

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
Grants and Purchasing Division
320 South Walnut Street
Lansing, Michigan 48913

May 12, 2014

CHANGE NOTICE NO. 2
to
CONTRACT NO. 391B2200018
between
THE STATE OF MICHIGAN
And

NAME & ADDRESS OF VENDOR		TELEPHONE (720) 622-8041
Correctional Healthcare Companies, Inc. 6200 S. Syracuse Way, Ste. 440 Greenwood Village, CO 80111 Email: Brad.Bickham@correctioncare.com		Brad Bickham
Contract Compliance Inspector: Kevin Dunn (517) 335-5096 Hospital Services		
CONTRACT PERIOD:		From: 12/31/11 To: 9/30/15
TERMS		
Net 30 Days		
Current Contract Value:	Amount of Change:	New Contract Value:
\$ 2,412,077.90	\$ 1,200,000.00	\$ 3,612,077.90

NATURE OF CHANGE:

Effective immediately, this Contract is **EXTENDED** through September 30, 2015, **INCREASED** by \$1,200,000.00, and the Contract Compliance Inspector listed in Section 2.022 is changed to:

Kevin Dunn, Contract Compliance Inspector
MDCH Grants and Purchasing Division
320 S. Walnut Street
Lansing, MI 48913
Email: DunnK3@michigan.gov
Phone: (517) 335-5096
Fax: (517) 241-4845

The vendor contact is changed to:
Brad Bickham
Email: Brad.Bickham@correctioncare.com
Phone: 720-622-8041

The attached Business Associate Agreement is being incorporated as an addendum to the contract.

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



TOTAL REVISED ESTIMATED CONTRACT VALUE:

\$ 3,612,077.90

FOR THE VENDOR:

FOR THE STATE:

Firm Name

Signature

Kim Stephen

Authorized Agent Signature

Name

**Director, Bureau of Budget and
Purchasing**

**Michigan Department of
Community Health**

Authorized Agent (Print or Type)

Title

Date

Date



January 1, 2013

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
Grants and Purchasing Division
 320 South Walnut Street
 Lansing, Michigan 48913

CHANGE NOTICE NO. 1
 to
CONTRACT NO. 391B2200018
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF VENDOR		TELEPHONE (720) 622-8041
Correctional Healthcare Companies, Inc. 6200 S. Syracuse Way, Ste. 440 Greenwood Village, CO 80111 Email: Shelton.Frey@CorrectionCare.com		Shelton Frey
Contract Compliance Inspector: Greg Rivet (517) 335-5096		
Hospital Services		
CONTRACT PERIOD:	From: 10/1/11	To: 9/30/14
TERMS	Net 30 Days	
Current Contract Value: 2,412,077.90	Amount of Change: 59,385.00	New Contract Value: 2,471,462.90
MISCELLANEOUS INFORMATION:		

NATURE OF CHANGE:

The language contained in Attachment A, Price Proposal is deleted and replaced by the following:

Correctional Healthcare Companies (CHC) will provide the following discount to the Center for Forensic Psychiatry (CFP) on provider billed charges:

Inpatient / Outpatient Services

Facility Services Inpatient	Standard hospital rate with a 12.5% discount. (Only applies to participating providers)
Facility Services Outpatient	Standard hospital rate with a 12.5% discount. (Only applies to participating providers)
Physician Services Outpatient	Standard hospital rate with a 12.5% discount. (Only applies to participating providers)
Physician Services Inpatient	Standard hospital rate with a 12.5% discount. (Only applies to participating providers)

- Services provided by non-participating providers will be invoiced to CFP at the full invoiced amount.
- No Administrative Fee will apply at any time.



Third Party Insurance – Inpatient Services Only

- If no insurance payment received, than the 12.5% discount will apply for participating providers.
- Any Co-Payment amounts, deductibles or other amounts unpaid by insurance will be invoiced directly to CFP with no discounts applied.

After Hours Physician

- (1) Physician / (3) hours per day / (2) days per week @ \$185.00 per hour – non holiday
- (1) Physician / (3) hours per day / Christmas and New Year’s Day @ \$277.50 per hour – holiday

All other terms, conditions, and specifications remain unchanged.

FOR THE VENDOR:

FOR THE STATE:

Firm Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

Signature
Kristi Broessel

Name
**Director, Grants and Purchasing Division
Michigan Department of
Community Health**

Title

Date



May 18, 2012

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
Grants and Purchasing Division
 320 South Walnut Street
 Lansing, Michigan 48913

CONTRACT NO. 391B2200001

hereafter referred as

CONTRACT NO. 391B2200018

between

THE STATE OF MICHIGAN

and

<p>NAME & ADDRESS OF VENDOR</p> <p>Correctional Healthcare Companies, Inc. 6200 S. Syracuse Way, Ste. 440 Greenwood Village, CO 80111</p> <p style="text-align: right;">Email: Shelton.Frey@CorrectionCare.com</p>	<p>TELEPHONE (720) 622-8041 Shelton Frey</p>
<p>Contract Compliance Inspector: Greg Rivet (517) 335-5096 Hospital Services</p>	
<p>CONTRACT PERIOD: From: 10/1/11 To: 9/30/14</p>	
<p>TERMS</p> <p style="text-align: center;">Net 30 Days</p>	
<p>MISCELLANEOUS INFORMATION:</p>	

NATURE OF CHANGE:

The following changes are effective December 31, 2011:

1. The Contractor has notified the Michigan Department of Community Health of a change in its business name and or tax identification number. Due to the internal systems related to the release of Contractor payments, a new Contract number must be assigned. The new Contract number is 391B2200018.
2. All instances of the name SecureCare/Correctional Healthcare Companies (CHC) and SecureCare/CHC are hereby replaced by Correctional Healthcare Companies (CHC).
3. The following Contract language in Section 1.040 is modified to change contact persons and their phone numbers as follows:

ISSUE MANAGEMENT

Issues include imminent threats and events that may have already occurred.

CFP will have access to CHC Administration 24 hours a day, 7 days a week for any issues or concerns by contacting the automatic paging system at (855) 258-4080. In the event the CFP has not received a resolution within 10 business days that meets their expectation, they will be able to



directly contact the CHC Divisional Vice President of Operations, Andrew Walter at (309) 256-0689.

This project is impacted by funding that could be reduced not only due to budget constraints but impacted by patient census levels.

RISK MANAGEMENT

Risks are those things that you can assume or anticipate in a project. Risk management generally involves (1) identification of the risk, (2) assigning a level of priority based on the probability of occurrence and impact to the project, (3) definition of mitigation strategies, and (4) monitoring of risk and mitigation strategy. Risk assessment review should be conducted on a regular basis.

CHC monitors on a regular basis all its contractual obligations. If any areas are noted to be of concern they are added to a Quality Improvement Plan until resolved. If there are any risk management issues that arise that may impact the CFP, appropriate staff is notified. All of CHC Corporate staff is responsible for identifying potential and real risk management issues. The issue is then reported to the President who then prioritizes the risk and notifies the appropriate CFP staff.

CFP will have access to CHC Administration 24 hours a day, 7 days a week for any issues or concerns by contacting the automatic paging system at (855) 258-4080. In the event the CFP has not received a resolution that meets their expectation, they will be able to directly contact either the CHC Divisional Vice President of Operations, Andrew Walter at (309) 256-0689 or CHC Senior Vice President of Operations, Wendy Dunegan, (or a designee for Ms. Dunegan) at (720) 622-8076.

4. The Contractor Administrator listed in Section 2.021 is hereby changed to:

**Laura Kwiecien
MDCH Grants and Purchasing Division
320 South Walnut
Lansing, MI 48913
Email: KwiecienL@michigan.gov
Phone: (517) 241-4878
Fax: (517) 241-2252**

5. The Contract Compliance Inspector listed in Section 2.022 is hereby changed to:

**Greg Rivet, Contract Compliance Inspector
MDCH Grants and Purchasing Division
320 S. Walnut Street
Lansing, MI 48913
Email: RivetG@michigan.gov
Phone: (517) 335-5096
Fax: (517) 241-4845**

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

\$2,412,077.90 remaining on Contract # 391B2200001 to be transferred to Contract # 391B2200018



STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
Grants and Purchasing Division
 320 South Walnut Street
 Lansing, Michigan 48913

CONTRACT NO. 391B2200001
Between

THE DEPARTMENT OF COMMUNITY HEALTH

And

NAME & ADDRESS OF VENDOR SecureCare, Inc. 3840 Packard Street, Suite 270 Ann Arbor, MI 48108 Email: Kathy.Laginess@correctioncare.com		TELEPHONE (734) 975-8400
Contract Compliance Inspector: Penny Saites, MDCH Purchasing Section Manager Hospital Services		
CONTRACT PERIOD: From: 10/1/11		To: 9/30/14
TERMS <u> Net 30 days </u>		
MISCELLANEOUS INFORMATION: The terms and conditions of this Contract, including any applicable information from the vendor's proposal dated 6/30/11 are attached. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence. Est. Contract Value: \$ 2,739,000		

FOR THE VENDOR:

Firm Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

FOR THE STATE:

Signature
Kim Stephen

Name
Director, Bureau of Budget and Audit
Michigan Department of
Community Health

Title

Date



Table of Contents

DEFINITIONS..... 126

Article 1 – Statement of Work (SOW)..... 148

1.010 Project Identification..... 148

 1.011 Project Request 148

 1.012 Background..... 148

1.020 Scope of Work and Deliverables..... 159

 1.021 In Scope..... 159

 1.022 Work and Deliverable..... 1744

1.030 Roles and Responsibilities..... 1943

 1.031 Contractor Staff, Roles, and Responsibilities 1943

1.040 Project Plan 1943

 1.041 Project Plan Management..... 1943

 1.042 Reports 1943

1.050 Acceptance 2044

 1.051 Criteria 2044

 1.052 Final Acceptance 2044

1.060 Proposal Pricing..... 2145

 1.061 Proposal Pricing..... 2145

 1.062 Price Term 2418

 1.063 Tax Excluded from Price..... 2418

 1.064 Holdback..... 2418

1.070 Additional Requirements..... 2418

 1.071 Additional Terms and Conditions specific to this RFP 2418

Article 2, Terms and Conditions..... 2721

2.000 Contract Structure and Term..... 2724

 2.001 Contract Term..... 2724

 2.002 Options to Renew 2724

 2.003 Legal Effect..... 2724

 2.004 Attachments & Exhibits 2724

 2.005 Ordering..... 2724

 2.006 Order of Precedence..... 2724

 2.007 Headings..... 2724

 2.008 Form, Function & Utility..... 2822

 2.009 Reformation and Severability..... 2822

 2.010 Consents and Approvals..... 2822

 2.011 No Waiver of Default..... 2822

 2.012 Survival..... 2822

2.020 Contract Administration 2822

 2.021 Issuing Office 2822

 2.022 Contract Compliance Inspector..... 2822

 2.023 Project Manager..... 2923

 2.024 Change Requests 2923

 2.025 Notices 3024

 2.026 Binding Commitments..... 3024

 2.027 Relationship of the Parties 3024

 2.028 Covenant of Good Faith..... 3024

 2.029 Assignments 3024

2.030 General Provisions..... 3024

 2.031 Media Releases 3024

 2.032 Contract Distribution 3125

 2.033 Permits..... 3125

 2.034 Website Incorporation 3125

 2.035 Future Bidding Preclusion..... 3125

 2.036 Freedom of Information..... 3125

 2.037 Disaster Recovery..... 3125

2.040 Financial Provisions 3125

 2.041 Fixed Prices for Services/Deliverables..... 3125

 2.042 Adjustments for Reductions in Scope of Services/Deliverables 3125

 2.043 Services/Deliverables Covered 3125

 2.044 Invoicing and Payment – In General 3125

 2.045 Pro-ration 3226

 2.046 Antitrust Assignment 3226



	2.047	Final Payment.....	<u>3226</u>
	2.048	Electronic Payment Requirement.....	<u>3226</u>
2.050		Taxes.....	<u>3327</u>
	2.051	Employment Taxes.....	<u>3327</u>
	2.052	Sales and Use Taxes.....	<u>3327</u>
2.060		Contract Management.....	<u>3327</u>
	2.061	Contractor Personnel Qualifications.....	<u>3327</u>
	2.062	Contractor Key Personnel.....	<u>3327</u>
	2.063	Re-assignment of Personnel at the State's Request.....	<u>3428</u>
	2.064	Contractor Personnel Location.....	<u>3428</u>
	2.065	Contractor Identification.....	<u>3428</u>
	2.066	Cooperation with Third Parties.....	<u>3428</u>
	2.067	Contractor Return of State Equipment/Resources.....	<u>3428</u>
	2.068	Contract Management Responsibilities.....	<u>3428</u>
2.070		Subcontracting by Contractor.....	<u>3529</u>
	2.071	Contractor Full Responsibility.....	<u>3529</u>
	2.072	State Consent to Delegation.....	<u>3529</u>
	2.073	Subcontractor Bound to Contract.....	<u>3529</u>
	2.074	Flow Down.....	<u>3529</u>
	2.075	Competitive Selection.....	<u>3529</u>
2.080		State Responsibilities.....	<u>3529</u>
	2.081	Equipment.....	<u>3529</u>
	2.082	Facilities.....	<u>3529</u>
2.090		Security.....	<u>3630</u>
	2.091	Background Checks.....	<u>3630</u>
	2.092	Security Breach Notification.....	<u>3630</u>
	2.093	PCI Data Security Requirements.....	<u>3630</u>
2.100		Confidentiality.....	<u>3630</u>
	2.101	Confidentiality.....	<u>3630</u>
	2.102	Protection and Destruction of Confidential Information.....	<u>3630</u>
	2.103	Exclusions.....	<u>3734</u>
	2.104	No Implied Rights.....	<u>3734</u>
	2.105	Respective Obligations.....	<u>3734</u>
2.110		Records and Inspections.....	<u>3734</u>
	2.111	Inspection of Work Performed.....	<u>3734</u>
	2.112	Examination of Records.....	<u>3734</u>
	2.113	Retention of Records.....	<u>3832</u>
	2.114	Audit Resolution.....	<u>3832</u>
	2.115	Errors.....	<u>3832</u>
2.120		Warranties.....	<u>3832</u>
	2.121	Warranties and Representations.....	<u>3832</u>
	2.122	Warranty of Merchantability.....	<u>3832</u>
	2.123	Warranty of Fitness for a Particular Purpose.....	<u>3832</u>
	2.124	Warranty of Title.....	<u>3832</u>
	2.125	Equipment Warranty.....	<u>3832</u>
	2.126	Equipment to be New.....	<u>3832</u>
	2.127	Prohibited Products.....	<u>3832</u>
	2.128	Consequences For Breach.....	<u>3832</u>
2.130		Insurance.....	<u>3832</u>
	2.131	Liability Insurance.....	<u>3832</u>
	2.132	Subcontractor Insurance Coverage.....	<u>4034</u>
	2.133	Certificates of Insurance and Other Requirements.....	<u>4034</u>
2.140		Indemnification.....	<u>4135</u>
	2.141	General Indemnification.....	<u>4135</u>
	2.142	Code Indemnification.....	<u>4135</u>
	2.143	Employee Indemnification.....	<u>4135</u>
	2.144	Patent/Copyright Infringement Indemnification.....	<u>4135</u>
	2.145	Continuation of Indemnification Obligations.....	<u>4135</u>
	2.146	Indemnification Procedures.....	<u>4236</u>
2.150		Termination/Cancellation.....	<u>4236</u>
	2.151	Notice and Right to Cure.....	<u>4236</u>
	2.152	Termination for Cause.....	<u>4236</u>
	2.153	Termination for Convenience.....	<u>4337</u>
	2.154	Termination for Non-Appropriation.....	<u>4337</u>
	2.155	Termination for Criminal Conviction.....	<u>4438</u>
	2.156	Termination for Approvals Rescinded.....	<u>4438</u>



	2.157	Rights and Obligations upon Termination	4438
	2.158	Reservation of Rights.....	4438
2.160		Termination by Contractor	4438
	2.161	Termination by Contractor.....	4438
2.170		Transition Responsibilities.....	4438
	2.171	Contractor Transition Responsibilities.....	4438
	2.172	Contractor Personnel Transition	4539
	2.173	Contractor Information Transition.....	4539
	2.174	Contractor Software Transition	4539
	2.175	Transition Payments	4539
	2.176	State Transition Responsibilities	4539
2.180		Stop Work	4539
	2.181	Stop Work Orders	4539
	2.182	Cancellation or Expiration of Stop Work Order	4640
	2.183	Allowance of Contractor Costs.....	4640
2.190		Dispute Resolution.....	4640
	2.191	In General	4640
	2.192	Informal Dispute Resolution.....	4640
	2.193	Injunctive Relief.....	4744
	2.194	Continued Performance	4744
2.200		Federal and State Contract Requirements	4744
	2.201	Nondiscrimination	4744
	2.202	Unfair Labor Practices.....	4744
	2.203	Workplace Safety and Discriminatory Harassment	4744
	2.204	Prevailing Wage.....	4744
2.210		Governing Law	4744
	2.211	Governing Law.....	4744
	2.212	Compliance with Laws	4842
	2.213	Jurisdiction.....	4842
2.220		Limitation of Liability	4842
	2.221	Limitation of Liability.....	4842
2.230		Disclosure Responsibilities.....	4842
	2.231	Disclosure of Litigation	4842
	2.232	Call Center Disclosure	4943
	2.233	Bankruptcy	4943
2.240		Performance	4943
	2.241	Time of Performance.....	4943
	2.242	Service Level Agreements (SLAs)	5044
	2.243	Liquidated Damages	5044
	2.244	Excusable Failure	5044
2.250		Approval of Deliverables	5145
	2.251	Delivery Responsibilities	5145
	2.252	Delivery of Deliverables	5145
	2.253	Testing	5145
	2.254	Approval of Deliverables, In General	5246
	2.255	Process For Approval of Written Deliverables.....	5246
	2.256	Process for Approval of Services	5347
	2.257	Process for Approval of Physical Deliverables.....	5347
	2.258	Final Acceptance	5347
2.260		Ownership.....	5347
	2.261	Ownership of Work Product by State	5347
	2.262	Vesting of Rights.....	5347
	2.263	Rights in Data	5347
	2.264	Ownership of Materials	5448
2.270		State Standards	5448
	2.271	Existing Technology Standards.....	5448
	2.272	Acceptable Use Policy	5448
	2.273	Systems Changes	5448
2.280		Extended Purchasing.....	5448
	2.281	MIDEAL.....	5448
	2.282	State Employee Purchases.....	5448
2.290		Environmental Provision	5448
	2.291	Environmental Provision	5448
2.300		Other Provisions	5549
	2.311	Forced Labor, Convict Labor, Forced or Indentured Child Labor, or Indentured Servitude Made Materials.....	5650



Attachment A, Pricing
Attachment B, Business Associate Agreement
Attachment C, Project Plan



DEFINITIONS

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

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.

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 Plan Sponsors' computer system.

CCI means Contract Compliance Inspector.

Days means calendar days unless otherwise specified.

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.

DTMB means the Michigan Department of Technology Management and Budget.

Environmentally Preferable Products means a product or service that has a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. Such products or services may include, but are not limited to: those which contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxics either disposed of or consumed.

Hazardous Material means any material defined as hazardous under the latest version of federal Emergency Planning and Community Right-to-Know Act of 1986 (including revisions adopted during the term of the Contract).

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

Key Personnel means any personnel identified in **Section 1.031** as Key Personnel.

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.

Ozone-depleting Substance means any substance the Environmental Protection Agency designates in 40 CFR part 82 as: (1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or (2) Class II, including, but not limited to, hydrochlorofluorocarbons.

Post-Consumer Waste means any product generated by a business or consumer which has served its intended end use; and which has been separated or diverted from solid waste for the purpose of recycling into a usable commodity or product, and which does not include post-industrial waste.



Post-Industrial Waste means industrial by-products which would otherwise go to disposal and wastes generated after completion of a manufacturing process, but does not include internally generated scrap commonly returned to industrial or manufacturing processes.

Recycling means the series of activities by which materials that are no longer useful to the generator are collected, sorted, processed, and converted into raw materials and used in the production of new products. This definition excludes the use of these materials as a fuel substitute or for energy production.

Reuse means using a product or component of municipal solid waste in its original form more than once.

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

Services means any function performed for the benefit of the State.

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 to perform a portion of the Services, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.

Unauthorized Removal means the Contractor's removal of Key Personnel without the prior written consent of the State.

Waste Prevention means source reduction and reuse, but not recycling.

Pollution Prevention means the practice of minimizing the generation of waste at the source and, when wastes cannot be prevented, utilizing environmentally sound on-site or off-site reuse and recycling. The term includes equipment or technology modifications, process or procedure modifications, product reformulation or redesign, and raw material substitutions. Waste treatment, control, management, and disposal are not considered pollution prevention, per the definitions under Part 143, Waste Minimization, of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, as amended.

Work in Progress means a Deliverable that has been partially prepared, but has not been presented to the State 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.



Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request

This is a Contract for Hospital Services for the Center of Forensic Psychiatry (CFP).

The purpose of this agreement is to acquire the necessary health care services of a qualified medical entity to supplement those services not provided by the CFP facility. The facility requires a contract that provides essential required health services with centralized billing and administrative oversight. Essential health services include inpatient/outpatient physician services and some inpatient/outpatient facility services.

This Contract will improve internal systems for communication among all disciplines and departments thus establishing monitors of the referral and notification processes. It will also:

1. Improve policy review and revision including directives for appropriate completion of patient data sheet information.
2. Improve monitoring of accounting and financial data to assure appropriate verification, account designation, and timely payment of invoices.
3. Improve relationships with outside service providers by establishing contracts to include cost and quality of service controls, use review mechanisms, billing facilitation and requirements for proper documentation.
4. Provide a reliable means to monitor progress on a quarterly basis.
5. Provide essential health services to the CFP patients in such a way as to promote quality health care while fulfilling the mission, goals, and objectives of the CFP.
6. Provide medically necessary health care consistent with community standards, while striving to maintain the standards of the Joint Commission on Accreditation of Health Care Organizations and Centers for Medicare and Medicaid Services (CMS).
7. Adhere to all applicable local, state, and federal laws and regulations governing the delivery of health care services.
8. Incorporate administrative management oversight and quality control procedures that ensure the health care delivery system is designed and implemented in a manner to promote the orderly, efficient, and cost-effective delivery and management of the health services to CFP patients.

1.012 Background

The Center for Forensic Psychiatry (CFP) is the statewide provider of essential mental health for Forensic patients in Michigan. CFP operates in accordance with the standards set forth by the Department of Community Health. Patients are either Not Guilty by Reason of Insanity (NGRI) or Incompetent to Stand Trial (IST) and there is an occasional admission on some other basis such as an order to treat on behalf of one of the Probate Courts or Community Health Organizations. These represent a very small part of the population served.

The CFP medical staff is primarily Forensic Psychiatrists and most treatment for medical issues is through outside services. Care provided is consistent with acceptable community standards within a secure environment. If specific health services are not available within the facility, contractual agreements are established with local health care providers to supplement the facility's health service needs. Depending on the expertise of in-house staff, these contractual agreements may include a combination of inpatient/outpatient facility services, group or individual physician services, and other ancillary health services such as laboratory or radiology services. Medical diagnostics are performed by internal medical physicians at the CFP that includes limited treatment.

The Center for Forensic Psychiatry has minimal provisions for direct medical services being provided by the facility, with limited provisions for staffing, space or equipment. This proposal will result in several opportunities for cost efficiencies: the fee schedule, methods of scheduling appointments, requirements that all patients be accompanied at all times (both inpatient and outpatient) by two CFP Security staff due to the nature of the patients, lack of an urgent care capability resulting in emergency room procedures and charges for minor treatments, lack of utilization management coordination with CFP doctors.



1.020 Scope of Work and Deliverables

1.021 In Scope

QUALITY STANDARDS:

The State of Michigan reserves the right to inspect and evaluate all services provided during the performance of this contract. The State of Michigan may conduct surveillance of any task at any time during the performance of this contract. All surveillance observations will be documented by CFP or the appropriate State of Michigan agency.

When an observation indicates defective performance, the contract administrator may issue a discrepancy report to the contractor. The contractor shall address any discrepancy report in writing to the contract administrator within ten calendar days of notification, indicating any corrective action taken to rectify the deficiency.

FACILITY SERVICES:

The contractor must provide inpatient/outpatient delivery sites to ensure access to care for the subspecialty services required by the resulting contractual agreement.

Inpatient facility services shall include but not be limited to the following: hospital inpatient rooms; meals; medical supplies; pharmaceuticals; and other ancillary services (e.g., radiology, laboratory services, dialysis, chemotherapy, radiation therapy, etc.).

Outpatient facility services shall include but not be limited to the following: medical supplies; pharmaceuticals; outpatient procedures at the contractor's facility; and other ancillary services (e.g., radiology, laboratory services, dialysis, chemotherapy, radiation therapy, etc.).

CFP patients shall be referred to the contractor's facility for emergency, inpatient, and outpatient health care services on an as-needed basis. Emergency care shall primarily be required for the use of special care units (e.g., medical intensive, cardiac care, and emergency room care). Normal inpatient visits for non-emergency services shall require private room accommodations with available space for up to two (2) unarmed security escorts per patient.

Outpatient services shall be referred to the contractor's facility for necessary medical care. Outpatient service scheduling shall be coordinated by the CFP clinical nurse through the contractor. Outpatient examinations will typically be scheduled during normal working hours Monday through Friday, excluding State holidays. There may be occasions when outpatient services may be required on holidays or weekends. Specialty consultation after normal working hours (8:00am – 4:00pm Monday-Friday) must be available via telephone, at a minimum, for emergency situations. Internal procedures for scheduling and referrals will be specified in an agreement between the contractor and agency.

In cases of a physician-to-physician direct admit referral, the contractor will not process admissions through the emergency room; rather, the contractor will implement a system for direct admission whereby emergency room and associated physician costs would not be incurred.

In the event of an institution emergency requiring the evacuation of CFP inpatients, the contractor shall make arrangements to have these patients admitted either to the contractor's facility or subcontract the required care to other hospitals within a 30-mile radius of CFP.

The provision of services must be accomplished within a 15-mile radius of the Center for Forensic Psychiatry.

INFORMATION/RECORDS TRANSFER:

Subspecialty consultations, diagnostic procedure results, Emergency Room (ER) reports and inpatient medical records are all expedited to CFP by fax and/or US Postal Service as soon as available to the agency in accordance with Health Insurance Portability and Accountability Act (HIPAA) standards.

**SECURE ENVIRONMENT:**

Security is enhanced related to the minimal number of persons involved in the coordination of care. Security procedures have been established with hospital facilities and subspecialty offices.

PHYSICIAN SERVICES:

The contractor will provide comprehensive inpatient/outpatient physician and other medical services. It is estimated that these services will include but not be limited to the following subspecialty areas:

1. Allergy
2. Anesthesiology
3. Arthritis
4. Autopsies
5. Breast Care
6. Chemotherapy
7. Dental/Oral Surgery
8. Dermatology
9. Detoxification
10. Dialysis
11. General Medicine
12. Cardiology
13. Endocrinology & Metab
14. Gastrology
15. Geriatrics
16. Hypertension
17. Hyperlipid
18. Infectious Disease
19. Internal Medicine
20. Gynecology
21. Nephrology
22. Neurology
23. Neurosurgery
24. Nuclear Medicine
25. Obstetrics
26. Oncology
27. Ophthalmology
28. Orthopedic
29. Otorhinolaryngology
30. Pathology
31. Pulmonary Medicine
32. Surgery
 - a) General
 - b) Burn
 - c) Plastic
 - d) Thorasic
 - e) Vascular
33. Urology
34. Urgent Care/ER
35. ADSU
36. Colonoscopy
37. CT Scans
38. Cystometrics
39. Echocardiogram
40. EEG
41. EKG
42. EMG
43. MRI
44. Radiology



45. Ultra Sound
46. X-Ray
47. OP Surgery
48. Physical Therapy
49. Speech Therapy

The contractor will provide the requested specialty providers to satisfy the contract requirements to ensure adequate access to appropriate types and levels of care. Appointments for specialty care shall be scheduled by contractor within five (5) calendar days of receipt of consult from CFP, or as otherwise agreed.

The agency maintains the right to cancel patient appointments at any time.

In addition to the above listed specialty services, contractor must have professional staff who are currently privileged (i.e., having hospital admission authority) at the contractor's designated medical facility, or have the capability of obtaining privileges within 30 days of a contract award. All categories of staff provided by the contractor must meet licensing and credentialing consistent with community standards to include current competency assessments of non-licensed ancillary health care providers. Documentation of annual competency assessments will be provided to the CFP by the contractor. The contractor is responsible for conducting primary source verification on applicable providers and querying the National Practitioner Data Bank about each provider upon initial appointment and every two years thereafter. All health services providers must carry indemnification and medical liability insurance.

UTILIZATION MANAGEMENT:

The contractor must provide a Utilization Management Program consisting of, but not limited to, the following:

1. Pre-admission certification. Includes a pre-authorization for both admissions and ambulatory surgeries.
2. Concurrent Review. Includes examination and utilization of specific services, inpatient and/or outpatient, to assess medical necessity and appropriateness. The contractor shall monitor length of stay for all inpatient admissions as part of the concurrent review function.
3. Case Management. Includes a method of managing the provision of health care to patients with catastrophic high-cost medical conditions.
4. Discharge Planning. Includes discharge planning for all admissions to ensure patients are discharged from medical facilities at the appropriate time. This function may be administered centrally at the contractor's medical facility.

EQUIPMENT AND SUPPLIES:

Contractor furnished equipment under this Contract will be made only upon approval of CFP. Any equipment or supplies provided by the contractor to CFP will remain the property of the contractor and will be removed upon the completion of the contract or upon written request of the contract administrator. Any necessary equipment maintenance and/or repair shall be the responsibility of the contractor. The Contractor must provide written documentation of annual inspections and results of inspection to agency to ensure equipment works in accordance with manufacturer's standards.

1.022 Work and Deliverable

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

ADMISSION PROCEDURES:

There shall be an open line of communication between contract physicians and CFP to ensure that only those services ordered by the institution are provided, unless required for intervention in a life-threatening emergency. In the event of a life-threatening emergency, the contractor shall contact the CFP clinical nurse within a 24-hour time period or the next normal working day. Prior to admitting a patient for inpatient services, scheduling outpatient surgery, or ordering a session for outpatient services, CFP may



elect to conduct a pre-certification and/or consultative review of the patient through on-line electronic communication methods.

Admission procedures for referring patients to the contractor's facility will be as follows:

1. The contract physician or CFP physician recommends the patient's admission to the Clinical Director. Consult form is sent to the clinical nursing office.
2. The Clinical Director reviews all associated documentation to include the referral request, decides the course of action, and if a medical trip is appropriate. If inpatient admission is necessary, CFP will secure all necessary facility approval. Original consult and patient chart will accompany patient to appointment or ER. A copy of consults is faxed to the contractor.
3. In non-emergency and emergency cases, CFP will be responsible for transportation of the patient to the contractor's arranged facility. In the event an emergency case requires the contractor to arrange for transportation, contractor will recognize the requirements for service contained with CFP's contractual agreement with the Huron Valley Ambulance Service.
4. The contract physician is responsible for all inpatient/outpatient care to include but not be limited to: conducting rounds, ordering tests, performing surgery, and processing discharges.
5. Upon discharge, CFP staff will transport patient to CFP facility.
6. A copy of all physician care related documents (e.g., Discharge Summary) shall be forwarded to CFP within ten business days. Emergency Room documents shall be forwarded within 24 hours Monday-Friday.

OUTSIDE REFERRALS:

Contract physicians must only prescribe pharmaceutical drugs that are listed in the approved formulary. Requests for exemptions must be submitted to the Clinical Director, who will obtain the required approvals.

As part of the Discharge Instructions, the issuance of sample medication to the CFP patient is prohibited.

MEDICAL RECORDS:

Regardless of the type of service provided, all contractor evaluations and treatment shall be completely documented and signed by the attending physician. Upon request, authorized CFP staff will have access to and obtain copies of all patient medical records, evaluation and treatment reports prepared at the contractor's facility. Patient medical records will be subject to review by the CFP for validation of payment and verification of services rendered. Any request for copies of a patient's medical records by the patient or a third party shall be directed to the clinical nurse for processing.

Hospital, clinic and emergency room staff are prohibited from releasing patient information to CFP staff. All inquiries must route through the contractor.

At the time of a patient's discharge, whether for inpatient or outpatient services, the contractor must provide the CFP with documented discharge instructions, completed by the attending physician. All other reports, including an official written discharge summary, must be provided to the clinical nurse within ten business days of the patient's discharge.

MEDICAL STANDARDS:

It is CFP's preference to obtain the services of a contractor that is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and CMS. Providers who maintain accreditation by JCAHO and CMS must submit a copy of their current accreditation certificate as part of this contract. If a provider is accredited or certified by any other recognized professional accrediting body, the provider must submit documentation validating this accreditation or certification.

POLICIES, PROCEDURES AND REGULATIONS:

The contractor must adhere to all Federal, state and local laws and regulations in effect during the term of this contract. The contractor must adhere to all policies and procedures prescribed by the CFP relating to



safety, custody, and conduct of patients. The CFP will be responsible for the custody of any patient admitted to the contractor's facility for care and treatment. The contractor will not supervise or discipline CFP staff or patients.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities

The contractor will not directly supervise, in accordance with the Civil Service definition of supervision, any agency staff even though, where applicable, they will provide clinical supervision to nurses, other professional support staff, residents, and students in the care and treatment of patients.

Upon award, the Contractor's staffing table with names included must be provided. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.

Some tasks under this contract involve access to Protected Health Information (PHI) and as such need to be handled according to Health Insurance Portability and Accountability Act (HIPAA) requirements in Attachment B.

1.040 Project Plan

1.041 Project Plan Management

The Contractor has proposed a project plan which includes identifying methods, tools, and processes proposed to oversee the project, address issues/changes that may arise, and the plan to keep appropriate parties apprised of progress. This plan includes expected frequency and mechanisms for updates/progress reviews and the individuals responsible for receiving/reacting to the requested information.

SecureCare/Correctional Healthcare Companies (CHC) will furnish medical information including a narrative summary when requested. Adequate records shall be maintained to reflect accuracy with respect to claims submissions as well as for quality and appropriateness of care. All records shall be subject to review by the Contract Compliance Inspector, Project Manager or other delegated representative of the CFP.

Please see Appendix C for SecureCare/CHC's Project Plan.

1.042 Reports

I. Project Control

1. The Contractor will carry out this project under the direction and control of the Center for Forensic Psychiatry.
2. Although there will be continuous liaison with the Contractor team, the client agency's project director will meet monthly, as a minimum, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
3. A work plan will be submitted for approval within 30 days of execution of contract.
 - a. The Contractor will submit written monthly summaries of progress which outline the work accomplished during the reporting period; summary report design to be established upon mutual agreement between agency and contractor; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the client agency's project director; and notification of any significant deviation from previously agreed-upon work plans. A copy of this report will be forwarded to the MDCH Buyer.



ISSUE MANAGEMENT

Issues include imminent threats and events that may have already occurred.

CFP will have access to SecureCare/CHC Administration 24 hours a day, 7 days a week for any issues or concerns by contacting the automatic paging system at (734) 975-8400 ext. 8106. In the event the CFP has not received a resolution within 10 business days that meets their expectation, they will be able to directly contact the SecureCare/CHC President, Kathy Laginess, (or a designee for Ms. Laginess) at (734) 975-8400.

This project is impacted by funding that could be reduced not only due to budget constraints but impacted by patient census levels.

RISK MANAGEMENT

Risks are those things that you can assume or anticipate in a project. Risk management generally involves (1) identification of the risk, (2) assigning a level of priority based on the probability of occurrence and impact to the project, (3) definition of mitigation strategies, and (4) monitoring of risk and mitigation strategy. Risk assessment review should be conducted on a regular basis.

SecureCare/CHC monitors on a regular basis all its contractual obligations. If any areas are noted to be of concern they are added to a Quality Improvement Plan until resolved. If there are any risk management issues that arise that may impact the CFP, appropriate staff is notified. All of SecureCare/CHC Corporate staff is responsible for identifying potential and real risk management issues. The issue is then reported to the President who then prioritizes the risk and notifies the appropriate CFP staff.

CFP will have access to SecureCare/CHC Administration 24 hours a day, 7 days a week for any issues or concerns by contacting the automatic paging system at (734) 975-8400 ext. 8106. In the event the CFP has not received a resolution that meets their expectation, they will be able to directly contact either the SecureCare President, Kathy Laginess, (or a designee for Ms. Laginess) or CHC President, Larry Wolk, MD at (734) 975-8400.

MEDICAL MALPRACTICE:

Except as provided elsewhere in this contract, the contractor must provide and maintain medical malpractice and such other insurance during the period of this contract.

If the contractor or physician who is providing services under this contract has pending litigation or administrative proceedings that may affect his/her license to practice medicine or standing as a fellow member in a professional organization, full disclosure must be provided to the clinical nurse within five calendar days upon official notification.

Vendor will provide and maintain adequate medical liability insurance coverage consistent with the risks associated with the performance of this contract.

1.050 Acceptance

1.051 Criteria

The following criteria will be used by the State to determine Acceptance of the Services or Deliverables provided under this Statement of Work (SOW):

An invoice detailing the services provided must be presented in writing to the Agency Project Manager. Services indicated must meet the agreed upon criteria between the Agency Project Manager and the Contractor. The Agency Project Manager must approve the invoices in writing to the Contractor within two weeks from the date of submittal. Any rejections of services shall be in writing to the Contractor and will outline the reasons for rejection.

1.052 Final Acceptance



The agency has the right to determine if the services are acceptable and the specified requirements are complete. Any intermediate acceptance of sub-Deliverables does not complete the requirement of Final Acceptance.

1.060 Proposal Pricing

1.061 Proposal Pricing

FEE SCHEDULE:

Coordination of CFP patient’s health care benefits must be established between the CFP and the Contractor in accordance with CMS standards.

A pricing table is included in Article 1, Attachment A – Pricing.

COMPENSATION AND PAYMENT

Under the terms of this contract, the following examples (which are not all-inclusive) represent coverage elements under the pricing categories.

1. Facilities Services Inpatient. Includes but is not limited to admissions associated with room, board, nursing care, and related ancillary services and supplies (i.e., pharmacy, T.V., central supplies). An inpatient day will be equivalent to an actual overnight admission to the contractor’s designated medical facility.
2. Facility Services Outpatient Visit. Includes but is not limited to preoperative and emergency room facilities and care, pharmacy, and central supplies. An outpatient visit shall be considered as either an emergency room visit or pre-scheduled outpatient surgery or procedure where the actual length of stay does not exceed a 24-hour period.
3. Physician Services Outpatient Visit. Includes but is not limited to initial work-up and outpatient surgical procedures.
4. Physician Services Inpatient Visit. Includes but is not limited to initial and follow-up encounters and procedures.
5. Physician Services Inpatient Visit. Includes but is not limited to initial and follow-up encounters and procedures.

ESTIMATED QUANTITIES:

Estimated number of services provided for all categories of services during the period October 1, 2009 – September 30, 2010 are provided below. The estimated quantities provided are not a representation to the contractor that the estimate quantities will be required or ordered or that conditions affecting requirements will be stable or normal.

Cardiology (includes EKG)	51
Dental/Oral Surgery	30
Dermatology	20
Emergency Room	86
Endocrinology & Metab	9
Gastroenterology	26
Colonoscopy	13
Gynecology	24
Hematology / Oncology	6
Hospital Admit	29
Nephrology	9
Neurology (includes EEG /EMG	11
Ophthalmology	35
Orthopedic	47
Otorhinolaryngology	10



Physical Therapy	21
Podiatry	2
Pulmonary Medicine	23
Radiology	
CT Scans	20
Biopsy	3
Bone Density	5
Bone Scan	1
Dexa Scan	1
Mammography	9
MRI	9
PFT	1
PET Scan	2
Ultra Sound	23
Venous Dup	1
X-Ray	78
Rheumatology	2
Surgery	
General	0
Outpatient	0
Plastic	0
Neuro	1
Vascular	18
Urology	19
Other	6

Ordering of supplies or equipment needed for a patient ordered by a subspecialist or hospital upon patient discharge must have prior approval from the CFP purchasing department.

INVOICING:

The contractor will:

1. Receive from hospitals with which the contractor has executed agreements, invoices for medical care provided to CFP patients referred for medical service by CFP.
2. Verify the appropriateness of the billing regarding the amount billed, the services provided and the eligibility of the patient served.
3. Reimburse affiliated contractor hospitals and physicians for each invoice, if verified. The contractor will provide a discount of the charge by the affiliated contractor hospitals and physicians. In the event a service is provided by a non-contractor affiliate, contractor will forward patient bills directly to CFP for payment that will not include a predetermined discount.
4. After reimbursing the contractor affiliated hospitals and/or physicians, the contractor will bundle the invoice per patient in a monthly invoice and submit to CFP. CFP shall reimburse the contractor within 30 days.
5. Monitor and manage necessary hospitalizations to ensure the earliest possible discharge back to CFP. Provide daily monitoring of all inpatients for appropriateness of procedures, care and "needless" days in the hospital. Contractor responsible for coordination of efforts with hospital to expedite the discharge of patients that can be medically managed at CFP.
6. Assist in minimizing CFP staff time off-site with medical transfers.
7. Segregate inpatient and outpatient charges based on MDCH definitions in Administrative Guidelines and as follows:
 - a. Clinic, outpatient and emergency room charges that do not result in hospital admission.
 - b. Inpatient, physician services for inpatient and emergency room charges associated with hospital admission.

CFP will withhold payments from the contractor for invoices submitted by physicians and/or hospitals that are inappropriate due to the amount billed, service provided, patient served or other invoice error. The



contractor will be financially responsible for over-payments to physicians and/or hospitals and for payment errors.

PAID BILLING REVIEW/ANALYSIS:

The contractor will provide and operate a centralized billing system for processing, adjudication, development and control that will facilitate the processing of medical billings. Billings for inpatient, outpatient and emergency services must be segregated.

1. Billing adjustment, receipt, and control. The contractor will provide for a system of medical bills receipt (i.e., invoices), control, and distribution which will enable it to ensure that all hard copy medical billings are stamped with an internal control number (ICN) and that ICN is entered into an automated data processing system.
 - A. The contractor will ensure that its health care providers forward to the contractor all billings for medical services rendered to patient beneficiaries. Complete consolidated invoices must be submitted to the CFP within 90 calendar days after the services are rendered. Services provided over an extended period of time to the same patient (i.e., greater than 30 consecutive days), will be billed upon the patient's discharge. Invoices containing billing discrepancies will be rejected by the CFP in accordance with the terms and conditions of this contract. Upon resubmission, a corrected invoice shall be submitted as an original invoice bearing the date of the resubmission.
 - B. All services provided under this contract, whether by the contractor or by subcontractor, must be billed by the contractor at the established contract rate.
 - C. Within ten (10) calendar days of receipt, the contractor must be able to identify and retrieve all billings, including attached documents, through final disposition, by each of the following:
 1. Patient's name; and
 2. Internal Control Number
2. Duplicate billing checks. The contractor will screen and adjudicate billings to ensure the duplicate billings are retrieved. Please acknowledge your firm's understanding and acceptance of this requirement.
3. Price and adjudication. The contractor will price and adjudicate medical billings according to established contract rates. After rate setting and adjudication, the contractor will forward a comprehensive medical billing, which will be one bill encompassing services provided for each patient, to the CFP for review and concurrence. Medical billing will be paid by the CFP in accordance with the invoicing procedures set forth in the contract. Charges for services submitted by all medical providers will be made available to the CFP for review and concurrence.
4. Medical bill filing. The contractor health care providers will be responsible for centralized billing paperwork and filing for all medical care provided under the contract.
 - A. Billing form submission. The health care provider will submit centralized bills on Health Services Claim Form HCFA-1500 for outpatient services, and UB-92 for inpatient services.
 1. HCFA-1500 invoices shall be submitted with an invoice summary-listing first by specialty, then by delivery order number, the following information (in the order listed):
 - a. Date of service
 - b. Last name
 - c. First name



- d. Patient register number
2. UB-92 invoices shall be submitted with an invoice summary listing by delivery order number and the following information (in the order listed):
 - a. Last name
 - b. First name
 - c. Patient number
 - d. Date of service
 - e. Billed amount
- B. The contractor must provide summary billing with all UB-92 and related back up.
 - C. Paid billing analysis: The contractor must provide a summary paid billing analysis report to the CFP on a quarterly basis. Reports must be submitted to the CFP by the tenth calendar day of the following month for the previous reporting period. The format for this report shall be mutually agreed-upon by the contractor and the CFP.

Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See www.michigan.gov/dtmb for current rates.

1.062 Price Term

MDCH – Grants and Purchasing Division reserves the right to consider various pertinent information sources to evaluate price increase requests (such as the CPI and PPI, US City Average, as published by the US Department of Labor, Bureau of Labor Statistics). MDCH – Grants and Purchasing Division also reserves the right to consider other information related to special economic and/or industry circumstances, when evaluating a price change request. Requests for price changes must be RECEIVED IN WRITING AT LEAST TEN DAYS PRIOR TO THEIR EFFECTIVE DATE, and are subject to written acceptance before becoming effective. In the event new prices are not acceptable, the Contract may be cancelled. **The Contractor remains responsible for performing according to the Contract terms at the Contract price for all orders received before price revisions are approved or before the Contract is cancelled.**

1.063 Tax Excluded from Price

(a) Sales Tax: For purchases made directly by the State, the State is exempt from State and Local Sales Tax. Prices must not include the taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

(b) Federal Excise Tax: The State may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the State's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free or tax-reimbursable sale will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

1.064 Holdback – Reserved

1.070 Additional Requirements

1.071 Additional Terms and Conditions specific to this Contract

POINT OF CONTACT:

The Contractor is to provide point of contact (POC) responsible for contract including name, pager and telephone numbers. Response time is not to exceed 15 minutes. An alternate POC may be designated, however the contractor must provide 24-hour advance notification to facility if alternate point of contact is to be used. The POC is responsible for the delivery of health service under this contractual agreement. The POC will have the full authority to act on behalf of the contractor in all matters relating to the daily



operations of the contracted health services. The contractor shall designate this individual in writing to the contract administrator prior to the beginning date of this contract.

All contractor personnel performing services under this contractual agreement shall have the ability to read, understand, fluently speak, and legibly write the English language.

PROFESSIONAL STAFF QUALIFICATIONS/CREDENTIALING:

The contractor must provide professional staff that have appropriate education qualifications, experience, and licensure commensurate with the particular job responsibilities. Professional staff will only perform those duties for which their position, certification, and licensure dictate. Medical specialists (e.g., cardiologists, orthopedics, surgeons, etc.) must have appropriate current board certification to perform all applicable specialty services. Professional staff must possess valid current license/registration to practice medicine within the jurisdiction where the service will be provided. The contractor shall provide upon request, verification of methods utilized for credentialing.

The contractor will provide professional staff who have obtained a minimum of 18 months of experience within the past 24 months in the medical specialties listed within this contract. Only professional staff holding appropriate current licensure and offering evidence of primary source verification shall be considered eligible to perform under this contract. The contractor will be required to document primary source verification of the credentials for each provider including: current license from the appropriate State Board of Medical Examiners, education from professional schools or universities, evidence of completion of internships and/or residencies as appropriate. These verifications must be provided upon request. A copy of the contractor's policy on primary source verification of credentials, sample forms, and a sample of a provider who has been primary source verified by the contractor should be provided in the technical proposal.

CLINICAL PRIVILEGING REQUIREMENTS:

When services are provided at the contractor's facility, the contractor must make available for inspection by designated CFP officials, the physician's privileging documents and any documentation used to grant those privileges. Any adverse actions taken to suspend, limit, or revoke any of the clinical privileges of any contract physician performing services under this contract shall be immediately brought to the attention of CFP. If additional specialists are added to the contractor's or subcontractor's staff, those individuals must have privileges at the contractor's facility.

EMPLOYEE HEALTH REQUIREMENTS:

The contractor must ensure that all contract health services staff are free of infectious diseases. Any individual performing medical services under this contract who subsequently develops a medical condition which might reasonably be expected to place other workers, patients, or the public at risk shall be immediately removed from activities requiring performance of invasive procedures and activities which might reasonably be expected to place other workers, patients, or the public at risk. In any such case, the contractor shall be responsible, at no additional cost to CFP, for securing the services of any replacement personnel required for contract performance.

The contractor must ensure that its employees are in compliance with preventive, prophylactic, and follow-up procedures, as well as infection control and employee health program procedures.

PERSONNEL BACKGROUND INVESTIGATION:

If contract personnel are to provide services within the confines of CFP they must have a criminal background investigation conducted. Results of the investigation must be cleared prior to employment on the grounds of CFP.

The following requirements apply only to those individuals delivering services inside the institution.



1. Law Enforcement Information Network (LEIN)
2. Resume/Personal qualifications

By signing the contract document, the contractor hereby agrees to complete the LEIN Check and provide a resume with personal qualifications. Any individual who does not pass the security clearances will be unable to work within the secure perimeter of the institution. The final determination and completion of the security investigation procedures will be made at the sole discretion of the CFP.

Once a contractor employee clears the initial screening requirements, each contractor employee must attend an orientation program at the institution. The purpose of this program is to familiarize contractor employees with CFP operations, the institution, and general rules of conduct and procedures inside the institution. Contractor employees must adhere to all institution regulations regarding conduct and performance. Contractor employees will be allowed access to the institution at the sole discretion of the director of the facility. Any individual performing under this contract may be removed if it becomes apparent that his or her conduct does not reflect the conduct of that prescribed for those people performing under non-personal service contracts.

QUALITY OF PATIENT CARE/NON-DISCRIMINATION:

The hospital professional service providers will provide CFP patients under the terms of this contract the same or equal services to those provided to non-CFP patients.

The contractor agrees to make no distinction among patients under this contract on the basis of race, color, creed, national origin, or physical condition include but are not limited to the following: denying any service or benefit or availability of a facility; providing any service or benefit to a patient which is different, or if provided in different manner or at a different time from that provided to other patients under this contract; subjecting a patient segregation or separate treatment in any manner related to his receipt of any service; restricting a patient in any way in the enjoyment of an advantage or privilege enjoyed by others in determining whether he satisfies any admission, enrollment quota, eligibility, membership or other requirement or condition which an individual must meet in order to be provided any service or benefit; the assignment of time or places for the provision of services on the basis of race, color, creed, or national origin of the patients served.



Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term

The Contract is for a period of 3 years beginning October 1, 2011 through September 30, 2014. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.002 Options to Renew

The Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to 2 additional 1 year periods.

2.003 Legal Effect

Contractor must show acceptance of the Contract by signing two (2) copies of the Contract and returning them to the Contract Administrator. The Contractor must not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms, and the Contractor receives a Contract release/purchase order that authorizes and defines specific performance requirements.

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

2.004 Attachments & Exhibits

All Attachments and Exhibits affixed to any and all Statement(s) of Work, or appended to or referencing the Contract, are incorporated in their entirety and form part of the Contract.

2.005 Ordering

The State will issue a written Purchase Order, Blanket Purchase Order, Direct Voucher or Procurement Card Order, which must be approved by the Contract Administrator or the Contract Administrator's designee, to order any Services/Deliverables under the Contract. All orders are subject to the terms and conditions of the Contract. No additional terms and conditions contained on either a Purchase Order or Blanket Purchase Order apply unless they are also specifically contained in that Purchase Order's or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown, however, the Contractor must furnish all such materials and services as may be ordered during the CONTRACT period. Quantities specified, if any, are estimates based on prior purchases, and the State is not obligated to purchase in these or any other quantities.

2.006 Order of Precedence

(a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to the subject matter and as additional terms and conditions on the purchase order must apply as limited by **Section 2.005**.

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

2.007 Headings

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

**2.008 Form, Function & Utility**

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

2.009 Reformation and Severability

Each provision of the Contract is severable from all other provisions of the Contract and, if one (1) or more of the provisions of the Contract is declared invalid, the remaining provisions of the Contract remain in full force and effect.

2.010 Consents and Approvals

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

2.011 No Waiver of Default

If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

2.012 Survival

Any provisions of the Contract that impose continuing obligations on the parties, including without limitation the parties' respective warranty, indemnity and confidentiality obligations, survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

2.020 Contract Administration**2.021 Issuing Office**

The Contract is issued by the Michigan Department of Community Health (MDCH) – Grants and Purchasing Division. MDCH – Grants and Purchasing Division is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. MDCH – Grants and Purchasing Division **is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of the Contract.** The Contractor Administrator within MDCH – Grants and Purchasing Division for the Contract is:

Laura Kwiecien
MDCH Grants and Purchasing Division
320 South Walnut
Lansing, MI 48823
KwiecienL@michigan.gov
Phone: (517) 241-4878
Fax: (517) 241-2252

2.022 Contract Compliance Inspector

After MDCH – Grants and Purchasing Division receives the properly executed Contract, it is anticipated that the Director of MDCH – Grants and Purchasing Division, will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract during its term. However, monitoring of the Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by MDCH – Grants and Purchasing Division.** The CCI for the Contract is:

Penny Saites
MDCH Grants and Purchasing Division
320 South Walnut
Lansing, MI 48823
saitesp@michigan.gov
Phone: (517) 335-5096



Fax: (517) 241-4845

2.023 Project Manager

The following individual will be responsible for monitoring and managing the daily operations under the contract:

Bethann Duffy, Purchasing
Center for Forensic Psychiatry
8303 Platt Road
Saline, MI 48176
Phone: 734-295-4531
Fax: 734-429-2099

CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE (COTR):

The clinic nurse at the Center for Forensic Psychiatry, Milan, Michigan, is hereby designated to act as contracting officer's technical representative (COTR) under this contract.

The COTR is responsible, as applicable for: providing direction to the contractor which clarifies the contract effort, fills in details or otherwise serves to accomplish the contractual scope of work; evaluating performance; and certifying all invoices/vouchers for acceptance of the supplies or services furnished for payment.

The COTR does not have the authority to alter the contractor's obligations under the contract, and/or modify any of the expressed terms, conditions, specifications, or cost of the agreement. If as a result of technical discussions, it is desirable to alter/change contractual obligations or the scope of work, the contracting officer shall issue such changes.

2.024 Change Requests

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

If the Contractor does not so notify the State, the Contractor has no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable.

Change Requests:

- (a) By giving Contractor written notice within a reasonable time, the State must be entitled to accept a Contractor proposal for Change, to reject it, or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice must be prepared and issued under the Contract, describing the Change and its effects on the Services and any affected components of the Contract (a "Contract Change Notice").
- (b) No proposed Change may be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the MDCH – Grants and Purchasing Division.
- (c) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of the Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

**2.025 Notices**

Any notice given to a party under the Contract must be deemed effective, if addressed to the State contact as noted in Section 2.021 and the Contractor's contact as noted on the cover page of the contract, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

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

2.026 Binding Commitments

Representatives of Contractor must have the authority to make binding commitments on Contractor's behalf within the bounds set forth in the Contract. Contractor may change the representatives from time to time upon written notice.

2.027 Relationship of the Parties

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

2.028 Covenant of Good Faith

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

2.029 Assignments

(a) Neither party may assign the Contract, or assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform the requirements of the Contract. The State may withhold consent from proposed assignments, subcontracts, or novations when the transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. If the State permits an assignment, the Contractor is not relieved of its responsibility to perform any of its contractual duties, and the requirement under the Contract that all payments must be made to one (1) entity continues.

(c) If the Contractor intends to assign the Contract or any of the Contractor's rights or duties under the Contract, the Contractor must notify the State in writing at least 90 days before the assignment. The Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

2.030 General Provisions**2.031 Media Releases**

News releases (including promotional literature and commercial advertisements) pertaining to the RFP and 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 from the State. No results of the activities associated with the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

**2.032 Contract Distribution**

MDCH – Grants and Purchasing Division retains the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by MDCH – Grants and Purchasing Division.

2.033 Permits

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

2.034 Website Incorporation

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

2.035 Future Bidding Preclusion

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

2.036 Freedom of Information

All information in any proposal submitted to the State by Contractor and the Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 PA 442, MCL 15.231, et seq (the "FOIA").

2.037 Disaster Recovery

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

2.040 Financial Provisions**2.041 Fixed Prices for Services/Deliverables**

Each Statement of Work or Purchase Order issued under the Contract must specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.042 Adjustments for Reductions in Scope of Services/Deliverables

If the scope of the Services/Deliverables under any Statement of Work issued under the Contract is subsequently reduced by the State, the parties must negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope.

2.043 Services/Deliverables Covered

For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under the Contract, the State must not be obligated to pay any amounts in addition to the charges specified in the Contract.

2.044 Invoicing and Payment – In General

(a) Each Statement of Work issued under the Contract must list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment and commodities to be provided, and the associated payment milestones and payment amounts.



(b) Each Contractor invoice must show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. Invoices for Services performed on a time and materials basis must show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 1.064**.

(c) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 PA 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

(d) **Contract Payment Schedule**

1. Contractor request for performance-based payment.
The Contractor may submit requests for payment of performance-based payments not more frequently than monthly, in a form and manner acceptable to the CCI. Unless otherwise authorized by the CCI, all performance-based payments in any period for which payment is being requested must be included in a single request, appropriately itemized and totaled.
2. Approval and payment of requests.
 - a) The Contractor is not entitled to payment of a request for performance-based payment prior to successful accomplishment of the event or performance criterion for which payment is requested. The CCI must determine whether the event or performance criterion for which payment is requested has been successfully accomplished in accordance with the terms of the Contract. The CCI may, at any time, require the Contractor to substantiate the successful performance of any event or performance criterion, which has been or is represented as being payable.
 - b) A payment under this performance-based payment clause is a contract financing payment under the Quick Payment Terms in **Section 1.061** of the Contract.
 - c) The approval by the CCI of a request for performance-based payment does not constitute an acceptance by the State and does not excuse the Contractor from performance of obligations under the Contract.

2.045 Pro-ration

To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services must be pro-rated for any partial month.

2.046 Antitrust Assignment

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

2.047 Final Payment

The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one (1) party against the other arising from unsettled claims or failure by a party to comply with the Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under the Contract must constitute a waiver of all claims by Contractor against the State for payment under the Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.048 Electronic Payment Requirement

Electronic transfer of funds is required for payments on State contracts. The Contractor must register with the State electronically at <http://www.cpexpress.state.mi.us>. As stated in 1984 PA 431, all contracts that the State enters into for the purchase of goods and services must provide that payment will be made by Electronic Fund Transfer (EFT).



2.050 Taxes

2.051 Employment Taxes

Contractors are expected to collect and pay all applicable federal, state, and local employment taxes.

2.052 Sales and Use Taxes

Contractors are required to be registered and to remit sales and use taxes on taxable sales of tangible personal property or services delivered into the State. Contractors that lack sufficient presence in Michigan to be required to register and pay tax must do so as a volunteer. This requirement extends to: (1) all members of any controlled group as defined in § 1563(a) of the Internal Revenue Code and applicable regulations of which the company is a member, and (2) all organizations under common control as defined in § 414(c) of the Internal Revenue Code and applicable regulations of which the company is a member that make sales at retail for delivery into the State are registered with the State for the collection and remittance of sales and use taxes. In applying treasury regulations defining “two (2) or more trades or businesses under common control” the term “organization” means sole proprietorship, a partnership (as defined in § 701(a)(2) of the Internal Revenue Code), a trust, an estate, a corporation, or a limited liability company.

2.060 Contract Management

2.061 Contractor Personnel Qualifications

All persons assigned by Contractor to the performance of Services under the Contract must be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and must be fully qualified to perform the work assigned to them. Contractor must include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of the Contract, independent contractors engaged by Contractor solely in a staff augmentation role must be treated by the State as if they were employees of Contractor for the Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

2.062 Contractor Key Personnel

(a) The Contractor must provide the CCI with the names of the Key Personnel.

(b) Key Personnel must be dedicated as defined in the Statement of Work to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.

(c) The State reserves 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, must introduce the individual to the appropriate State representatives, and must 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 must provide a written explanation including reasonable detail outlining the reasons for the rejection.

(d) Contractor must not remove any Key Personnel from their assigned roles on the 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”). Unauthorized Removals 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. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements and appropriate



transition planning must be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.

(e) The Contractor must notify the Contract Compliance Inspector and the Contract Administrator at least 10 business days before redeploying non-Key Personnel, who are dedicated to primarily to the Project, to other projects. If the State does not object to the redeployment by its scheduled date, the Contractor may then redeploy the non-Key Personnel.

2.063 Re-assignment of Personnel at the State's Request

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

2.064 Contractor Personnel Location

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

2.065 Contractor Identification

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

2.066 Cooperation with Third Parties

Contractor must cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel. As reasonably requested by the State in writing, the Contractor must provide to the State's agents and other contractors reasonable access to Contractor's Project personnel, systems and facilities to the extent the access relates to activities specifically associated with the Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor's time schedule for the Contract is very specific and must not unnecessarily or unreasonably interfere with, delay, or otherwise impede Contractor's performance under the Contract with the requests for access.

2.067 Contractor Return of State Equipment/Resources

The Contractor must return to the State any State-furnished equipment, facilities, and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

2.068 Contract Management Responsibilities

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



2.070 Subcontracting by Contractor

2.071 Contractor Full Responsibility

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

2.072 State Consent to Delegation

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

2.073 Subcontractor Bound to Contract

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

2.074 Flow Down

Except where specifically approved in writing by the State on a case-by-case basis, Contractor must flow down the obligations in **Sections 2.031, 2.060, 2.100, 2.110, 2.120, 2.130, 2.200** in all of its agreements with any Subcontractors.

2.075 Competitive Selection

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

2.080 State Responsibilities

2.081 Equipment

The State must provide only the equipment and resources identified in the Statements of Work and other Contract Exhibits.

2.082 Facilities

The State must designate space as long as it is available and as provided in the Statement of Work, to house the Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). The Contractor must have reasonable access to, and, unless agreed otherwise by the parties in writing, must observe and comply with all rules and regulations relating to each of the State Facilities (including hours of operation) used by the Contractor in the course of



providing the Services. Contractor must not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for the Contractor's use, or to which the Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.

2.090 Security

2.091 Background Checks

On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

All Contractor personnel must comply with the State's security and acceptable use policies for State IT equipment and resources. See <http://www.michigan.gov/dit>. Furthermore, Contractor personnel must agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. The Contractor must present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff must comply with all Physical Security procedures in place within the facilities where they are working.

2.092 Security Breach Notification

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must report to the State, in writing, any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 10 days of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances.

2.093 PCI Data Security Requirements—Reserved

2.100 Confidentiality

2.101 Confidentiality

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

2.102 Protection and Destruction of Confidential Information

The State and Contractor must each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication, or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by the Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party must limit disclosure of the other



party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of the Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under the Contract, (B) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect the Confidential Information from unauthorized use or disclosure.

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

2.103 Exclusions

Notwithstanding the foregoing, the provisions of **Section 2.100** will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose the information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of **Section 2.100** will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights

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

2.105 Respective Obligations

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

2.110 Records and Inspections

2.111 Inspection of Work Performed

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

2.112 Examination of Records

For seven (7) years after the Contractor provides any work under the Contract (the "Audit Period"), the State may examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules. The State must notify the Contractor 20 days before examining the Contractor's books and records. The State does not have the right to review any information deemed confidential by the Contractor to the extent access would require the confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.

**2.113 Retention of Records**

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

2.114 Audit Resolution

If necessary, the Contractor and the State will meet to review each audit report promptly after issuance. The Contractor must respond to each audit report in writing within 30 days from receipt of the report, unless a shorter response time is specified in the report. The Contractor and the State must develop, agree upon and monitor an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in the audit report.

2.115 Errors

(a) If the audit demonstrates any errors in the documents provided to the State, then the amount in error must be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four (4) invoices. If a balance remains after four (4) invoices, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly invoice that the balance appeared on or termination of the Contract, whichever is earlier.

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

2.120 Warranties**2.121 Warranties and Representations—Reserved****2.122 Warranty of Merchantability—Reserved****2.123 Warranty of Fitness for a Particular Purpose—Reserved****2.124 Warranty of Title—Reserved****2.125 Equipment Warranty—Reserved****2.126 Equipment to be New—Reserved****2.127 Prohibited Products—Reserved****2.128 Consequences For Breach—Reserved****2.130 Insurance****2.131 Liability Insurance**

The Contractor must provide proof of the minimum levels of insurance coverage as indicated below. The insurance must protect the State from claims which may arise out of or result from the Contractor's performance of Services under the terms of the Contract, whether the Services are performed by the Contractor, or by any Subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.



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

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

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

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in the Contract must be issued by companies that have been approved to do business in the State. See www.michigan.gov/deleg.

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

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

1. Commercial General Liability with the following minimum coverage:
- \$2,000,000 General Aggregate Limit other than Products/Completed Operations
 - \$2,000,000 Products/Completed Operations Aggregate Limit
 - \$1,000,000 Personal & Advertising Injury Limit
 - \$1,000,000 Each Occurrence Limit

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

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

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

3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

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

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

4. Employers liability insurance with the following minimum limits:
- \$100,000 each accident
 - \$100,000 each employee by disease
 - \$500,000 aggregate disease



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

2.132 Subcontractor Insurance Coverage

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

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to MDCH – Grants and Purchasing Division, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) must contain a provision indicating that coverages afforded under the policies **MUST NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED** without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of MDCH – Grants and Purchasing Division. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

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



of the cost from any payment due the Contractor, or the Contractor must pay that cost upon demand by the State.

2.140 Indemnification

2.141 General Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of the Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its Subcontractors, or by anyone else for whose acts any of them may be liable.

2.142 Code Indemnification

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

2.143 Employee Indemnification

In any claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its Subcontractors, the indemnification obligation under the Contract must not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its Subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

2.144 Patent/Copyright Infringement Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that the action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its Subcontractors, or the operation of the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor must at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if the option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if the option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

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

2.145 Continuation of Indemnification Obligations



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

2.146 Indemnification Procedures

The procedures set forth below must apply to all indemnity obligations under the Contract.

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

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State is entitled to participate in the defense of the claim and to employ counsel at its own expense to assist in the handling of the claim and to monitor and advise the State about the status and progress of the defense; (ii) the Contractor must, at the request of the State, demonstrate to the reasonable satisfaction of the State, the Contractor's financial ability to carry out its defense and indemnity obligations under the Contract; (iii) the Contractor must periodically advise the State about the status and progress of the defense and must obtain the prior written approval of the State before entering into any settlement of the claim or ceasing to defend against the claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State has the right, at its own expense, to control the defense of that portion of the claim involving the principles of Michigan governmental or public law. But the State may retain control of the defense and settlement of a claim by notifying the Contractor in writing within 10 days after the State's receipt of Contractor's information requested by the State under clause (ii) of this paragraph if the State determines that the Contractor has failed to demonstrate to the reasonable satisfaction of the State the Contractor's financial ability to carry out its defense and indemnity obligations under this Section. 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. In the event the insurer's attorney represents the State under this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State may defend the claim in the manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor must promptly reimburse the State for all the reasonable costs and expenses.

2.150 Termination/Cancellation

2.151 Notice and Right to Cure

If the Contractor breaches the Contract, and the State, in its sole discretion, determines that the breach is curable, then the State must provide the Contractor with written notice of the breach and a time period (not less than 30 days) to cure the Breach. The notice of breach and opportunity to cure is inapplicable for successive or repeated breaches or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

2.152 Termination for Cause

(a) The State may terminate the Contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under the Contract (including a Chronic



Failure to meet any particular SLA), or (ii) fails to cure a breach within the time period specified in the written notice of breach provided by the State

(b) If the Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating the Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by the Contract from other sources. Re-procurement costs are not consequential, indirect or incidental damages, and cannot be excluded by any other terms otherwise included in the Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under the Contract.

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

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

2.153 Termination for Convenience

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

2.154 Termination for Non-Appropriation

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

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

(c) If the State terminates the Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor under this Section, the State must pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. This Section will not preclude Contractor from reducing or stopping Services/Deliverables or raising against the State in a court of



competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

2.155 Termination for Criminal Conviction

The State may terminate the Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense related to a State, public or private Contract or subcontract.

2.156 Termination for Approvals Rescinded

The State may terminate the Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State must pay the Contractor for only the work completed to that point under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.

2.157 Rights and Obligations upon Termination

(a) If the State terminates the Contract for any reason, the Contractor must (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from the Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which must be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of the items included compensation to Contractor for the provision of warranty services in respect of the materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

(b) If the State terminates the Contract before its expiration for its own convenience, the State must pay Contractor for all charges due for Services provided before the date of termination and, if applicable, as a separate item of payment under the Contract, for Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor under the Contract, at the option of the State, becomes the State's property, and Contractor is entitled to receive equitable fair compensation for the Deliverables. Regardless of the basis for the termination, the State is not obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

(c) Upon a good faith termination, the State may assume, at its option, any subcontracts and agreements for Services and Deliverables provided under the Contract, and may further pursue completion of the Services/Deliverables under the Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.158 Reservation of Rights

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

2.160 Termination by Contractor

2.161 Termination by Contractor—Reserved

2.170 Transition Responsibilities

2.171 Contractor Transition Responsibilities



If the State terminates the Contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If the Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 30 days. These efforts must include, but are not limited to, those listed in **Sections 2.171, 2.172, 2.173, 2.174, and 2.175.**

2.172 Contractor Personnel Transition

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by the Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's Subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's Subcontractors or vendors. Contractor must notify all of Contractor's subcontractors of procedures to be followed during transition.

2.173 Contractor Information Transition

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

2.174 Contractor Software Transition

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

2.175 Transition Payments

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

2.176 State Transition Responsibilities

In the event that the Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:

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

2.180 Stop Work

2.181 Stop Work Orders

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.180.**



Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.150**.

2.182 Cancellation or Expiration of Stop Work Order

The Contractor must resume work if the State cancels a Stop Work Order or if it expires. The parties will agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract must be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment must conform to the requirements of **Section 2.024**.

2.183 Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, the termination must be deemed to be a termination for convenience under **Section 2.150**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State is not liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.180**.

2.190 Dispute Resolution

2.191 In General

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

2.192 Informal Dispute Resolution

- (a) All disputes between the parties must be resolved under the Contract Management procedures in the Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Director of MDCH – Grants and Purchasing Division, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:
- (i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.
 - (ii) During the course of negotiations, all reasonable requests made by one (1) party to another for non-privileged information reasonably related to the Contract must be honored in order that each of the parties may be fully advised of the other's position.
 - (iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.
 - (iv) Following the completion of this process within 60 calendar days, the Director of MDCH – Grants and Purchasing Division, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.



(b) This Section must not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under **Section 2.193**.

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

2.193 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.194 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment must not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.150**, as the case may be.

2.200 Federal and State Contract Requirements

2.201 Nondiscrimination

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

2.202 Unfair Labor Practices

Under 1980 PA 278, MCL 423.321, et seq., the State must not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under Section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, must not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Under Section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, after award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.203 Workplace Safety and Discriminatory Harassment

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

2.204 Prevailing Wage—Reserved

2.210 Governing Law

2.211 Governing Law



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

2.212 Compliance with Laws

Contractor must comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables.

2.213 Jurisdiction

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

2.220 Limitation of Liability

2.221 Limitation of Liability

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

The Contractor's liability for damages to the State is limited to two times the value of the Contract or \$500,000 whichever is higher. The foregoing limitation of liability does not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of the Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on the Contract.

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

2.230 Disclosure Responsibilities

2.231 Disclosure of Litigation

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

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



- (i) the ability of Contractor (or a Subcontractor) to continue to perform the Contract according to its terms and conditions, or
 - (ii) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of the Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:
 - (a) Contractor and its Subcontractors must be able to continue to perform the Contract and any Statements of Work according to its terms and conditions, and
 - (b) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.
- (c) Contractor must make the following notifications in writing:
- (1) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor must notify MDCH – Grants and Purchasing Division.
 - (2) Contractor must also notify MDCH – Grants and Purchasing Division within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.
 - (3) Contractor must also notify MDCH – Grants and Purchasing Division within 30 days whenever changes to company affiliations occur.

2.232 Call Center Disclosure

Contractor and/or all Subcontractors involved in the performance of the Contract providing call or contact center services to the State must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information is a material breach of the Contract.

2.233 Bankruptcy

The State may, without prejudice to any other right or remedy, terminate the Contract, in whole or in part, and, at its option, may take possession of the “Work in Process” and finish the Works in Process by whatever appropriate method the State may deem expedient if:

- (a) the Contractor files for protection under the bankruptcy laws;
- (b) an involuntary petition is filed against the Contractor and not removed within 30 days;
- (c) the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;
- (d) the Contractor makes a general assignment for the benefit of creditors; or
- (e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the services under the Contract.

Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process must be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

2.240 Performance

2.241 Time of Performance

- (a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.
- (b) Without limiting the generality of **Section 2.241(a)**, Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.
- (c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the



Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.

2.242 Service Level Agreements (SLAs)—Reserved

2.243 Liquidated Damages

The parties acknowledge that late or improper completion of the Work will cause loss and damage to the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result. Therefore, Contractor and the State agree that if there is late or improper completion of the Work and the State does not elect to exercise its rights under **Section 2.152**, 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.

(It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.152**, the State may assess liquidated damages against Contractor as specified below.

For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the liquidated damages amount is \$25,000.00 per individual if the Contractor identifies a replacement approved by the State under **Section 2.060** and assigns the replacement to the Project to shadow the Key Personnel who is leaving for a period of at least 30 days before the Key Personnel's removal.

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

2.244 Excusable Failure

Neither party will be liable for any default, damage, or delay in the performance of its obligations under the Contract to the extent the default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military, or otherwise), power failure, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. but the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay the Contractor's performance of the Services/provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State is not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance continues; (b) the State may terminate any portion of the Contract so affected and the



charges payable will be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to the Contractor, except to the extent that the State must pay for Services/Deliverables provided through the date of termination.

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

2.250 Approval of Deliverables

2.251 Delivery Responsibilities

Unless otherwise specified by the State within an individual order, the following must be applicable to all orders issued under the Contract.

(a) Shipment responsibilities - Services performed/Deliverables provided under the Contract must be delivered "F.O.B. Destination, within Government Premises." The Contractor must have complete responsibility for providing all Services/Deliverables to all site(s) unless otherwise stated. Actual delivery dates must be specified on the individual purchase order.

(b) Delivery locations - Services must be performed/Deliverables must be provided at every State of Michigan location within Michigan unless otherwise stated in the SOW. Specific locations will be provided by the State or upon issuance of individual purchase orders.

(c) Damage Disputes - At the time of delivery to State Locations, the State must examine all packages. The quantity of packages delivered must be recorded and any obvious visible or suspected damage must be noted at time of delivery using the shipper's delivery document(s) and appropriate procedures to record the damage.

Where there is no obvious or suspected damage, all deliveries to a State Location must be opened by the State and the contents inspected for possible internal damage not visible externally within 14 days of receipt. Any damage must be reported to the Contractor within five days of inspection

2.252 Delivery of Deliverables

Where applicable, the Statements of Work/POs contain lists of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable"), a good ("Physical Deliverable") or a Service. All Deliverables must be completed and delivered for State review and written approval and, where applicable, installed according to the State-approved delivery schedule and any other applicable terms and conditions of the Contract.

2.253 Testing

(a) Before delivering any of the above-mentioned Statement of Work Physical Deliverables or Services to the State, Contractor must first perform all required quality assurance activities to verify that the Physical Deliverable or Service is complete and conforms with its specifications listed in the applicable Statement of Work or Purchase Order. Before delivering a Physical Deliverable or Service to the State, Contractor must certify to the State that (1) it has performed the quality assurance activities, (2) it has performed any applicable testing, (3) it has corrected all material deficiencies discovered during the quality assurance activities and testing, (4) the Deliverable or Service is in a suitable state of readiness for the State's review and approval, and (5) the Deliverable/Service has all Critical Security patches/updates applied.

(b) If a Deliverable includes installation at a State Location, then Contractor must (1) perform any applicable testing, (2) correct all material deficiencies discovered during the quality assurance activities and testing, and (3) inform the State that the Deliverable is in a suitable state of readiness for the State's



review and approval. To the extent that testing occurs at State Locations, the State is entitled to observe or otherwise participate in testing.

2.254 Approval of Deliverables, In General

(a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, according to the following procedures. Formal approval by the State requires the State to confirm in writing that the Deliverable meets its specifications. Formal approval may include the successful completion of Testing as applicable in **Section 2.253**, to be led by the State with the support and assistance of Contractor. The approval process will be facilitated by ongoing consultation between the parties, inspection of interim and intermediate Deliverables and collaboration on key decisions.

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

(c) Before commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor according to **Section 2.253**.

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

(e) If, after three (3) opportunities (the original and two (2) repeat efforts), the Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that the Contractor cure the failure and give the Contractor additional time to cure the failure at the sole expense of the Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever the Contractor has failed to do, and recover the difference between the cost to cure the deficiency and the contract price plus an additional sum equal to 10% of the cost to cure the deficiency to cover the State's general expenses provided the State can furnish proof of the general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure the breach. Notwithstanding the foregoing, the State cannot use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

(f) The State, at any time and in its reasonable discretion, may halt the testing or approval process if the process reveals deficiencies in or problems with a Deliverable/Service in a sufficient quantity or of a sufficient severity that renders continuing the process unproductive or unworkable. If that happens, the State may stop using the Service or return the applicable Deliverable to Contractor for correction and re-delivery before resuming the testing or approval process.

2.255 Process For Approval of Written Deliverables

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Deliverable (and if the Statement of Work does not state the State Review Period, it is by default five (5) Business Days for Written Deliverables of 100 pages or less and 10 Business Days for Written Deliverables of more than 100 pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable before its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected before approval of the Deliverable (or at the State's election, after approval of the Deliverable). If the State notifies the



Contractor about deficiencies, the Contractor must correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts must be made at no additional charge. Upon receipt of a corrected Deliverable from Contractor, the State must have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

2.256 Process for Approval of Services

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

2.257 Process for Approval of Physical Deliverables

The State Review Period for approval of Physical Deliverables is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 continuous Business Days for a Physical Deliverable). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Deliverable (or at the State's election, after approval of the Deliverable). If the State delivers to the Contractor a notice of deficiencies, the Contractor must correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. The Contractor's correction efforts must be made at no additional charge. Upon receipt of a corrected Deliverable from the Contractor, the State must have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

2.258 Final Acceptance

Unless otherwise stated in the Article 1, Statement of Work or Purchase Order, "Final Acceptance" of each Deliverable must occur when each Deliverable/Service has been approved by the State following the State Review Periods identified in **Sections 2.251-2.257**. Payment will be made for Deliverables installed and accepted. Upon acceptance of a Service, the State will pay for all Services provided during the State Review Period that conformed to the acceptance criteria.

2.260 Ownership

2.261 Ownership of Work Product by State-Reserved

2.262 Vesting of Rights

With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.263 Rights in Data



(a) The State is the owner of all data made available by the State to the Contractor or its agents, Subcontractors or representatives under the Contract. The Contractor must not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of the Contractor. No employees of the Contractor, other than those on a strictly need-to-know basis, have access to the State's data. Contractor must not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, the Contractor must only use personally identifiable information as strictly necessary to provide the Services and must disclose the information only to its employees who have a strict need-to-know the information. The Contractor must comply at all times with all laws and regulations applicable to the personally identifiable information.

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

2.264 Ownership of Materials

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

2.270 State Standards

2.271 Existing Technology Standards

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

2.272 Acceptable Use Policy

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

2.273 Systems Changes

Contractor is not responsible for and not authorized to make changes to any State systems without written authorization from the Project Manager. Any changes Contractor makes to State systems with the State's approval must be done according to applicable State procedures, including security, access, and configuration management procedures.

2.280 Extended Purchasing

2.281 MIDEAL—Reserved

2.282 State Employee Purchases—Reserved

2.290 Environmental Provision

2.291 Environmental Provision

Hazardous Materials:

For the purposes of this Section, "Hazardous Materials" is a generic term used to describe asbestos, ACBMs, PCBs, petroleum products, construction materials including paint thinners, solvents, gasoline, oil,



and any other material the manufacture, use, treatment, storage, transportation, or disposal of which is regulated by the federal, State, or local laws governing the protection of the public health, natural resources, or the environment. This includes, but is not limited to, materials such as batteries and circuit packs, and other materials that are regulated as (1) "Hazardous Materials" under the Hazardous Materials Transportation Act, (2) "chemical hazards" under the Occupational Safety and Health Administration standards, (3) "chemical substances or mixtures" under the Toxic Substances Control Act, (4) "pesticides" under the Federal Insecticide Fungicide and Rodenticide Act, and (5) "hazardous wastes" as defined or listed under the Resource Conservation and Recovery Act.

(a) The Contractor must use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material according to all federal, State, and local laws. The State must provide a safe and suitable environment for performance of Contractor's Work. Before the commencement of Work, the State must advise the Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of the Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor must immediately stop all affected Work, notify the State in writing about the conditions encountered, and take appropriate health and safety precautions.

(b) Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State must order a suspension of Work in writing. The State must proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State must terminate the affected Work for the State's convenience.

(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.242** for a time as mutually agreed by the parties.

(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor must bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material according to Applicable Laws to the condition approved by applicable regulatory agency(ies).

Michigan has a Consumer Products Rule pertaining to labeling of certain products containing volatile organic compounds. For specific details visit http://www.michigan.gov/deq/0,1607,7-135-3310_4108-173523--,00.html

Refrigeration and Air Conditioning:

The Contractor must comply with the applicable requirements of Sections 608 and 609 of the Clean Air Act (42 U.S.C. 7671g and 7671h) as each or both apply to the Contract.

Environmental Performance:

Waste Reduction Program: Contractor must establish a program to promote cost-effective waste reduction in all operations and facilities covered by the Contract. The Contractor's programs must comply with applicable Federal, State, and local requirements, specifically including Section 6002 of the Resource Conservation and Recovery Act (42 U.S.C. 6962, et seq.).

2.300 Other Provisions



2.311 Forced Labor, Convict Labor, Forced or Indentured Child Labor, or Indentured Servitude Made Materials

Equipment, materials, or supplies, that will be furnished to the State under the Contract must not be produced in whole or in part by forced labor, convict labor, forced or indentured child labor, or indentured servitude.

“Forced or indentured child labor” means all work or service: exacted from any person under the age of 18 under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily; or performed by any person under the age of 18 under a contract the enforcement of which can be accomplished by process or penalties.



Attachment A, Price Proposal

In addition, for any CFP patient that has third party reimbursement, the vendor will forward the insurance information to the participating provider. If the third party payer rejects the claim, the information will be forwarded to the CFP along with an invoice that includes the above discount if applicable. Any co-payment amounts or deductibles will be invoiced to the CFP with no discounts applied.

Scenario	Task	Proposed Fee Structure
Patients with third party insurance	Vendor to process third party payments. Vendor to manage and charge a monthly administrative fee for service.	\$ 17,750.00 Monthly Administrative Fee to cover all services listed within this Contract
Patients without third party insurance in need of off-site services, i.e., ER, inpatient, outpatient, and subspecialty consults	Vendor to pay all costs for uninsured patients. Vendor to propose a percent discount on all costs of service to MDCH.	Variable – See Below Percent discount offered on cost of all services listed within this Contract

SecureCare/CHC will provide all services described within this proposal for a single monthly administrative fee of \$17,750. SecureCare/CHC will pass through all provider costs to CFP at 100% of actual paid amounts without any markup. Described herein are the highly discounted SecureCare/CHC rates that will be applied to CFP patient charges.

- **Facility Services – Inpatient:** SecureCare/CHC has a longstanding relationship with St. Joseph Mercy Hospital in Ann Arbor, Michigan, and has negotiated Diagnosis Related Groups (DRG) rates, a Medicare based rate structure, currently in place with the facility through our company. SecureCare/CHC estimates the average DRG discount to be 50-60% of actual charges, which varies based on such factors as diagnosis, length of stay, and conditions.
- **DRG Example 1:** SecureCare/CHC received hospital charges for \$141,837.90 for a single patient's care. Through SecureCare/CHC DRG rate, actual payment to the hospital totaled \$24,279.69, representing a savings to CFP of \$117,558.21.
- **DRG Example 2:** SecureCare/CHC received hospital charges for \$240,315.00 for a single patient's care. Through SecureCare/CHC DRG rate, actual payment to the hospital totaled \$55,356.22, representing a savings to CFP of \$184,958.78.
- **Facility Services – Outpatient:** SecureCare/CHC has negotiated a 40% discount on actual charges with participating providers.
- **Physician Services – Inpatient:** SecureCare/CHC has negotiated a 35% discount on actual charges with participating providers.
- **Physician Services – Outpatient:** SecureCare/CHC has negotiated a 35% discount on actual charges with participating providers.

SecureCare/CHC will make reasonable efforts to procure healthcare services for CFP patients at participating providers. In the case that a CFP patient necessitates care outside of a participating provider, SecureCare/CHC will attempt to negotiate a discount of the actual charges. CFP will retain responsibility for covering 100% of paid amounts to non-participating providers.

SecureCare/CHC will make reasonable efforts to maintain the negotiated discounts and DRG rates currently in place with each provider, including St. Joseph Mercy Hospital. In the case that a provider chooses to adjust their discount rate, SecureCare/CHC will notify CFP immediately of any such modifications. SecureCare/CHC will help facilitate all third party insurance for eligible CFP patients.



**Attachment B
HIPAA BUSINESS ASSOCIATE ADDENDUM**

The parties to this Business Associate Addendum ("Addendum") are the State of Michigan, acting by and through the Department of Management and Budget, on behalf of the Department of Community Health ("State") and _____, ("Contractor"). This Addendum supplements and is made a part of the existing contract(s) or agreement(s) between the parties including the following Contract(s): Temporary Pharmacist Services ("Contract").

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

- Covered Entity ("CE")
- Business Associate ("Associate")

and Contractor is (check one):

- Covered Entity ("CE")
- 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 ("PHI") (defined below). In consideration of the receipt of PHI, 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 PHI disclosed to Associate under the Contract in compliance with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA") and regulations promulgated thereunder by the U.S. Department of Health and Human Services (the "HIPAA Regulations") as amended by the Health Information Technology Economic and Clinical Health Act ("HITECH Act") under the American Recovery and Reinvestment Act of 2009, Public Law 111-5 ("ARRA"), and other applicable laws, as amended.
- C. As part of the HIPAA Regulations, the Privacy Rule and the Security Rule (defined below) require CE to enter into a contract containing specific requirements with Associate before the disclosure of PHI, as set forth in, but not limited to, 45 CFR §§ 160.103, 164.402, 164.410, 164.502(e), 164.504(e), and 164.314 and contained in this Addendum.



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

1. Definitions.

a. Except as otherwise defined herein, capitalized terms in this Addendum have the definitions set forth in the HIPAA Regulations at 45 CFR Parts 160, 162 and 164, as amended, including, but not limited to, subpart A, subpart C ("Security Rule"), subpart D (Breach Notification), and subpart E ("Privacy Rule").

b. "Agreement" means both the Contract and this Addendum.

c. "Breach" means the unauthorized acquisition, access, use, or disclosure of Protected Health Information that compromises the security or privacy of the Protected Health Information as defined in 45 CFR 164.402.

d. "Contract" means the underlying written agreement or purchase order between the parties for the goods or services to which this Addendum is added.

e. "Impermissible Use or Disclosure" means the acquisition, access, use, or disclosure of Protected Health Information in a manner not permitted under HIPAA that may or may not compromise the security or privacy of the Protected Health Information.

f. "Protected Health Information" or "PHI" has the meaning given to such term under the Privacy Rule and also means, by way of example and without limitation, any information, whether oral or recorded in any form or medium: (i) that relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual; and (ii) that identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

g. "Protected Information" means PHI provided by CE to Associate or created or received by Associate on CE's behalf.

h. "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.

2. Obligations of Associate.

a. Permitted Uses. Associate may not use Protected Information except for the purpose of performing Associate's obligations under the Contract and as permitted under this Agreement. Further, Associate cannot use Protected Information in any manner violates the HIPAA Regulations. Associate may use Protected Information: (i) for the proper management and administration of Associate in carrying out its duties under the Agreement; (ii) to carry out the legal responsibilities of Associate; or (iii) for Data Aggregation purposes for the Health Care Operations of CE. Additional provisions, if any, governing permitted uses of Protected Information are set forth in Appendix 1 to this Addendum.

b. Permitted Disclosures. Associate may not disclose Protected Information in any manner that would constitute a violation of the HIPAA Regulations if disclosed by CE, except that Associate may disclose Protected Information: (i) in a manner permitted under the Agreement; (ii) for the proper management and administration of Associate in carrying out its duties under the Agreement; (iii) as required by law; (iv) for Data Aggregation purposes for the Health Care Operations of CE; or (v) to report violations of law to appropriate federal or state authorities, consistent with 45 CFR § 164.502(j)(1). To the extent that Associate discloses Protected Information to a third party, Associate must obtain, before making any such disclosure: (i) reasonable assurances from such third party that such Protected Information will be held confidential as provided under this Addendum and only disclosed as required by law or for the purposes for which it was disclosed to such third party; and (ii) an agreement to implement reasonable and appropriate safeguards to protect the Protected Information; and (iii) an agreement from such third party to immediately notify Associate of any Impermissible Use, Disclosure, or Breach of the



Protected Information, or any Security Incident, to the extent it has obtained knowledge of such an occurrence. Additional provisions, if any, governing permitted disclosures of Protected Information are set forth in Appendix 1.

c. Appropriate Safeguards. Associate must implement appropriate Security Measures as are necessary to protect against the use or disclosure of all forms of Protected Information other than as permitted by the Contract or this Addendum. Associate must maintain a comprehensive written information privacy and security program that includes Security Measures that reasonably and appropriately protect the Confidentiality, Integrity, and Availability of Protected Information relative to the size and complexity of the Associate's operations and the nature and scope of its activities. Security Measures include, without limitation, the valid encryption and password protection of Protected Information and of all portable electronic devices that store Protected Information regardless of the nature and scope of its activities.

d. Reporting of a Breach, Security Incident or Impermissible Use or Disclosure. During the term of the Contract or this Addendum, Associate must notify CE in writing within twenty-four (24) hours of any suspected or actual Breach, Security Incident, or Impermissible Use or Disclosure. Associate must also take (i) prompt corrective action to cure any such event and (ii) any action required by applicable federal and state laws and regulations. Associate will cooperate with CE to mitigate the effects on any Breach, Security Incident, or Impermissible Use or Disclosure. Associate will document the incident and its outcome and will retain such documentation no less than five (5) years.

e. Notification. If a Breach, Security Incident, Impermissible Use or Disclosure occurs, and the PHI is under the control of the Associate or its subcontractor or its agent, the Associate must notify the affected individuals and is responsible for paying the costs associated with the Breach, Security Incident, Impermissible Use or Disclosure and subsequent notification to affected individuals. The Associate will cooperate with the CE in sending out any notification relating to a Breach, Security Incident, or Impermissible Use or Disclosure.

f. Associate's Agents. If Associate uses one or more subcontractors or agents to provide services under this Agreement, and such subcontractors or agents 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 further identifying CE as a third party beneficiary of the agreement with such subcontractors or agents in the event of any violation of such subcontractor or agent agreement. Associate must (i) implement and maintain sanctions against agents and subcontractors that violate such restrictions and conditions; (ii) mitigate the effects of any such violation; and (iii) be responsible for any activities and costs associated with carrying out any Breach Notification for which an agent or subcontractor is responsible.

g. Access to Protected Information. Associate must make available Protected Information maintained by Associate or its agents or subcontractors in Designated Record Sets to CE for inspection and copying within ten days of a request by CE to enable CE to fulfill its obligations to permit individual access to PHI under the Privacy Rule, including, but not limited to, 45 CFR § 164.524.

h. Amendment of PHI. Within ten days of receipt of a request from CE for an amendment of Protected Information or a record about an individual contained in a Designated Record Set, Associate or its agents or subcontractors must make such Protected Information available to CE for amendment and incorporate any such amendment to enable CE to fulfill its obligations with respect to requests by individuals to amend their PHI under the Privacy Rule, including, but not limited to, 45 CFR § 164.526. If any individual requests an amendment of Protected Information directly from Associate or its agents or subcontractors, Associate must notify CE in writing within ten days of receipt of the request, and then, in that case, only the CE may either grant or deny the request.

i. Accounting Rights. Within ten days of notice by CE of a request for an accounting of disclosures of Protected Information, Associate and its agents or subcontractors must make available to CE the information required to enable CE to fulfill its obligations under the Privacy Rule, including, but not limited to, 45 CFR § 164.528. As set forth in, and as limited by, 45 CFR § 164.528, Associate is not required to provide an accounting to CE of disclosures made: (i) to carry out treatment, payment or health care operations, as set forth in 45 CFR § 164.506; (ii) to individuals of Protected Information about them



as set forth in 45 CFR § 164.502; (iii) under an authorization as provided in 45 CFR § 164.508; (iv) to persons involved in the individual's care or other notification purposes as set forth in 45 CFR § 164.510; (v) for national security or intelligence purposes as set forth in 45 CFR § 164.512(k)(2); or (vi) to correctional institutions or law enforcement officials as set forth in 45 CFR § 164.512(k)(5). Associate agrees to implement a process that allows for an accounting to be collected and maintained by Associate and its agents or subcontractors for at least six years before the request, but not before the compliance date of the Privacy Rule. At a minimum, such information must include: (i) the date of disclosure; (ii) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (iii) a brief description of Protected Information disclosed; and (iv) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or a copy of the individual's authorization, or a copy of the written request for disclosure. If the request for an accounting is delivered directly to Associate or its agents or subcontractors, Associate must forward it within ten days of the receipt of the request to CE in writing. CE must prepare and deliver any such accounting requested. Associate may forward it not disclose any Protected Information except as set forth in Section 2(b) of this Addendum.

j. Governmental Access to Records. Associate must make available its internal practices, books and records relating to the use and disclosure of Protected Information to the Secretary of the U.S. Department of Health and Human Services (the "Secretary"), in a time and manner designated by the Secretary, for purposes of determining CE's compliance with the HIPAA Regulations. Associate must provide to CE a copy of any Protected Information that Associate provides to the Secretary concurrently with providing such Protected Information to the Secretary.

k. Minimum Necessary. Associate (and its agents or subcontractors) must comply with the Minimum Necessary requirements of the Privacy Rule, including, but not limited to 45 CFR §§ 164.502(b) and 164.514(d), by requesting, using, and disclosing only the minimum amount of Protected Information necessary to accomplish the purpose of the request, use or disclosure.

l. Data Ownership. Unless otherwise specified in the Contract, Associate acknowledges that Associate has no ownership rights with respect to the Protected Information. The CE retains all ownership rights of the Protected Information.

m. Retention of Protected Information. Notwithstanding Section 5(d) of this Addendum, Associate and its subcontractors or agents must retain all Protected Information throughout the term of the Contract and must continue to maintain the information required under Section 2(h) of this Addendum for a period of six 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 survives the termination of the Contract.

n. Destruction of Protected Information. Associate agrees to implement policies and procedures for the final disposition of electronic Protected Information and the hardware and equipment on which it is stored, including but not limited to, removal before re-use, as well as paper or other hard copy media, in accordance with the most recent guidance from the Department of Health and Human Services' Secretary.

o. Audits, Inspection and Enforcement. Within ten days after 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 under this Addendum for the purpose of determining whether Associate has complied with this Addendum; provided, however, that: (i) Associate and CE must mutually agree in advance upon the scope, timing and location of such an inspection; (ii) CE must 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 must 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. CE's (i) failure to detect or (ii) detection, but failure to notify Associate or require Associate's remediation of any unsatisfactory practices, does not constitute acceptance of such practice or a waiver of CE's enforcement rights under this Agreement.



p. Safeguards During Transmission. Associate is responsible for using Security Measures to reasonably and appropriately maintain and ensure the Confidentiality, Integrity, and Availability of Protected Information transmitted to or on behalf of CE under this Agreement, in accordance with the standards and requirements of the HIPAA Regulations, until such Protected Information is received by CE or the intended recipient, and in accordance with any specifications set forth in Appendix 1.



3. Obligations of CE.

a. Safeguards During Transmission. CE is responsible for using Security Measures to reasonably and appropriately maintain and ensure the Confidentiality, Integrity, and Availability of Protected Information transmitted to Associate under this Agreement, in accordance with the standards and requirements of the HIPAA Regulations, until such Protected Information is received by Associate, and in accordance with any specifications set forth in Appendix 1.

b. Notice of Changes. CE must provide Associate with a copy of its notice of privacy practices produced in accordance with 45 CFR § 164.520, as well as any subsequent changes or limitation(s) to such notice, to the extent such changes or limitations may effect Associate's use or disclosure of Protected Information. CE must provide Associate with any changes in, or revocation of, permission to use or disclose Protected Information, to the extent it may affect Associate's permitted or required uses or disclosures. To the extent that it may affect Associate's permitted use or disclosure of Protected Information, CE must notify Associate of any restriction on the use or disclosure of Protected Information that CE has agreed to in accordance with 45 CFR § 164.522.

4. Term. This Addendum must 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 Regulations, whichever first occurs. However, certain obligations will continue as specified in this Addendum.

5. Termination.

a. Material Breach. In addition to any other provisions in the Contract regarding breach, a breach by Associate of any provision of this Addendum, as determined by CE, constitutes a material breach of the Agreement and is grounds for termination of the Contract by CE under the provisions of the Contract covering termination for cause. If the Contract contains no express provisions regarding termination for cause, the following apply to termination for breach of this Addendum, subject to 5.b.:

(1) 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 days, CE may immediately terminate the Agreement. Associate must continue performance of the Agreement to the extent it is not terminated.

(2) Associate's Duties. Notwithstanding termination of the Agreement, and subject to any directions from CE, Associate must timely, reasonably and necessarily act to protect and preserve property in the possession of Associate in which CE has an interest.

(3) Compensation. Payment for completed performance delivered and accepted by CE must be at the Contract price.



(4) Erroneous Termination for Default. If, after the CE terminates the Contract because of the Associate's default, it is determined, for any reason, that Associate was not in default, or that Associate's action/inaction was excusable, such termination will be treated as a termination for convenience, and the rights and obligations of the parties will 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 this Agreement under Section 5(a), then CE must 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 must either (i) terminate this Agreement, if feasible or (ii) if termination of this Agreement is not feasible, CE must report Associate's breach or violation to the Secretary of the Department of Health and Human Services.

c. Effect of Termination.

(1) Except as provided in paragraph (2) of this subsection, upon termination of this 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 must retain copies of such Protected Information. If Associate elects to destroy the Protected Information, Associate must certify in writing to CE that such Protected Information has been destroyed.

(2) 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 Sections 2(a), 2(b), 2(c), 2(d), 2(e) and 2(f) 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. No Waiver of Immunity. No term or condition of this Agreement must be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protection, or other provisions of the Michigan Governmental Immunity Act, MCL 691.1401, *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.



7. Disclaimer. CE makes no warranty or representation that compliance by Associate with this Addendum, HIPAA or the HIPAA Regulations 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 and PHI.

8. Certification. To the extent that CE determines an examination is necessary in order to comply with CE's legal obligations under HIPAA relating to certification of its security practices, CE or its authorized agents or contractors, may, at CE's expense, examine Associate's facilities, systems, procedures and records as may be necessary for such agents or contractors to certify to CE the extent to which Associate's security safeguards comply with HIPAA, the HIPAA Regulations or this Addendum.

9. Amendment.

a. Amendment to Comply with Law. The parties acknowledge that state and federal laws relating to data security and privacy are rapidly evolving and that amendment of this Addendum may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take such action as is necessary to implement the standards and requirements of HIPAA, the Privacy Rule, the Security Rule and other applicable laws relating to the security or privacy of Protected Information. The parties understand and agree that CE must receive satisfactory written assurance from Associate that Associate will adequately safeguard all Protected Information. 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 or other applicable laws. CE may terminate the Agreement upon thirty days written notice if (i) Associate does not promptly enter into negotiations to amend this Agreement when requested by CE under this Section or (ii) Associate does not enter into an amendment to this Agreement providing assurances regarding the safeguarding of PHI that CE, in its sole discretion, deems sufficient to satisfy the standards and requirements of HIPAA, the HIPAA Regulations and other applicable laws.

b. Amendment of Appendix 1. Appendix 1 may be modified or amended by mutual agreement of the parties in writing from time to time without formal amendment of this Addendum.

10. Assistance in Litigation or Administrative Proceedings. Associate must make itself, and any subcontractors, employees or agents assisting Associate in the performance of its obligations under this Agreement, available to CE, at no cost to CE, to testify as witnesses, or otherwise, if someone commences litigation or administrative proceedings against CE, its directors, officers or employees, departments, agencies, or divisions based upon a claimed violation of HIPAA, the HIPAA Regulations or other laws relating to security and privacy of Protected Information, except where Associate or its subcontractor, employee or agent is a named adverse party.

11. No Third Party Beneficiaries. Nothing express or implied in this Addendum is intended to confer any rights, remedies, obligations or liabilities upon any person other than CE, Associate and their respective successors or assigns.

12. 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 must remain in force and effect. 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 Contract.

13. Interpretation and Order of Precedence. This Addendum is incorporated into and becomes part of the Contract. Together, this Addendum and each separate Contract constitute the "Agreement" of the parties with respect to their Business Associate relationship under HIPAA and the HIPAA Regulations. The provisions of this Addendum must prevail over any provisions in the Contract that may conflict or appear inconsistent with any provision in this Addendum. This Addendum and the Contract must be interpreted as broadly as necessary to implement and comply with HIPAA and the HIPAA Regulations. The parties agree that any ambiguity in this Addendum must be resolved in favor of a meaning that complies and is consistent with HIPAA and the HIPAA Regulations. This Addendum supercedes and replaces any previous separately executed HIPAA addendum between the parties. If this Addendum



conflicts with the mandatory provisions of the HIPAA Regulations, then the HIPAA Regulations control. Where the provisions of this Addendum differ from those mandated by the HIPAA Regulations, but are nonetheless permitted by the HIPAA Regulations, the provisions of this Addendum control.

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

15. Survival of Certain Contract Terms. Notwithstanding anything in this Addendum to the contrary, Associate's obligations under Section 5(d) and record retention laws ("Effect of Termination") and Section 13 ("No Third Party Beneficiaries") survive termination of this Agreement and are enforceable by CE if the Associate fails to perform or comply with this Addendum.



16. Representatives and Notice.

a. Representatives. For the purpose of this Agreement, the individuals identified in the Contract must 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 Agreement. Either party may from time to time designate in writing new or substitute representatives.

b. Notices. All required notices must be in writing and must be hand delivered or given by certified or registered mail to the representatives at the addresses set forth below.

Covered Entity Representative:

Name: Kim Stephen
Title: Director, Bureau of Budget and Audit
Department and Division: Michigan Department of Community Health
Address: 320 S. Walnut Street
Lansing, Michigan 48913

Business Associate Representative:

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

Any notice given to a party under this Addendum must 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
[INSERT NAME]
By: _____
Date: _____
Print Name: _____
Title: _____

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



Attachment C

Project Plan

The following is representative of SecureCare's plan to manage the CFP requested services for offsite facility and physician patient services, both inpatient and outpatient.

- A. **Contact Point** – There will be one contact point/person designated at SecureCare that will schedule and retrieve patient information for all in/outpatient appointments, procedures and hospitalizations. Having one central contact for the CFP will also assist in decreasing security risks that can be associated with too many personnel involved.
- B. **Emergency Transfers** – CFP authorized health services staff will contact SecureCare on-call administrator via pager, 24 hours per day 7 days per week. The patient information given to the administrator will be relayed to the emergency department at St. Joseph Mercy Health System. This assists with expediting the care received and also reduces security staff waiting time.

If the patient needs to be admitted, CFP will be notified for authorization. Case management is started when the patient is in the emergency department. This allows for information to be shared with the attending emergency department physician.

If the patient is admitted they are case managed daily, at the very minimum. Patient condition is forwarded to the CFP Clinical Nurse or their designee.

If the CFP wishes to transfer a medically stable patient to another hospital, SecureCare facilitates necessary arrangements.

- C. **Scheduling** – All scheduling will be handled through the SecureCare office, after CFP authorization. This increases continuity of care and decreases overlapping, while also decreasing security risks.
- D. **Centralized Billing** – Per patient, invoices received for facility and professional fees will be separated by inpatient and outpatient services on one invoice per patient and submitted to the CFP. If requested copies of the HCFA-1500 and UB-92 will be included. SecureCare will work closely with the CFP to develop a mutually agreeable invoice format.
- E. **Administrative Oversight** – SecureCare's point of contact (POC) will be responsible for contract oversight 24 hours per day. Any SecureCare personnel providing services related to this contract will be under the direct supervision of the POC.

SecureCare's POC will act as a liaison between the CFP and the medical provider or facility. If any non-medical issues arise regarding the patients or security staff, CFP will be notified immediately. Any outside patient inquires will be forwarded to health services at the CFP.