoses
  ○ Excision of skin tags
  ○ Treatment of vitiligo
  ○ Port wine stain and hemangioma treatment
• Varicose veins treatments
• Sleep apnea treatment procedures
	• Physician fees are Covered at 50% of the first $3,000.00 of Reasonable and Customary Charges for each certain surgery or treatment, 100% of Reasonable and Customary Charges thereafter. If applicable, any Hospital services Copayment also applies.
	• *Prior Approval required for bariatric surgery, panniculectomy, rhinoplasty and septorhinoplasty*
	• *Coverage is limited to one bariatric surgery per lifetime. Unless Medically/Clinically Necessary, a second bariatric surgery is <u>not</u> Covered, even if the initial bariatric surgery occurred prior to Coverage under this plan.*

Dietitian Services	Not Covered
Routine Hearing Care and Hearing Aids	Not Covered
Behavioral Health Services (Short-term therapy and crisis intervention) Prior Approval by our Behavioral Health Department is required as noted. Call 616 464-8500 or 800 673-8043	
Mental Health Inpatient Care (Including Residential Treatment facility and partial Hospitalization)	• 70% Coverage of Reasonable and Customary Charges • Except in an emergency, Prior Approval required
Mental Health Outpatient (Including medication management visits)	• 70% Coverage of Reasonable and Customary Charges
Substance Abuse Inpatient Care (Including subacute Residential Treatment facility)	• 70% Coverage of Reasonable and Customary Charges • Except in an emergency, Prior Approval required
Substance Abuse Outpatient Care (Including medication management visits)	• 70% Coverage of Reasonable and Customary Charges

Services	Out-of-Area Benefits – 70%/30% Plan
Rehabilitative Medicine Services (Not related to treatment of Autism Spectrum Disorder)	
Physical and Occupational Therapy (Including osteopathic and chiropractic manipulation)	50% Coverage of Reasonable and Customary Charges up to a combined benefit maximum of 30 visits per Contract Year*
Speech Therapy	50% Coverage of Reasonable and Customary Charges up to a benefit maximum of 30 visits per Contract Year*
Cardiac Rehabilitation and Pulmonary Rehabilitation	50% Coverage of Reasonable and Customary Charges up to a combined benefit maximum of 30 visits per Contract Year*
Services for the Treatment of Autism Spectrum Disorder (Available for Members under the age of 19 only)	
Physical and Occupational Therapy for the Treatment of Autism Spectrum Disorder	• 50% Coverage • Prior Approval required
Speech Therapy for the treatment of Autism Spectrum Disorder	• 50% Coverage. • Prior Approval required
Applied Behavioral Analysis (ABA) for the treatment of Autism Spectrum Disorder	• 50% Coverage. • Prior Approval required for Applied Behavioral Analysis
Other Services	
Radiology Examinations and Laboratory Procedures (In a non-Hospital facility)	• 70% Coverage of Reasonable and Customary Charges • Prior Approval is required for certain radiology examinations
Prosthetic and Orthotic/Support Devices	• 50% Coverage of Reasonable and Customary Charges • Prior Approval required for devices over $1,000.00
Durable Medical Equipment (DME) (Rent, purchase or repair)	• 50% Coverage of Reasonable and Customary Charges • Prior Approval required for equipment over $1,000.00
Non-Hospital Facility Services – Including Skilled Nursing Care Services received in a: • Skilled Nursing Care facility • Subacute facility • Inpatient Rehabilitation Care facility • Hospice Care facility	• 70% Coverage of Reasonable and Customary Charges up to the benefit maximum of 45 days per Contract Year* • The Coinsurance Maximum applies to these services • Prior Approval required

Services	Out-of-Area Benefits – 70%/30% Plan
Home Health Care (Including Hospice Care services, excluding Rehabilitative Medicine Services) **Note:** Rehabilitative Medicine Services provided in the home are subject to the limitations of the Rehabilitative Medicine Services benefits described above	• 70% Coverage of Reasonable and Customary Charges • Prior Approval required except for Hospice Care services in the home

MAXIMUM LIMITATIONS

A. Benefit Maximums:

* **Benefit Maximums:** Benefit maximums up to a certain number of days/visits per Contract Year are reached by combining either HMO Benefits or Out-of-Area Benefits up to the limit for one or the other, but not both. (Example: If the HMO Benefit is for 30 visits and the Out-of-Area Benefit is for 30 visits, the maximum benefit is 30 visits, not 60.) Benefit maximums apply even when continued care is Medically/Clinically Necessary beyond the benefit maximum.

B. Coinsurance Maximums:

The Coinsurance Maximum applies to certain inpatient and outpatient Hospital services and non-Hospital facility services. The Coinsurance Maximum limits the total amount of Copayments that you will pay during a Contract Year, except as described below.

Coinsurance Maximums	Out-of-Area Benefits – 70%/30% Plan
Individual	$1,600.00
Family	$3,200.00 (but not to exceed the Individual Coinsurance Maximum per person)

Amounts paid for any of the following will not apply toward the Coinsurance Maximum. Your cost sharing (Copayment or Coinsurance) applies to these services even after the Coinsurance Maximum has been reached.

- Durable Medical Equipment (DME)
- Prosthetic & Orthotic/Support Devices
- Temporomandibular Joint Dysfunction or Syndrome
- Orthognathic Surgery Services
- Family Planning/Infertility Services
- Deductibles
- Certain Surgeries and Treatments – Physician Fees
- Any flat dollar Copayments, such as Copayments for office visits, ambulance and emergency services.

Additionally, your Coinsurance Maximum will not take into account:

- any monies you paid for non-Covered Services; and
- any monies you paid for Covered Services that exceed the annual day/visit or dollar benefit maximum for a specific benefit and therefore, denied as non-Covered Services.

Note: Copayments and Coinsurance you pay for any Covered Services obtained under a supplemental benefit Rider may not be applied toward the above Coinsurance Maximum. Deductible amounts you pay will not apply toward the Coinsurance Maximum.

C. Out-of-Pocket Limits

Out-of-Pocket Limits do not apply to Covered Services under this Out-of-Area Benefits Rider.

D. Maximum Individual Lifetime Benefit:

Out-of-Area Benefits: $1,000,000.00

This Rider supersedes any amendment or Rider providing Coverage for Out-of-Area Benefits previously issued by us. If there is any conflict between the provisions of this Rider and the Certificate, the provisions of this Rider will prevail.

All other terms and conditions of the Certificate remain in full force and effect.

Nothing contained in this Rider varies, alters, waives, or extends any of the terms, conditions, provisions, or limitations of the Certificate or Amendment to which this Rider applies, other than as stated above.

Filed in Michigan: 2015

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STATE OF MICHIGAN
STANDARD CONTRACT TERMS

This STANDARD CONTRACT ("**Contract**") is agreed to between the State of Michigan (the "**State**") and Priority Health ("**Contractor**"), a Michigan non-profit corporation. This Contract is effective on December 1, 2014 ("**Effective Date**") with a Service Start Date of January 1, 2015, and unless terminated, expires on December 31st, 2015.

This Contract may be renewed for up to four additional one year period(s). Renewal must be by written agreement of the parties.

The parties agree as follows:

1. **Duties of Contractor.** Contractor must perform the services and provide the deliverables described in **Exhibit A – Statement of Work** (the "**Contract Activities**"). An obligation to provide delivery of any commodity is considered a service and is a Contract Activity.

   Contractor must furnish all labor, equipment, materials, and supplies necessary for the performance of the Contract Activities, and meet operational standards, unless otherwise specified in Exhibit A.

   Contractor must: (a) perform the Contract Activities in a timely, professional, safe, and workmanlike manner consistent with standards in the trade, profession, or industry; (b) meet or exceed the performance and operational standards, and specifications of the Contract; (c) provide all Contract Activities in good quality, with no material defects; (d) not interfere with the State's operations; (e) obtain and maintain all necessary licenses, permits or other authorizations necessary for the performance of the Contract; (f) cooperate with the State, including the State's quality assurance personnel, and any third party to achieve the objectives of the Contract; (g) return to the State any State-furnished equipment or other resources in the same condition as when provided when no longer required for the Contract; (h) not make any media releases without prior written authorization from the State; (i) assign to the State any claims resulting from state or federal antitrust violations to the extent that those violations concern materials or services supplied by third parties toward fulfillment of the Contract; (j) comply with all State physical and IT security policies and standards which will be made available upon request; and (k) provide the State priority in performance of the Contract except as mandated by federal disaster response requirements. Any breach under this paragraph is considered a material breach.
   Contractor must also be clearly identifiable while on State property by wearing identification issued by the State, and clearly identify themselves whenever making contact with the State.

2. **Notices.** All notices and other communications required or permitted under this Contract must be in writing and will be considered given and received: (a) when verified by written receipt if sent by courier; (b) when actually received if sent by mail without verification of receipt; or (c) when verified by automated receipt or electronic logs if sent by facsimile or email.

If to State:	If to Contractor:
Mary Ostrowski, Buyer *DTMB* *Constitution Hall* *525 W Allegan St 1st FLR NE* *Lansing, MI 48909* *ostrowskim@michigan.gov* *(517) 284-7021 (p)* *(517) 335-0046*	Paula Brawdy 1231 East Beltline NE, MS 1375 Grand Rapids, MI 49525 paula.brawdy@priorityhealth.com *(616) 240-0445*

3. **Contract Administrator.** The Contract Administrator for each party is the only person authorized to modify any terms and conditions of this Contract (each a "**Contract Administrator**"):

If to State:	If to Contractor:
Mary Ostrowski, Buyer *DTMB* *Constitution Hall* *525 W Allegan St 1st FLR NE* *Lansing, MI 48909* *ostrowskim@michigan.gov* *(517) 284-7021 (p)* *(517) 335-0046 (f)*	*Mary Anne Jones* *1231 East Beltline NE, MS 1320* *Grand Rapids, MI 49525* *Maryanne.jones@priorityhealth.com* *(616) 464-8695*

4. **Program Manager.** The Program Manager for each party will monitor and coordinate the day-to-day activities of the Contract (each a "**Program Manager**"):

Kerrie Vanden Bosch *Office of Retirement Services* *vandenboschk@michigan.gov* *(517)636-6104 (p)*	*Paula Brawdy* *1231 East Beltline NE, MS 1375* *Grand Rapids, MI 49525* *paula.brawdy@priorityhealth.com* *(616) 240-0445*

5. **Performance Guarantee**. Contractor must at all times have financial resources sufficient, in the opinion of the State, to ensure performance of the Contract and must provide proof upon request. The State may require a performance bond (as specified in Exhibit A) if, in the opinion of the State, it will ensure performance of the Contract.

6. **Insurance Requirements.** Contractor must maintain the insurances identified below and is responsible for all deductibles. All required insurance must: (a) protect the State from claims that may arise out of, are alleged to arise out of, or result from Contractor's or a subcontractor's performance; (b) be primary and non-contributing to any comparable liability insurance (including self-insurance) carried by the State; and (c) be provided by an company with an A.M. Best rating of "A" or better and a financial size of VII or better.

Insurance Type	Additional Requirements
Commercial General Liability Insurance	
Minimal Limits: $1,000,000 Each Occurrence Limit $1,000,000 Personal & Advertising Injury Limit $2,000,000 General Aggregate Limit $2,000,000 Products/Completed Operations Deductible Maximum: $50,000 Each Occurrence	Contractor must have their policy: (1) endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds using endorsement CG 20 10 11 85, or both CG 2010 07 04 and CG 2037 07 04; (2) include a waiver of subrogation; and (3) for a claims-made policy, provide 3 years of tail coverage.
Motor Vehicle Insurance	
Minimal Limits: $1,000,000 Per Occurrence	
Workers' Compensation Insurance	
Minimal Limits: Coverage according to applicable laws governing work activities.	Waiver of subrogation, except where waiver is prohibited by law.

Employers Liability Insurance	
Minimal Limits: $100,000 Each Accident $100,000 Each Employee by Disease $500,000 Aggregate Disease.	
Cyber Liability Insurance	
Minimal Limits: $1,000,000 Each Occurrence $1,000,000 Annual Aggregate	Contractor must have their policy: (1) endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds; and (2) cover information security and privacy liability, privacy notification costs, regulatory defense and penalties, and website media content liability.
Professional Liability (Errors and Omissions) Insurance	
Minimal Limits: $3,000,000 Each Occurrence $3,000,000 Annual Aggregate Deductible Maximum: $50,000 Per Loss	

If Contractor's policy contains limits higher than the minimum limits, the State is entitled to coverage to the extent of the higher limits. The minimum limits are not intended, and may not be construed to limit any liability or indemnity of Contractor to any indemnified party or other persons.

Contractor must: (a) provide insurance certificates to the Contract Administrator, containing the agreement or purchase order number, at Contract formation and within 20 calendar days of the expiration date of the applicable policies; (b) require that subcontractors maintain the required insurances contained in this Section; (c) notify the Contract Administrator within 5 business days if any insurance is cancelled; and (d) waive all rights against the State for damages covered by insurance. Failure to maintain the required insurance does not limit this waiver.

7. **MiDEAL Administrative Fee and Reporting.** Contractor must pay an administrative fee of 1% on all MiDEAL payments made to Contractor under the Contract including transactions with MiDEAL members and other states (including governmental subdivisions and authorized entities). Administrative fee payments must be made by check payable to the State of Michigan and mailed to:

Department of Technology, Management and Budget
Financial Services – Cashier Unit
Lewis Cass Building
320 South Walnut St.
P.O. Box 30681
Lansing, MI 48909

Contractor must submit an itemized purchasing activity report, which includes at a minimum, the name of the purchasing entity and the total dollar volume in sales. Reports should be mailed to DTMB-Procurement.

The administrative fee and purchasing activity report are due within 30 calendar days from the last day of each calendar quarter.

8. **Extended Purchasing Program.** The Contract may be extended to MiDEAL members. MiDEAL members include local units of government, school districts, universities, community colleges, and nonprofit hospitals. A current list of MiDEAL members is available at www.michigan.gov/mideal. Upon written agreement between the State and Contractor, this Contract may also be extended to: (a) State of Michigan employees and (b) other states (including governmental subdivisions and authorized entities).

   If extended, Contractor must supply all Contract Activities at the established Contract prices and terms. The State reserves the right to negotiate additional discounts based on any increased volume generated by such extensions.

   Contractor must submit invoices to, and receive payment from, extended purchasing program members on a direct and individual basis.

9. **Independent Contractor.** Contractor is an independent contractor and assumes all rights, obligations and liabilities set forth in this Contract. Contractor, its employees, and agents will not be considered employees of the State. No partnership or joint venture relationship is created by virtue of this Contract. Contractor, and not the State, is responsible for the payment of wages, benefits and taxes of Contractor's employees and any subcontractors. Prior performance does not modify Contractor's status as an independent contractor.

10. **Subcontracting.** Contractor may not delegate any of its obligations under the Contract without the prior written approval of the State. Contractor must notify the State at least 90 calendar days before the proposed delegation, and provide the State any information it requests to determine whether the delegation is in its best interest. If approved, Contractor must: (a) be the sole point of contact regarding all contractual matters, including payment and charges for all Contract Activities; (b) make all payments to the subcontractor; and (c) incorporate the terms and conditions contained in this Contract in any subcontract with a subcontractor. Contractor remains responsible for the completion of the Contract Activities, compliance with the terms of this Contract, and the acts and omissions of the subcontractor. The State, in its sole discretion, may require the replacement of any subcontractor.

11. **Staffing.** The State's Contract Administrator may require Contractor to remove or reassign personnel by providing a notice to Contractor.

12. **Background Checks.** Upon request, Contractor must perform background checks on all employees and subcontractors and its employees prior to their assignment. The scope is at the discretion of the State and documentation must be provided as requested. Contractor is responsible for all costs associated with the requested background checks. The State, in its sole discretion, may also perform background checks.

13. **Assignment.** Contractor may not assign this Contract to any other party without the prior approval of the State. Upon notice to Contractor, the State, in its sole discretion, may assign in whole or in part, its rights or responsibilities under this Contract to any other party. If the State determines that a novation of the Contract to a third party is necessary, Contractor will agree to the novation, provide all necessary documentation and signatures, and continue to perform, with the third party, its obligations under the Contract.

14. **Change of Control.** Contractor will notify, at least 90 calendar days before the effective date, the State of a change in Contractor's organizational structure or ownership. For purposes of this Contract, a change in control means any of the following: (a) a sale of more than 50% of Contractor's stock; (b) a sale of substantially all of Contractor's assets; (c) a change in a majority of Contractor's board members; (d) consummation of a merger or consolidation of Contractor with any other entity; (e) a change in ownership through a transaction or series of transactions; (f) or the board (or the stockholders) approves a plan of complete liquidation. A change of control does not include any consolidation or merger effected exclusively

to change the domicile of Contractor, or any transaction or series of transactions principally for bona fide equity financing purposes.

In the event of a change of control, Contractor must require the successor to assume this Contract and all of its obligations under this Contract.

15. **Ordering.** Contractor is not authorized to begin performance until receipt of authorization as identified in Exhibit A.

16. **Acceptance.** Contract Activities are subject to inspection and testing by the State within 30 calendar days of the State's receipt of them ("**State Review Period**"), unless otherwise provided in Exhibit A. If the Contract Activities are not fully accepted by the State, the State will notify Contractor by the end of the State Review Period that either: (a) the Contract Activities are accepted, but noted deficiencies must be corrected; or (b) the Contract Activities are rejected. If the State finds material deficiencies, it may: (i) reject the Contract Activities without performing any further inspections; (ii) demand performance at no additional cost; or (iii) terminate this Contract in accordance with Section 23, Termination for Cause.

    Within 10 business days from the date of Contractor's receipt of notification of acceptance with deficiencies or rejection of any Contract Activities, Contractor must cure, at no additional cost, the deficiency and deliver unequivocally acceptable Contract Activities to the State. If acceptance with deficiencies or rejection of the Contract Activities impacts the content or delivery of other non-completed Contract Activities, the parties' respective Program Managers must determine an agreed to number of days for re-submission that minimizes the overall impact to the Contract. However, nothing herein affects, alters, or relieves Contractor of its obligations to correct deficiencies in accordance with the time response standards set forth in this Contract.

    If Contractor is unable or refuses to correct the deficiency within the time response standards set forth in this Contract, the State may cancel the order in whole or in part. The State, or a third party identified by the State, may perform the Contract Activities and recover the difference between the cost to cure and the Contract price plus an additional 10% administrative fee.

17. **Reserved.**

18. **Reserved.**

19. **Reserved.**

20. **Terms of Payment.** Invoices must conform to the requirements communicated from time-to-time by the State. All undisputed amounts are payable within 45 days of the State's receipt. Contractor may only charge for Contract Activities performed as specified in Exhibit A. Invoices must include an itemized statement of all charges. The State is exempt from State sales tax for direct purchases and may be exempt from federal excise tax, if Contract Activities purchased under the Contract are for the State's exclusive use. Prices are exclusive of all taxes, and Contractor is solely responsible for payment of any applicable taxes.

    The State has the right to withhold payment of any disputed amounts until the parties agree as to the validity of the disputed amount. The State will notify Contractor of any dispute within a reasonable time. Payment by the State will not constitute a waiver of any rights as to Contractor's continuing obligations, including claims for deficiencies or substandard Contract Activities. Contractor's acceptance of final payment by the State constitutes 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 disputed.

    The State will only disburse payments under this Contract through Electronic Funds Transfer (EFT). Contractor must register with the State at http://www.michigan.gov/cpexpress to receive electronic fund transfer payments. If Contractor does not register, the State is not liable for failure to provide payment.

Without prejudice to any other right or remedy it may have, the State reserves the right to set off at any time any amount then due and owing to it by Contractor against any amount payable by the State to Contractor under this Contract.

21. **Liquidated Damages.** Liquidated damages, if applicable, will be assessed as described in Exhibit A.

22. **Stop Work Order.** The State may suspend any or all activities under the Contract at any time. The State will provide Contractor a written stop work order detailing the suspension. Contractor must comply with the stop work order upon receipt. Within 90 calendar days, or any longer period agreed to by Contractor, the State will either: (a) issue a notice authorizing Contractor to resume work, or (b) terminate the Contract or purchase order. The State will not pay for Contract Activities, Contractor's lost profits, or any additional compensation during a stop work period.

23. **Termination for Cause.** The State may terminate this Contract for cause, in whole or in part, if Contractor, as determined by the State: (a) endangers the value, integrity, or security of any location, data, or personnel; (b) becomes insolvent, petitions for bankruptcy court proceedings, or has an involuntary bankruptcy proceeding filed against it by any creditor; (c) engages in any conduct that may expose the State to liability; (d) breaches any of its material duties or obligations; or (e) fails to cure a breach within the time stated in a notice of breach. Any reference to specific breaches being material breaches within this Contract will not be construed to mean that other breaches are not material.

    If the State terminates this Contract under this Section, the State will issue a termination notice specifying whether Contractor must: (a) cease performance immediately, or (b) continue to perform for a specified period. If it is later determined that Contractor was not in breach of the Contract, the termination will be deemed to have been a Termination for Convenience, effective as of the same date, and the rights and obligations of the parties will be limited to those provided in Section 24, Termination for Convenience.

    The State will only pay for amounts due to Contractor for Contract Activities accepted by the State on or before the date of termination, subject to the State's right to set off any amounts owed by the Contractor for the State's reasonable costs in terminating this Contract. The Contractor must pay all reasonable costs incurred by the State in terminating this Contract for cause, including administrative costs, attorneys' fees, court costs, transition costs, and any costs the State incurs to procure the Contract Activities from other sources.

    Except as otherwise provided in the Contract, a security Breach by Contractor of any provision of Section 30. Data Privacy and Information Security, as determined by Plan Sponsor, shall constitute a material Breach of the Contract and provide grounds for Plan Sponsor to terminate the Contract for cause, subject to d. below:

    a. Default. If Contractor refuses or fails to timely perform any of the provisions of Section 30. Data Privacy and Information Security, Plan Sponsor may notify Contractor in writing of the non-performance, and if not corrected within thirty (30) days, Plan Sponsor may immediately terminate the Contract. Contractor agrees to continue performance of the Contract to the extent it is not terminated.

    b. Duties. Notwithstanding termination of the Contract, and subject to any reasonable directions from the Plan Sponsor, Contractor agrees to take timely, reasonable and necessary action to protect and preserve property in the possession of the Contractor in which Plan Sponsor has an interest.

    c. Erroneous Termination for Default. If after such termination it is determined, for any reason, that Contractor was not in default, or that Contractor's action/inaction was excusable, such termination shall be treated as a termination for convenience, and the rights and obligations of the parties shall be the same as if the Contract had been terminated for convenience, as described in this Contract.

d. Erroneous Termination for Default. If after such termination it is determined, for any reason, that Contractor was not in default, or that Contractor's action/inaction was excusable, such termination shall be treated as a termination for convenience, and the rights and obligations of the parties shall be the same as if the Contract had been terminated for convenience, as described in this Contract.

At the direction of Plan Sponsor, and except as provided in section below, upon termination of the Contract for any reason, Contractor must return or destroy all Protected Information that Contractor or its Agents or Subcontractors still maintain in any form, and shall retain no copies of such information. If Plan Sponsor directs Contractor to destroy the Protected Information, Contractor must certify in writing to Plan Sponsor that such information has been destroyed. If Plan Sponsor directs associate to return such information, Contractor must do so promptly in any format reasonably specified by Plan Sponsor.

If Contractor believes that returning or destroying the Protected Information is not feasible, including but not limited to, a finding that record retention requirements provided by law make return or destruction infeasible, Contractor must promptly provide Plan Sponsor written notice of the conditions making return or destruction infeasible. Upon mutual agreement of Plan Sponsor and Contractor that return or destruction of Protected Information is infeasible, Contractor must continue to extend the protections of this Contract to such information, and must limit further Use of such Protected Information to those purposes that make the return or destruction of such Protected Information infeasible.

24. **Termination for Convenience.** The State may immediately terminate this Contract in whole or in part without penalty and for any reason, including but not limited to, appropriation or budget shortfalls. The termination notice will specify whether Contractor must: (a) cease performance of the Contract Activities immediately, or (b) continue to perform the Contract Activities in accordance with Section 25, Transition Responsibilities. If the State terminates this Contract for convenience, the State will pay all reasonable costs, as determined by the State, for State approved Transition Responsibilities.

25. **Transition Responsibilities.** Upon termination or expiration of this Contract for any reason, Contractor must, for a period of time specified by the State (not to exceed 180 calendar days), provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the Contract Activities to continue without interruption or adverse effect, and to facilitate the orderly transfer of such Contract Activities to the State or its designees. Such transition assistance may include, but is not limited to: (a) continuing to perform the Contract Activities at the established Contract rates; (b) taking all reasonable and necessary measures to transition performance of the work, including all applicable Contract Activities, training, equipment, software, leases, reports and other documentation, to the State or the State's designee; (c) taking all necessary and appropriate steps, or such other action as the State may direct, to preserve, maintain, protect, or return to the State all materials, data, property, and confidential information provided directly or indirectly to Contractor by any entity, agent, vendor, or employee of the State; (d) transferring title in and delivering to the State, at the State's discretion, all completed or partially completed deliverables prepared under this Contract as of the Contract termination date; and (e) preparing an accurate accounting from which the State and Contractor may reconcile all outstanding accounts (collectively, "**Transition Responsibilities**"). This Contract will automatically be extended through the end of the transition period.

26. **General Indemnification.** Contractor must defend, indemnify and hold the State, its departments, divisions, agencies, offices, commissions, officers, and employees harmless, without limitation, from and against any and all actions, claims, losses, liabilities, damages, costs, attorney fees, and expenses (including those required to establish the right to indemnification), arising out of or relating to: (a) any breach by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable) of any of the promises, agreements, representations, warranties, or insurance requirements contained in this Contract; (b) any infringement, misappropriation, or other violation of any intellectual property right or other right of any third party; (c) any bodily injury, death, or damage to real or tangible personal property occurring wholly or in part due to action or inaction by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be

liable); and (d) any acts or omissions of Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable).

The State will notify Contractor in writing if indemnification is sought; however, failure to do so will not relieve Contractor, except to the extent that Contractor is materially prejudiced. Contractor must, to the satisfaction of the State, demonstrate its financial ability to carry out these obligations.

The State is entitled to: (i) regular updates on proceeding status; (ii) participate in the defense of the proceeding; (iii) employ its own counsel; and to (iv) retain control of the defense if the State deems necessary. Contractor will not, without the State's written consent (not to be unreasonably withheld), settle, compromise, or consent to the entry of any judgment in or otherwise seek to terminate any claim, action, or proceeding. To the extent that any State employee, official, or law may be involved or challenged, the State may, at its own expense, control the defense of that portion of the claim.

Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. An attorney designated to represent the State may not do so until approved by the Michigan Attorney General and appointed as a Special Assistant Attorney General.

27. **Security Breach Indemnification.** Contractor shall indemnify, hold harmless and defend Plan Sponsor from and against any and all claims, losses, liabilities, costs and other expenses resulting from, or relating to, the acts or omissions of Contractor or its Agents or Subcontractors in connection with the representations, duties, and obligations of Contractor under Section 33. Data Privacy and Information Security, including but not limited to any unauthorized Use or Disclosure of Protected Information. This includes credit-monitoring services, third party audits of Contractor's handling and remediation of the Breach, and reimbursement for State employee time spent handling the Security Incident, as reasonably deemed appropriate by Plan Sponsor. The parties' respective rights and obligations under this subsection shall survive termination of the Contract.

28. **Infringement Remedies.** If, in either party's opinion, any piece of equipment, software, commodity, or service supplied by Contractor or its subcontractors, or its operation, use or reproduction, is likely to become the subject of a copyright, patent, trademark, or trade secret infringement claim, Contractor must, at its expense: (a) procure for the State the right to continue using the equipment, software, commodity, or service, or if this option is not reasonably available to Contractor, (b) replace or modify the same so that it becomes non-infringing; or (c) accept its return by the State with appropriate credits to the State against 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.

29. **Limitation of Liability.** The State is not liable for consequential, incidental, indirect, or special damages, regardless of the nature of the action.

30. **Disclosure of Litigation, or Other Proceeding.** Contractor must notify the State within 14 calendar days of receiving notice of any litigation, investigation, arbitration, or other proceeding (collectively, "**Proceeding**") involving Contractor, a subcontractor, or an officer or director of Contractor or subcontractor, that arises during the term of the Contract, including: (a) a criminal Proceeding; (b) a parole or probation Proceeding; (c) a Proceeding under the Sarbanes-Oxley Act; (d) a civil Proceeding involving: (1) a claim that might reasonably be expected to adversely affect Contractor's viability or financial stability; or (2) a governmental or public entity's claim or written allegation of fraud; or (e) a Proceeding involving any license that Contractor is required to possess in order to perform under this Contract.

31. **State Data.**

    a. Ownership. The State's data ("**State Data**," which will be treated by Contractor as Confidential Information) includes: (a) the State's data collected, used, processed, stored, or generated as the

result of the Contract Activities; (b) personally identifiable information ("**PII**") collected, used, processed, stored, or generated as the result of the Contract Activities, including, without limitation, any information that identifies an individual, such as an individual's social security number or other government-issued identification number, date of birth, address, telephone number, biometric data, mother's maiden name, email address, credit card information, or an individual's name in combination with any other of the elements here listed; and, (c) personal health information ("**PHI**") collected, used, processed, stored, or generated as the result of the Contract Activities, which is defined under the Health Insurance Portability and Accountability Act (HIPAA) and its related rules and regulations. State Data is and will remain the sole and exclusive property of the State and all right, title, and interest in the same is reserved by the State. This Section survives the termination of this Contract.

b. Contractor Use of State Data. Contractor is provided a limited license to State Data for the sole and exclusive purpose of providing the Contract Activities, including a license to collect, process, store, generate, and display State Data only to the extent necessary in the provision of the Contract Activities. Contractor must: (a) keep and maintain State Data in strict confidence, using such degree of care as is appropriate and consistent with its obligations as further described in this Contract and applicable law to avoid unauthorized access, use, disclosure, or loss; (b) use and disclose State Data solely and exclusively for the purpose of providing the Contract Activities, such use and disclosure being in accordance with this Contract, any applicable Statement of Work, and applicable law; and (c) not use, sell, rent, transfer, distribute, or otherwise disclose or make available State Data for Contractor's own purposes or for the benefit of anyone other than the State without the State's prior written consent. This Section survives the termination of this Contract.

c. Extraction of State Data. Contractor must, within one (1) business day of the State's request, provide the State, without charge and without any conditions or contingencies whatsoever (including but not limited to the payment of any fees due to Contractor), an extract of the State Data in the format specified by the State.

d. Backup and Recovery of State Data. Unless otherwise specified in Exhibit A, Contractor is responsible for maintaining a backup of State Data and for an orderly and timely recovery of such data. Unless otherwise described in Exhibit A, Contractor must maintain a contemporaneous backup of State Data that can be recovered within two (2) hours at any point in time.

e. Loss of Data. In the event of any act, error or omission, negligence, misconduct, or breach that compromises or is suspected to compromise the security, confidentiality, or integrity of State Data or the physical, technical, administrative, or organizational safeguards put in place by Contractor that relate to the protection of the security, confidentiality, or integrity of State Data, Contractor must, as applicable: (a) notify the State as soon as practicable but no later than twenty-four (24) hours of becoming aware of such occurrence; (b) cooperate with the State in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by the State; (c) in the case of PII or PHI, at the State's sole election, (i) notify the affected individuals who comprise the PII or PHI as soon as practicable but no later than is required to comply with applicable law, or, in the absence of any legally required notification period, within 5 calendar days of the occurrence; or (ii) reimburse the State for any costs in notifying the affected individuals; (d) in the case of PII, provide third-party credit and identity monitoring services to each of the affected individuals who comprise the PII for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twenty-four (24) months following the date of notification to such individuals; (e) perform or take any other actions required to comply with applicable law as a result of the occurrence; (f) without limiting Contractor's obligations of indemnification as further described in this Contract, indemnify, defend, and hold harmless the State for any and all claims, including reasonable attorneys' fees, costs, and expenses incidental

thereto, which may be suffered by, accrued against, charged to, or recoverable from the State in connection with the occurrence; (g) be responsible for recreating lost State Data in the manner and on the schedule set by the State without charge to the State; and, (h) provide to the State a detailed plan within 10 calendar days of the occurrence describing the measures Contractor will undertake to prevent a future occurrence. Notification to affected individuals, as described above, must comply with applicable law, be written in plain language, and contain, at a minimum: name and contact information of Contractor's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Contractor has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Contractor. This Section survives the termination of this Contract.

32. **Non-Disclosure of Confidential Information**. The parties acknowledge that each party may be exposed to or acquire communication or data of the other party that is confidential, privileged communication not intended to be disclosed to third parties. The provisions of this Section survive the termination of this Contract.

a. Meaning of Confidential Information. For the purposes of this Contract, the term "**Confidential Information**" means all information and documentation of a party that: (a) has been marked "confidential" or with words of similar meaning, at the time of disclosure by such party; (b) if disclosed orally or not marked "confidential" or with words of similar meaning, was subsequently summarized in writing by the disclosing party and marked "confidential" or with words of similar meaning; and, (c) should reasonably be recognized as confidential information of the disclosing party. The term "Confidential Information" does not include any information or documentation that was: (a) subject to disclosure under the Michigan Freedom of Information Act (FOIA); (b) already in the possession of the receiving party without an obligation of confidentiality; (c) developed independently by the receiving party, as demonstrated by the receiving party, without violating the disclosing party's proprietary rights; (d) obtained from a source other than the disclosing party without an obligation of confidentiality; or, (e) publicly available when received, or thereafter became publicly available (other than through any unauthorized disclosure by, through, or on behalf of, the receiving party). For purposes of this Contract, in all cases and for all matters, State Data is deemed to be Confidential Information.

b. Obligation of Confidentiality. The parties agree to hold all Confidential Information in strict confidence and not to copy, reproduce, sell, transfer, or otherwise dispose of, give or disclose such Confidential Information to third parties other than employees, agents, or subcontractors of a party who have a need to know in connection with this Contract or to use such Confidential Information for any purposes whatsoever other than the performance of this Contract. The parties agree to advise and require their respective employees, agents, and subcontractors of their obligations to keep all Confidential Information confidential. Disclosure to a subcontractor is permissible where: (a) use of a subcontractor is authorized under this Contract; (b) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the subcontractor's responsibilities; 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 or any subcontractor may be required to execute a separate agreement to be bound by the provisions of this Section.

c. Cooperation to Prevent Disclosure of Confidential Information. Each party must use its best efforts to assist the other party in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limiting the foregoing, each party must advise the other party immediately in the event either party learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Contract and

each party will cooperate with the other party in seeking injunctive or other equitable relief against any such person.

d. Remedies for Breach of Obligation of Confidentiality. Each party acknowledges that breach of its obligation of confidentiality may give rise to irreparable injury to the other party, which damage may be inadequately compensable in the form of monetary damages. Accordingly, a party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies which may be available, to include, in the case of the State, at the sole election of the State, the immediate termination, without liability to the State, of this Contract or any Statement of Work corresponding to the breach or threatened breach.

e. Surrender of Confidential Information upon Termination. Upon termination of this Contract or a Statement of Work, in whole or in part, each party must, within 5 calendar days from the date of termination, return to the other party any and all Confidential Information received from the other party, or created or received by a party on behalf of the other party, which are in such party's possession, custody, or control; provided, however, that Contractor must return State Data to the State following the timeframe and procedure described further in this Contract. Should Contractor or the State determine that the return of any non-State Data Confidential Information is not feasible, such party must destroy the non-State Data Confidential Information and must certify the same in writing within 5 calendar days from the date of termination to the other party.

33. **Data Privacy and Information Security**.

a. Undertaking by Contractor. Without limiting Contractor's obligation of confidentiality as further described, Contractor is responsible for establishing and maintaining a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that is designed to: (a) ensure the security and confidentiality of the State Data; (b) protect against any anticipated threats or hazards to the security or integrity of the State Data; (c) protect against unauthorized disclosure, access to, or use of the State Data; (d) ensure the proper disposal of State Data; and (e) ensure that all employees, agents, and subcontractors of Contractor, if any, comply with all of the foregoing. In no case will the safeguards of Contractor's data privacy and information security program be less stringent than the safeguards used by the State, and Contractor must at all times comply with all applicable State IT policies and standards, which are available to Contractor upon request.

b. Audit by Contractor. No less than annually, Contractor must conduct a comprehensive independent third-party audit of its data privacy and information security program and provide such audit findings to the State.

c. Right of Audit by the State. Without limiting any other audit rights of the State, the State has the right to review Contractor's data privacy and information security program prior to the commencement of Contract Activities and from time to time during the term of this Contract. During the providing of the Contract Activities, on an ongoing basis from time to time and without notice, the State, at its own expense, is entitled to perform, or to have performed, an on-site audit of Contractor's data privacy and information security program. In lieu of an on-site audit, upon request by the State, Contractor agrees to complete, within 45 calendar days of receipt, an audit questionnaire provided by the State regarding Contractor's data privacy and information security program.

d. Permitted Uses and Disclosures. Contractor may Use and Disclose Protected Information only as necessary to perform services owed Plan Sponsor under the Contract, provided that such Use or Disclosure would not violate the Identity Theft Protection Act. All other Uses or Disclosures by Contractor not authorized by this Contract, or by specific written instruction of Plan Sponsor, are

prohibited. Except as otherwise limited by this Contract, Contractor may Use and Disclose Protected Information as follows:

1. Contractor may Use Protected Information for the proper management and administration of the Contractor or to carry out the legal responsibilities of the Contractor.

2. Contractor may Disclose Protected Information for the proper management and administration of the Contractor, provided that Disclosures are Required by Law; or Contractor obtains reasonable assurances from the person to whom the information is Disclosed that it will remain confidential and Used, or further Disclosed, only as Required by Law, or for the purpose for which it was Disclosed to the person, and the person notifies the Contractor of any instances of which it is aware that the confidentiality of the information has been breached.

e. Appropriate Safeguards. Contractor must implement and maintain appropriate administrative, physical, and technical safeguards to prevent the Use or Disclosure of Protected Information other than as provided in this Contract.

f. Security Incidents. Contractor must notify and report to Plan Sponsor in the manner described herein any Use or Disclosure of Personal Information in violation of this Contract of which it becomes aware, and any Security Incident of which it becomes aware, and take the following actions if the unauthorized use or Security Incident might involve Plan Sponsor's Personally Identifiable Information or Protected Health Information:

Notice to Plan Sponsor. Contractor must notify Plan Sponsor, via e-mail and telephone, within three (3) business days of the discovery of any Use or Disclosure of Protected Information in violation of this Contract, or any Security Incident of which it becomes aware. Contractor must follow its notification to Plan Sponsor with a report that meets the requirements outlined immediately below.

1. Investigate; Report to Plan Sponsor. Contractor must promptly investigate any Security Incident. Within ten (10) business days of the discovery, Contractor must submit a preliminary report to Plan Sponsor identifying, to the extent known at the time, any information relevant to ascertaining the nature and scope of the Security Incident. Within fifteen (15) business days of the discovery of the Security Incident and unless otherwise directed by Plan Sponsor in writing, Contractor must provide a complete report of the investigation to Plan Sponsor. Such report shall identify, to the extent possible: (a) each individual whose Protected Information has been, or is reasonably believed by Contractor to have been accessed, acquired, Used or Disclosed; (b) the type of Protected Information accessed, Used or Disclosed (e.g., name, social security number, date of birth) and whether such information was Unsecured; (c) who made the access, Use, or Disclosure; and (d) an assessment of all known factors relevant to a determination of whether a Breach occurred under applicable provisions of the HIPAA Rules, or a Breach of Security under the Identity Theft Protection Act, or any other applicable federal or state regulations. The report shall also include a full, detailed corrective action plan, including information on measures that were taken to halt and/or contain any improper Use or Disclosure. If Plan Sponsor requests information in addition to that listed in the report, Contractor shall make reasonable efforts to provide Plan Sponsor with such information. Contractor agrees that Plan Sponsor reserves the right to review and recommend changes to any corrective action plan and make a final determination as to whether a Breach of PHI or Security Breach of PII occurred and whether any notifications may be required under applicable state or federal regulations, including specifically 45 CFR §§164.404-408. In the event of a Breach of Unsecured PHI or of PII, as determined by Plan Sponsor, Contractor agrees, consistent with 45 CFR §164.404(c) and

Section 12 of the Identity Theft Protection Act, as applicable, to provide Plan Sponsor with information and documentation in its control necessary to meet the requirements of said sections, and in a manner and format to be reasonably specified by Plan Sponsor.

2. Mitigation. Contractor agrees to mitigate, to the extent practicable, any harmful effect that is known to Contractor of a Security Incident or a Use or Disclosure of Protected Information in violation of the requirements of this Contract. Contractor must take: (a) prompt corrective action to cure any such violation and (b) any other action pertaining to such unauthorized Use or Disclosure required by applicable federal and state laws and regulations.

g. Responsibility for Notifications. If the cause of a Breach of Protected Information is attributable to Contractor or its Agents or Subcontractors, Contractor is responsible for all required reporting and notification(s) of the Breach, as determined by Plan Sponsor, as specified in and in accordance with 45 CFR §§164.404-408 and the Identity Theft Protection Act, as applicable, unless Plan Sponsor notifies Contractor in writing that Plan Sponsor intends to be responsible for said reporting and notifications. In all cases, Plan Sponsor's authorized representative shall approve the time, manner, and content of any such notification and its approval must be obtained before the notification is made. In the event of such Breach, and without limiting Contractor's obligations of indemnification as further described in this Contract, Contractor must indemnify, defend, and hold harmless Plan Sponsor for any and all claims or losses, including reasonable attorneys' fees, costs, and expenses incidental thereto, which may be suffered by, accrued against, charged to, or recoverable from Plan Sponsor in connection with the occurrence.

h. Contractor's Agents and Subcontractors. If Contractor uses one or more Subcontractors or Agents to provide services under the Contract, and such Agents or Subcontractors receive or have access to Protected Information, each Subcontractor or Agent must sign an agreement with Contractor containing substantially the same provisions as this Contract, and to assume toward Contractor all of the obligations and responsibilities that the Contractor, by this Contract, assumes toward Plan Sponsor. Contractor agrees to provide a copy of such agreement(s) to Plan Sponsor upon request. Contractor further agrees to provide said Agents or Subcontractors PHI in accordance with the HIPAA Rules, and PII in accordance with applicable federal and state law and must: (i) implement and maintain sanctions against Subcontractors and Agents that violate such restrictions and conditions; and (ii) mitigate, to the extent practicable, the effects of any such violation.

i. Access to Records and Internal Practices. Unless otherwise protected or prohibited from discovery or Disclosure by law, Contractor must make its internal practices, books, and records, including policies and procedures (collectively "Compliance Information"), relating to the Use or Disclosure of Personal Information and the protection of same, available to Plan Sponsor. Contractor shall have a reasonable time within which to comply with requests for such access, consistent with this Contract. In no case shall access be required in less than five (5) business days after Contractor's receipt of such request, unless otherwise designated by the Secretary.

j. Minimum Necessary. Contractor (and its Agents or Subcontractors) shall only request, Use and Disclose the minimum amount of Protected Information necessary to accomplish the purpose of the request, Use or Disclosure, in accordance with the Minimum Necessary requirements of the Privacy Rule, including, but not limited to 45 CFR §§ 164.502(b) and 164.514(d).

k. Retention of Protected Information. Contractor and its Subcontractors or Agents shall retain all Protected Information throughout the term of the Contract and shall continue to maintain the information for a period of six (6) years from the date of creation or the date when it last was in effect, whichever is later, or as required by Law. This obligation shall survive the termination of the Contract.

l. Destruction of Protected Information. Contractor must implement policies and procedures for the final disposition of Protected Information, including electronic PHI, and/or the hardware and equipment on which it is stored, including but not limited to, removal before re-Use, in accordance with the Security Rule, and other applicable laws relating to the final disposition of PHI and/or PII.

m. Audits, Inspection, and Enforcement. Within ten (10) days of a written request by Plan Sponsor, Contractor and its Agents or Subcontractors must allow Plan Sponsor to conduct a reasonable inspection of the facilities, systems, books, records, agreements, policies and procedures relating to the Use or Disclosure of Protected Information pursuant to this Contract for the purpose of determining whether Contractor has complied with this Contract; provided, however, that: (i) Contractor and Plan Sponsor shall mutually agree in advance upon the scope, timing and location of such an inspection; (ii) Plan Sponsor shall protect the confidentiality of all confidential and proprietary information of Contractor to which Plan Sponsor has access during the course of such inspection; and (iii) Plan Sponsor or Contractor shall execute a nondisclosure agreement, if requested by Contractor or Plan Sponsor. The fact that Plan Sponsor inspects, or fails to inspect, or has the right to inspect, Contractor's facilities, systems, books, records, agreements, policies and procedures does not relieve Contractor of its responsibility to comply with this Contract, nor does Plan Sponsor's (i) failure to detect or (ii) detection, but failure to notify Contractor or require Contractor's remediation of any unsatisfactory practices, constitute acceptance of such practice or a waiver of Plan Sponsor's enforcement rights under this Contract.

n. Audit Findings. Contractor must implement any appropriate Safeguards, as identified by Plan Sponsor in an audit conducted under O. above.

o. Safeguards During Transmission. Contractor must utilize safeguards that reasonably and appropriately maintain and ensure the confidentiality, integrity, and availability of Protected Information transmitted to Plan Sponsor pursuant to this Contract, in accordance with the standards and requirements of the HIPAA Rules and other applicable federal or state regulations, until such Protected Information is received by Plan Sponsor.

p. Due Diligence. Contractor must exercise due diligence and take reasonable steps to ensure that it remains in compliance with this Contract and is in compliance with applicable provisions of HIPAA, the HIPAA Rules, and other applicable laws or regulations pertaining to PHI and/or PII, and that its Agents, Subcontractors and vendors are in compliance with their obligations as required by this Contract.

q. Obligations of Plan Sponsor. Plan Sponsor must utilize safeguards that reasonably and appropriately maintain and ensure the confidentiality, integrity, and availability of Protected Information transmitted to Contractor under this Contract, in accordance with the standards and requirements of the HIPAA Rules and other applicable federal or state regulations, until such Protected Information is received by Contractor.

r. Assistance in Litigation or Administrative Proceedings. Contractor must make itself, and any Subcontractors, employees or Agents assisting it in the performance of its obligations under this Section available to Plan Sponsor, at no cost to Plan Sponsor, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against a party, its directors, officers or employees, departments, agencies, or divisions based upon a claimed violation of HIPAA, the HIPAA Rules, the Identity Theft Protection Act, or other laws relating to security and privacy of Protected Information, except where the other party or its Subcontractor, employee or Agent is a named adverse party.

s. No Third Party Beneficiaries. Nothing express or implied in this Section is intended to confer, nor shall anything herein confer, upon any person other than Plan Sponsor, Contractor and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

t. State's Right to Termination for Deficiencies. The State reserves the right, at its sole election, to immediately terminate this Contract or a Statement of Work without limitation and without liability if the State determines that Contractor fails or has failed to meet its obligations under this Section.

34. Reserved.

35. Reserved.

36. **Records Maintenance, Inspection, Examination, and Audit.** The State or its designee may audit Contractor to verify compliance with this Contract. Contractor must retain, and provide to the State or its designee and the auditor general upon request, all financial and accounting records related to the Contract through the term of the Contract and for 7 years after the latter of termination, expiration, or final payment under this Contract or any extension ("**Audit Period**"). If an audit, litigation, or other action involving the records is initiated before the end of the Audit Period, Contractor must retain the records until all issues are resolved.

Within 10 calendar days of providing notice, the State and its authorized representatives or designees have the right to enter and inspect Contractor's premises or any other places where Contract Activities are being performed, and examine, copy, and audit all records related to this Contract. Contractor must cooperate and provide reasonable assistance. If any financial errors are revealed, the amount in error must be reflected as a credit or debit on subsequent invoices until the amount is paid or refunded. Any remaining balance at the end of the Contract must be paid or refunded within 45 calendar days.

This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.

37. **Warranties and Representations.** Contractor represents and warrants: (a) Contractor is the owner or licensee of any Contract Activities that it licenses, sells, or develops and Contractor has the rights necessary to convey title, ownership rights, or licensed use; (b) all Contract Activities are delivered free from any security interest, lien, or encumbrance and will continue in that respect; (c) the Contract Activities will not infringe the patent, trademark, copyright, trade secret, or other proprietary rights of any third party; (d) Contractor must assign or otherwise transfer to the State or its designee any manufacturer's warranty for the Contract Activities; (e) the Contract Activities are merchantable and fit for the specific purposes identified in the Contract; (f) the Contract signatory has the authority to enter into this Contract; (g) all information furnished by Contractor in connection with the Contract fairly and accurately represents Contractor's business, properties, finances, and operations as of the dates covered by the information, and Contractor will inform the State of any material adverse changes; and (h) all information furnished and representations made in connection with the award of this Contract is true, accurate, and complete, and contains no false statements or omits any fact that would make the information misleading. A breach of this Section is considered a material breach of this Contract, which entitles the State to terminate this Contract under Section 23, Termination for Cause.

38. **Conflicts and Ethics.** Contractor will uphold high ethical standards and is prohibited from: (a) holding or acquiring an interest that would conflict with this Contract; (b) doing anything that creates an appearance of impropriety with respect to the award or performance of the Contract; (c) attempting to influence or appearing to influence any State employee by the direct or indirect offer of anything of value; or (d) paying or agreeing to pay any person, other than employees and consultants working for Contractor, any consideration contingent upon the award of the Contract. Contractor must immediately notify the State of any violation or potential violation of these standards. This Section applies to Contractor, any parent,

affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.

39. Reserved.

40. **Compliance with Laws.** Contractor must comply with all federal, state and local laws, rules and regulations.

41. **Nondiscrimination.** Under the Elliott-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*., Contractor and its subcontractors agree not to discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex, height, weight, marital status, or mental or physical disability. Breach of this covenant is a material breach of this Contract.

42. **Unfair Labor Practice.** Under MCL 423.324, the State may void any Contract with a Contractor or subcontractor who appears on the Unfair Labor Practice register compiled under MCL 423.322.

43. **Governing Law.** This Contract is governed, construed, and enforced in accordance with Michigan law, excluding choice-of-law principles, and all claims relating to or arising out of this Contract are governed by Michigan law, excluding choice-of-law principles. Any dispute arising from this Contract must be resolved in Michigan Court of Claims. Contractor consents to venue in Ingham County, and waives any objections, such as lack of personal jurisdiction or *forum non conveniens*. Contractor must appoint agents in Michigan to receive service of process.

44. **Non-Exclusivity.** Nothing contained in this Contract is intended nor will be construed as creating any requirements contract with Contractor. This Contract does not restrict the State or its agencies from acquiring similar, equal, or like Contract Activities from other sources.

45. **Force Majeure.** Neither party will be in breach of this Contract because of any failure arising from any disaster or acts of god that are beyond their control and without their fault or negligence. Each party will use commercially reasonable efforts to resume performance. Contractor will not be relieved of a breach or delay caused by its subcontractors. If immediate performance is necessary to ensure public health and safety, the State may immediately contract with a third party.

46. **Dispute Resolution.** The parties will endeavor to resolve any Contract dispute in accordance with this provision. The dispute will be referred to the parties' respective Contract Administrators or Program Managers. Such referral must include a description of the issues and all supporting documentation. The parties must submit the dispute to a senior executive if unable to resolve the dispute within 15 business days. The parties will continue performing while a dispute is being resolved, unless the dispute precludes performance. A dispute involving payment does not preclude performance.

    Litigation to resolve the dispute will not be instituted until after the dispute has been elevated to the parties' senior executive and either concludes that resolution is unlikely, or fails to respond within 15 business days. The parties are not prohibited from instituting formal proceedings: (a) to avoid the expiration of statute of limitations period; (b) to preserve a superior position with respect to creditors; or (c) where a party makes a determination that a temporary restraining order or other injunctive relief is the only adequate remedy. This Section does not limit the State's right to terminate the Contract.

47. **Media Releases.** News releases (including promotional literature and commercial advertisements) pertaining to the Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions of the State.

48. **Website Incorporation.** The State is not bound by any content on Contractor's website unless expressly incorporated directly into this Contract.

49. **Order of Precedence.** In the event of a conflict between the terms and conditions of the Contract, the exhibits, a purchase order, or an amendment, the order of precedence is: (a) the purchase order; (b) the amendment; (c) Exhibit A; (d) any other exhibits; and (e) the Contract.

50. **Severability.** If any part of this Contract is held invalid or unenforceable, by any court of competent jurisdiction, that part will be deemed deleted from this Contract and the severed part will be replaced by agreed upon language that achieves the same or similar objectives. The remaining Contract will continue in full force and effect.

51. **Waiver.** Failure to enforce any provision of this Contract will not constitute a waiver.

52. **Survival.** The provisions of this Contract that impose continuing obligations, including warranties and representations, termination, transition, insurance coverage, indemnification, and confidentiality, will survive the expiration or termination of this Contract.

53. **Entire Contract and Modification.** This Contract is the entire agreement and replaces all previous agreements between the parties for the Contract Activities. This Contract may not be amended except by signed agreement between the parties (a "**Contract Change Notice**").