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

CONTRACT NO. 071B6200168
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR / VENDOR	VENDOR TELEPHONE

CLIENT NETWORK SERVICES, INC. (CNSI)
702 King Farm Boulevard, 2nd Floor
Rockville, MD 20850
 	
Mr. B. Chatterjee, President [chatterjee@cns-inc.com](or)
Mr. Jaytee Kanwal, Chief Financial Officer (or)
Mr. Matthew Hoffman, Vice President & Corporate Counsel
	(301) 634-4600
	
	BUYER/CA Dale Reif
	  a. Tel: (517) 373-3993
	  b. Email:

Contract Compliance Inspector: **McLaury, Dave, Department of Community Health -**
i. Medicaid Services Administration   Email: McLauryD@michigan.gov **Tel: (517) 241-7135**

CONTRACT PERIOD:	From: **03/14/2006**	To: **09/30/2011**

TERMS: Enclosed	SHIPMENT **N/A**

F.O.B.
    N/A
	SHIPPED FROM
	    N/A

MINIMUM DELIVERY REQUIREMENTS: **N/A**	

MISCELLANEOUS INFORMATION: **THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the Invitation-To-Bid # 071I5200190 and the vendor's proposal and quotation to the State dated 06/23/2005.** The terms and conditions of the Agreement are specified in this CONTRACT document. 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 shall take precedence.

The State reserves two (2) options to extend the Contract for one fiscal year to provide maintenance services (only), with an end-date through 09/30/2013.

The CONTRACT VALUE is firm, fixed, with a maximum Not To Exceed: $51,500,000.00

FOR THE VENDOR: **FOR THE STATE:**

Authorized Agent Signature Date	Signature Date
ii) iii) **B. Chatterjee, President**	**Elise A. Lancaster, Director**
Authorized Agent (Print or Type)	Name Title
2) **CLIENT NETWORK SERVICES, INC.**	*Section 1.02 Department of Management & Budget – Office of Acquisition Services*
Vendor Name	

Article II. Statement of Work

Section 2.01   Project Objective

The intent of this Contract is to procure the transfer of a "Certifiable" Michigan Medicaid Management Information System (MMIS) to support Michigan's Medicaid program areas including: benefits administration; claims and encounter processing; contract management; eligibility and enrollment; financial services; member services; program investigations; provider services; service authorizations and referrals.

Section 2.02   Project Background

The Michigan Department of Community Health (DCH), created in 1996, consolidated portions of the former Department of Public Health with the Department of Mental Health and the Medical Services Administration. The Office of Drug Control Policy, the Office of Services to the Aging, and the Crime Victims Services Commission were subsequently consolidated with DCH. With a Fiscal Year (FY) 2003 gross appropriation of $9.2 billion and approximately 4,900 employees, DCH is responsible for health policy and management of Michigan's publicly funded health systems. Services are planned and delivered through several integrated components.

DCH oversees Medicaid health care coverage for approximately 1.4 million Michigan residents. Mental health and substance abuse services are provided through contracts with 18 Community Mental Health Services Programs. These programs, which serve as Preferred Health Providers, manage Medicaid funded specialty services across the state. They provide community-based behavioral and mental health services and support to persons with mental illness, developmental disabilities and addictive disorders.

The Department of Information Technology (DIT) was created in October 2001 by Executive Order No. 2001-3 to achieve a unified and more cost-effective approach for managing information technology among all Executive Branch agencies.

DIT provides technical and management support services to all State of Michigan agencies. The specific areas within DIT providing support services are Agency Services, and Infrastructure Services. These service areas assist State agencies in providing state-of-the-art IT products to the public.

The current Michigan Medicaid System is comprised of the seven CMS mandated subsystems that supply data to or process data from the Claims Processing System. The system was originally written in 1972 with rewrites in 1975 and 1985. The only comprehensive and up-to-date source of system documentation is the actual COBOL code. Both SURS and MARS reports are created on the data warehouse using data from the Claims Processing System and other Enterprise level sources. The Claims Payment system pays fee-for-service and capitated claims for clients eligible for the Medicaid program, Children's Special Health Care Services (CSHCS) program or the Adult Benefit Waiver (ABW). The MMIS also interfaces with several external systems to obtain eligibility information, pharmacy claims, prior authorization, TPL, and other data.

The Michigan MMIS is certified by CMS for enhanced Federal Financial Participation (FFP) for all approved operations costs. The replacement system must meet all Federal requirements as well as any State requirements for operation and functionality.

State acceptance of federal money for DDI costs is contingent upon the system meeting all requirements of State Medicaid Manual Section 11, including the following language regarding the software rights of the United States Department of Health and Human Services:

"The State has a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use and authorize others to use for Federal Government purposes, software, modifications to software, and documentation that is designed, developed, installed or enhanced with Federal Financial Participation dollars."

Under the direction of the State, a Project Control Office (PCO) has been established for the MMIS project. The PCO is responsible for the governance of this project, including development of the overall strategy and plan to meet the goals and objectives outlined above, gaining stakeholder agreement to the plan, establishing a budget, and obtaining funding for the project.

The PCO will be a critical component of the overall MMIS Program Management structure and provide the State with detailed project control and oversight independent of the Development and Implementation Contractor. This will serve as a quality assurance mechanism for the State of Michigan.

The State's general approach to this project is to have the Contractor work with key State of Michigan staff to perform a "knowledge transfer" throughout the project. This will enable the State to maintain and enhance the system at the end of the contract. This approach encompasses both business (i.e., DCH) and technical (i.e., DIT) staff.

The State intends to assign DIT and DCH staff to the project. These individuals will be dedicated full-time to the MMIS project and are expected to become the subject matter experts for various areas of the system. The intent is for the State to have experience and knowledge in all aspects of MMIS by the end of the contract.

To accomplish this, the State expects the Contractor to pair State staff with key individuals from the Contractor team from the beginning of the project. The Contractor will manage these staff in terms of work assignments. Phase 2 Transition and Transfer defines the Contractor requirements for a formal transfer of responsibility at the end of the contract. Specific tasks within some of the activities also define Contractor requirements related to this "knowledge transfer".

Each party shall reasonably cooperate with the other party in the performance of the Contract, including provision by the State of timely access to data, information, and its personnel. The State shall be responsible for the performance of its obligations and for the accuracy and completeness of data and information provided to the Contractor. Contractor's performance is dependent upon the timely and effective satisfaction of the State's responsibilities.

Section 2.03   SCOPE OF WORK AND DELIVERABLES
(A)   In Scope

This section of the Contract describes the functional scope of MMIS. The descriptions of the required functions are provided to guide the Contractor in understanding the State's

requirements to provide automation support for the administration of the programs for which DCH is responsible.

DCH has determined that an optimum method of meeting its stated objectives is to implement MMIS in a Phased approach. The first Phase will focus on Design, Development and Implementation. The second Phase will largely concentrate on the Transition and transfer of system operations. The last Phase will provide Maintenance services.   In this Phased strategy, the majority of deliverables will be implemented first, as well as associated reporting and interface functions that accompany these processes.

MMIS will be developed from the outset to include design, development and implementation of the following subsystems Provider Enrollment, Benefits Administration, Claims and Encounters, Contracts Management, Reference, Eligibility, Enrollment and Benefits, Financial Services, Member Services, Service Authorization and Referrals, and Program Investigation and the integration to the existing modules SURS and MARS.   It also encompasses conversion of data, the expansion of the existing imaging and document management services, a provider web portal, and the creation of a comprehensive contact / call management system.   Specifically, in the initial release, the proposed solution shall meet all mandatory requirements delineated in the contract.

The requirements of the contract are as fully specified in Appendices A, B, and C.
For the technical requirements of the contract, Appendix A references the specific requirement in Appendix C by number and section.

The Appendices included are:

- Appendix A: Requirements acceptance by vendor
- Appendix B: Response by vendor of how they will meet the State's business requirements
- Appendix C: Response by vendor of how they will meet the State's technical requirements
- Appendix D: Payment schedule for deliverables
- Appendix E: Proprietary Software

Numeric references within this Article 1 to line items within the appendices are for ease of reference only and do not alter or modify the requirements as contained within Appendices A, B, and C. In the event of a conflict between the terms of this Article 1 and the terms of Appendices A, B, or C the terms of the relevant Appendix will control.

This Contract incorporates the following abbreviations:

- CE – claims encounters
- B – benefits management
- PA – prior authorization
- MS – member services
- CM – contract monitoring
- EE – eligibility
- F – financial
- PI – program investigation

- PR – provider services

This project will be developed and implemented in three major phases: It should be noted that the DDI Phase will be broken down into a staged implementation so as to provide early implementation of key components of the system

Phase I - Design, Development and Implementation of a new system (DDI), project management and support services, including provider and business staff training, technical knowledge transfer, cultural and business process change management, risk mitigation, certification support, disaster recover process development, and system documentation (approximately 21 – 27 months); This Phase covers the following high level deliverables.   A more complete list of deliverables is outlined in the contract.

Phase II - Turnover, Transition, Transfer of system operations, and CMS Certification (approximately 12 – 15 months);

Phase III - Maintenance services (approximately 18 – 24 months, ending 09/30/2011), with an option to purchase an additional two years of maintenance services.

(B)   *Out of Scope*
The following activities / services are considered out-of-scope under the terms of this contract:

- Pharmacy Benefit Management Component
- Managed Care Enrollment
- Provider Outreach
- Training
- Modifications to the State's data-warehouse, with the exception of implementing interfaces that allow for data exchanges between the Replacement MMIS and the warehouse; (as both MARS and SURS are produced from the State's Data-warehouse, these are also outside the scope of this CONTRACT)
- Modification to the State's Legacy MMIS' application.

Section 2.04   Project Standards, Capabilities and Responsibilities

(A)   Environmental Standards

(i) Security:
State will provide all appropriate physical security for all equipment installed at State facilities, according to its established standards; and the Contractor shall provide all appropriate physical security for all equipment and data installed or accessed at its facilities.

(ii) Time:
All time references shall be Eastern Time.

(iii) Language:
Identifying and clinical information on all Recipient Explanation of Medical Benefits (REOMBs) shall be in standard, American English language.

(iv) Printing:
State owned or contracted printers will be used for all operational printing.

(v) DIT Standards:
The Contractor must adhere to all applicable standards as established by the State of Michigan, Department of Information Technology and provided on the website at http://michigan.gov/dit. The referenced website provides an exhaustive list of such DIT standards.

(vi) Testing:
o   Integrated Test facility (ITF) will be hosted at the disaster recovery (DR) site;
o   Test environment at development site;
o   ITF will become the MMIS DR site or blend with the State DR solution;
o   State will provide power, HVAC, ISP, and manage connectivity between the test site and the production data center.

(vii)   Access to State Systems:
Contractor will require direct access to the MMIS system to enable its ETL tools to perform reverse engineering against systems from which we are converting data. If direct access cannot be provided, then the State will work with Contractor to enable Contractor's ETL tool to obtain the reverse engineered model.

(viii)   Licensing:
State will provide Hewlett Packard Open-view Licensing to Contractor for network related performance Monitoring, and CA-Unicenter for server performance monitoring on this project (only).

(ix) Architecture
State will provide the firewalls, load balancers, SSL Accelerators, and back-end switches as proposed in the Network Architecture, §1.004, Requirement 01 of Contractor's 06/23/2005 Proposal.

(x) Performance Standards
Performance standard measures will be taken within the firewall contained within State facilities.

(xi) Identity Management Software
State will provide identity management software.

(xii)   System Control
All changes to system application code or system settings, including database, prior to system handover to the State will be performed by the Contractor. Contractor will have no obligation for correction of system errors, deficiencies, or failures if due to changes made by or improper usage by the State or any third party not authorized by Contractor.

(B)   Hardware and Software

(i) Responsibility for Work
During Phases I and II Contractor shall have primary responsibility for development of the infrastructure; work will be performed in conjunction with State Staff and shall

follow and be subject to State DIT Data Center / Infrastructure standards and processes.

(ii) Hardware and Software Purchasing
o The State reserves the option to purchase hardware and required software for the proposed MMIS configuration from the Contractor. Contractor must include the cost per item, once specifications are detailed by DCH and by the Michigan Department of Information Technology (hereinafter referred to as DIT), for any purchase and / or installation of the hardware/software at the DIT data center, throughout the life of this Contract. The hardware / software configuration(s) must meet the performance standards as determined by DIT. If the State elects to have the Contractor purchase on behalf of the State any equipment/Software the Contractor will pass ownership and licensing on to the State.

o For any hardware or software procured by the State the State shall have sole responsibility for maintenance of such hardware or software. Any delays in Contractor performance as a result of such hardware or software shall not be the responsibility of Contractor.

(iii) State Acquired Hardware and Software
o All hardware and software necessary for installation of Contractor's Base System shall be functioning pursuant to the Vendor Work Plan / Project Plan and the Service Level Metrics defined in this contract as approved by the State.

o Failure of the State to procure and install the items of hardware and software proposed for purchase by Contractor and in accordance with Contractor proposed schedules may result in negative project impacts. In the event the State, without Contractor's concurrence, deviates from the Contractor proposed hardware and software bill of materials Contractor may submit a change request to address resulting performance delays faced by Contractor.

(C)   Training

Contractor will provide one training liaison for use during Phases I and II.

(D)   Project Planning
(i) Project Work Plan
The Maintenance Phase is not included in Microsoft Project Plan per Section 4.308 of the RFP.

(ii) Detailed Project Plan
o The Detailed Project Plan deliverable includes start-up planning activities and bi-weekly updates, as well as, the development of the initial Detailed Project Plan.

o Per RFP Section 1.301.B.6, state staff resource loading is not required in the initial project plan; however, Contractor has included estimates of loading and hours of staff resources. This will be updated in the detailed Project Plan update after contract signing.

(iii) Project Library

The Project Management System is integrated in the Project Library (As-One). The deliverable also includes monthly training sessions for a period of twelve months following execution of this Contract. Access to and use of As-One will be made available to the State and the PCO through certification at no cost for use in support of this effort.

(iv) Weekly Status

Tasks associated with weekly status and risk reviews are included under the weekly status and risk reports deliverables.

(v) Test Plans

The Test Plans deliverable is submitted in multiple iterations: Web Portal Test Plan, Document Management System Test Plan, MMIS Unit and System Test Plans, and MMIS Acceptance and Operations Test Plans. This is done in order to incorporate early delivery of functionality and lessons learned from unit and system testing.

(vi) Start-up

Start-up activities, planning, and training must be planned prior to requirements validation.

(E) Interfaces

- An Interfaces subsystem has been included as one of the subsystems that are developed with the MMIS.

- Contractor will develop the eligibility interface in accordance with the specifications provided in the RFP with testing and acceptance based upon the specifications. Any deviation from the RFP interface specification may result in a change request issued by Contractor.

(F) Parallel Tasking

- Each subsystem moves on to design upon completion of requirements validation of the subsystem and in parallel with the review and approval of the integrated Requirements Validation Document.

- Each subsystem moves on to construction upon completion of the design of the subsystem and in parallel with the review and approval of the integrated Detailed System Design Document.

- Development of the Facility Security Plan, Staff Training and Knowledge Transfer Plan, Turnover Plan, and Backup Contingency Plans will commence after requirements validation to ensure the entire system is fully understood.

(G) Provider Enrollment Subsystem

The tasks for requirements validation for the Provider Subsystem enrollment capability are included under the System Design of Provider Enrollment task.

(H) Data Conversion

The Data Conversion Reports formal deliverable will be delivered after final data conversion during cutover for each of the cutover systems (early systems and MMIS).

(I) State Staff

- The State will designate a State staff Conversion Manager

- The State will designate a State staff Test Manager

- The State will provide, in accordance with the Contractor annual staffing plan, as same may be amended from time to time, a dedicated, knowledgeable counterpart corresponding to each of the project teams that Contractor has proposed. Failure of the State to provide such resources may result in a revision of the calendar or possible issuance of change requests by Contractor.

(J) Operations

Operations and maintenance tasks have been added under the early implementation deliveries to maintain the systems until the Operations Date of the MMIS. The Operations Date is proposed at 21 months after contract start-date, with an additional 7-8 months for stabilization and certification.

(K) Provider Outreach and Training

Provider outreach and training is the responsibility of the State. Any deviation by the State from the provider outreach activities and schedule defined in the initial Contractor work plan may result in a Change Request.

(L) PCO Vendor Involvement

(i) Contractor Staff

The Contractor Work Plan and Schedule does not provide for any Contractor staff or resources to be used in support of the PCO. In the event Contractor is required to provide additional staff or resources in support of the PCO not named in the Contractor proposal a Change Request may result.

(ii) Requirements Validation

The PCO vendor will participate with Contractor during the requirements validation phase and will not conduct a separate requirements validation.

(iii) State Agent

The PCO vendor is acting as a State agent and their period for deliverables review is concurrent with the State review period.

(iv) Schedule

Contractor will provide its detailed project schedule as an input to the PCO Master Schedule.

Section 2.05 Milestones

(A) Project Oversight Milestone (deliverable payment 8)
(i) Activities

For this Milestone, the activities to be performed will include those activities that require ongoing administrative oversight throughout all DDI Processes. Although

traditionally called "start-up activities," because of their initiation at the start of a project, the importance of these activities shall be ongoing for the overall success of this project. The high-level activities for the Project Oversight Milestone include:

o Conducting kick-off and startup activities
o Developing the Detailed phased Project Plan based on the Initial Project Plan provided as part of the Contractor proposal
o Conducting bi-weekly Project Plan update reviews
o Configuring a Project Management System and Electronic Project Library to provide on-line control and reporting and to provide a repository to retain and track critical project information
o Developing a Quality Management Plan that describes Contractor's approach for assuring quality of work and deliverables
o Tailoring the Contractor software development approach describing the administrative and technical procedures to control modifications and releases of the software
o Developing project staffing and facility plans that include establishing the reporting requirements and communication protocols with the state oversight staff and outside contract monitors and establishing on-site arrangements
o Developing weekly status and risk reports
o Conducting weekly status and risk reviews
o Conducting on-going systems engineering and management activities

(ii) Deliverables

1)   Detailed Project Plan (deliverable payment 1)
Contractor presented the Initial Project Plan (IPP) in Section 4.5 of its proposal. It included the project team and organization, and the schedule with major milestones and resource loading. Normally, these would comprise the Project Plan in accordance with the MI PM Methodology Template; however, the plan's components have been parsed to comply with the structure of the RFP. Upon contract award, Contractor will consolidate these sections from the proposal into an initial draft Project Plan to match the MI PM Methodology Template. The components of the Detailed Project Plan contain the following sections:

- Project Team Organization
- Project work plan
- Issue Management
- Risk Management
- Change Management

As indicated in the Initial Project Plan, the activities associated with the development of the Detailed Project Plan include more than just the plan itself. They include:

- Kick-off/Start-up Activities;
- Detailed Project Plan Development and Approval; and
- Bi-Weekly Project Plan Updates.

Based on past experience, Contractor believes that prior to Requirements Validation, planning and start-up activities must be conducted. These include

internal Contractor and state kick-off meetings. Contractor conducts an internal Contractor boot camp and training session to orient the entire staff on policies, processes, procedures, and tools that will be used on the MI Replacement MMIS project.

Based on kick-off meeting discussions with the State, Contractor will update the Project Plan submitted with this proposal in Microsoft Project. The plan will include a detailed schedule and Gantt chart for all phases and activities, tasks, deliverables, and milestones. The project plan includes both Contractor and State resources. We will collaborate with the State to refine these estimates, and will conduct walkthroughs with the State to update the draft Project Plan based on the comments received. Contractor will then submit the Detailed Project Plan for review and approval.

Once approved by the State, the Detailed Project Plan will be baselined. The baseline start and end dates will be used as a basis for comparison on the project of actual versus planned information to track schedule performance. The baseline Project Plan will be used for Contractor's Earned Value Management (EVM) system for tracking cost and schedule performance.

After the Detailed Project Plan has been baselined, Contractor will update the Project Plan with the actual information on a bi-weekly basis and conduct a review of these updates with the State.

2)   Project Management System/Electronic Project Library (deliverable payment 8)

The Contractor will provide and use an Electronic Project Library that serves as a foundation for defining, managing, and monitoring the project and also acts as a repository to retain and track critical project information.

- The library will include both current and historical versions of the Detailed Project Work Plan, Project Control and Project Management Plan, and all other project deliverable documents.
- The library will be maintained throughout the life of the contract, including during system operations and maintenance. The Contractor will train applicable state staff and IV&V Contractor staff on the technology and use of the Electronic Project Library. All parties will be given appropriate folder-level and file-level access/restrictions according to standards agreed upon between the Contractor and the State.
- The Contractor will provide a description of the security measures that will be put in place to ensure that only authorized personnel have access to the Electronic Project Library. As appropriate, all materials in the Electronic Project Library will be indexed for easy retrieval.
- Upon delivery of the framework for the Electronic Project Library, the Contractor will provide a description of the process the Project Team will use to add new items and update items in the Electronic Project Library.
- This documentation will also describe the management of historical records and retention period(s) and procedures for archiving documents. The Contractor will also provide a description of the Contractor's

procedures for managing version control on all materials added to the repository.

After the kick-off meeting with the State, Contractor will establish the As-One system environment. After the initial environment is established, Contractor will conduct demonstrations to State staff, and subsequently tailor and configure the system to meet the State's needs. Once the processes, procedures, and system configuration are in place, Contractor will conduct another walkthrough with the appropriate State staff and update those items based on comments from the walkthrough. Contractor will then formally submit the system and documentation for approval by the State.

3)   Quality Management Plan (deliverable payment 6)

Contractor will provide with a Quality Management Plan (QMP) that will detail the resources, methods, processes, and activities performed by the Contractor Quality Systems Department (QSD) to ensure that quality deliverables are provided to the State. The QMP will be developed using the Contractor Standard Process for Quality Assurance, in compliance with the Software Capability Maturity Model (CMM), Level 2 activities tailored to the Michigan MMIS project. This deliverable contains, at a minimum, the following information:

- QA Activities;
- Quality Control Activities;
- QA Processes and Procedures;
- Problem Reporting and Resolution;
- Problem Escalation; and
- Preliminary schedule for QA Activities.

After the kick-off meeting with the State, Contractor Quality Engineers will develop the draft format, contents, and acceptance criteria for the QMP and will conduct an orientation session with the State. After the orientation, the State will review and provide comments to the draft format, contents, and acceptance criteria. Contractor will perform the necessary changes and submit for approval.

Contractor Quality Engineers will develop the QMP contents using collaborative sessions with the State. Once the draft QMP has been completed and peer reviewed by Contractor peers, Contractor will conduct a walkthrough with the State and provide the document for review and approval.

4)   Software Development Approach (deliverable payment 9)
After the kick-off meeting with the State, Contractor will develop the Software Development Approach (SDA) document, which provides the administrative and technical procedures to control modifications and releases of the software and will describe how Contractor will control software development with different schedules for different functionality.

Contractor will develop a SDA that will describe procedures and tools to be used to control the movement of code, configuration, and data from development to test and production environments. Contractor will develop and define the format

and table of content for the SDA deliverable and then conduct a SDA orientation session with the State. As part of the plan, Contractor will develop:

- Identification procedures;
- Version Control procedures;
- Status accounting procedures
- Hardware control procedures;
- Release procedures and build schedules
- Backup and recovery procedures;
- and Change Management (CM) audit and review procedures.

The SDA and procedures will cover the initial design, development, and implementation as well as ongoing maintenance, enhancement, reuse, reengineering, and all other activities resulting from software products.

Contractor will create the preliminary SDA in collaboration with State staff. Prior to formally presenting the SDA to the State, Contractor will conduct an internal peer review of the document. Once the draft document is completed, Contractor will conduct a detailed walkthrough of the deliverable with State staff. Contractor will deliver the draft SDA for State to review and provide comments. Upon receipt of comments, Contractor will incorporate these, revise the document, and submit it to the State for final review and approval

### 5)	Project Staffing and Facility Plan (deliverable payment 8)

Contractor will develop a Project Staffing and Facility Plan that establishes the State approved project team, reporting requirements and communication protocols, and facility plans for an office site.   The plan describes how we will acquire, train and retain all staff needed to perform contract functions.   The staffing section will include a detailed job description for each position, including Key Personnel and staff by Milestone along with their designated location.

The staffing plan section of the Project Staffing and Facility Plan will use the initial plans from this proposal and will be updated after contract award to identify all staffing positions by Milestone and job descriptions provided for each of these positions.   For each of the staffing needs, Contractor will identify the skill categories, position descriptions, the critical technologies to be supported, and the key State counterparts.

Contractor will document the reporting requirements and communications protocols in the Project Staffing and Facility Plan. The communication plan will be reviewed continuously and evolve to meet the needs of the State project management team. Activities used to develop and refine the requirements and communication protocols include:

- Verify the State project management team
- Analyze communications requirements of the State project management team
- Train the State project management team on the As-One project collaboration system
- Survey constraints, including contractual obligations

- Formulate assumptions
- Develop Communication Plan components:
  - Information gathering
  - Recipients
  - Communication description, content, format, and detail
  - Communication production schedule
  - Measurements
  - Access to the As-One communications repository.

The Project Staffing and Facility Plan provided by Contractor will demonstrate that the proposed approach and protocols meet and exceed project requirements.

Contractor will operate a facility in Lansing, MI to conduct a majority of the work under this contract. The facility plan section of the Project Staffing and Facility Plan will describe the facilities to be utilized to fulfill Contractor's obligations under the Contract. The plan will identify standard facilities and work space requirements for each milestone phase. Workspace requirements will include a description of:
- Building Location
- Telephone and conference call capabilities
- Network access
- Layout
- Conference and meeting rooms, to include Televideo, projectors, and whiteboards with print capability
- Print and copy center
- Training center
- Server room
- Security access
- Locks and keys
- Parking

After the kick-off meeting with the State, Contractor will develop the draft format, contents, and acceptance criteria for the Project Staffing and Facility Plan and will conduct an orientation session with the State. After the orientation the State will review and provide comments to the draft format, contents, and acceptance criteria. Contractor will make changes and submit the document for approval.

6) Project Status and Risk Reports (deliverable payment 8)

The Contractor will submit monthly and weekly status reports to the State. The reports will include:

- Accomplishments for the period
- Timeline and schedule status
- Risk assessments and identification
- Action items and issues opened and closed during the period
- Items planned for the next period
- New issues and issue status

(iii) Acceptance Criteria

To the extent known, requirements for the deliverables have been documented in this contract. However, prior to the creation and submission of each deliverable, the Contractor will work with the Project Control Office and the State to determine and agree upon the final format, content, acceptance criteria, and review process for the deliverable. The result will be a document that outlines the above items for each deliverable. The purpose of the document is to ensure that a common understanding exists between the State and the Contractor regarding the scope and content of the deliverable prior to beginning any work on the deliverable. Where appropriate sample formats, screen images and sample report pages should be included in the deliverable report.

(iv) Milestone Payment Criteria

Upon completion and acceptance of each deliverable contained within this milestone, except for Project Status and Risk Reports, Contractor may submit an invoice for the corresponding Milestone Payment.

(B)   *Project Planning Milestone (deliverable payment 43)*

(i) Activities

The Planning Milestone is organized by deliverable with the activities required to execute the milestone and develop the deliverables included as sub-tasks under the associated deliverable. The following includes a summary of the deliverables and activities performed under the Planning Milestone:

Tailor existing documentation standards for how systems, applications, work flows, and business processes are documented and then confirm the standards and templates for deliverables.
o   Develop the Equipment/Technology Acquisition Plan,
o   Develop the Conversion Plan to describe Contractor's approach to data and file conversion,
o   Develop the Staff Training and Knowledge Transfer Plan to cover training for State users and the activities for transferring knowledge to the state's technical operations and maintenance staff
o   Develop the Security and Data Security Plan
o   Establish Business Continuity and Contingency Plans that detail Contractor's approach to maintaining a systems and business operations environment that will be minimally impacted be failures, errors, disasters, and emergencies,
o   Provide a detailed approach to the testing plans for testing through the life cycle of the project
o   Develop the initial Turnover Plan to install a Michigan Replacement MMIS fitted to Michigan's needs and prepare State users to assume responsibility for operations and maintenance
o   Conduct a joint review with the State users on the functionality required to support each of the 10 business areas and the technical requirements

(ii) Deliverables

1)   Documentation Standards Plan (deliverable payment 43)

After the kick-off meeting with the State, Contractor will develop the draft format, contents, and acceptance criteria for the Documentation Standards Plan and will conduct an orientation session with the State. After the orientation, the State will

review and provide comments to the draft format, contents, and acceptance criteria. Contractor will perform the necessary changes and submit for approval.

The Documentation Standards Plan will include, at a minimum:

- Formats for plans, deliverables, and other documentation
- Formats for any system/application user manuals
- Formats for any Detailed System Design (DSD) or General System Design (GSD) documentation that is necessary
- Protocol for maintenance of user manuals for any COTS applications/software included in Contractor's solution
- Standards for documenting work flow and business processes
- Documentation maintenance plan

Once the draft document has been completed and peer reviewed by the Contractor, Contractor will conduct a walkthrough with the State and provide the document for review and approval.

2) Equipment/Technology Acquisition Plan (payment deliverable 2)

The Equipment/Technology Acquisition Plan will describe Contractor's equipment requirements and technology (e.g., hardware and office equipment for development), including acquisition, installation, testing, and preventive maintenance tasks as appropriate. After the kick-off meeting with the State, Contractor will develop and define the format and table of contents for the deliverable and conduct a deliverable orientation session with the State. Contractor will deliver the format to the State for approval. Contractor will conduct a joint session with the State staff to collaborate on the plans for the equipment and technology requirements.

Contractor will identify all hardware and office equipment required for the design and development of the MI Replacement MMIS to include:

- Development servers and racks
- Office printers, copiers and faxes
- Projectors and televideo equipment
- Telecommunications and internet connectivity
- LAN, routers and hubs
- Email and document servers
- Power, HVAC and communications connectivity and connectivity to other Contractor development support facilities will be identified
- Backup power supplies

Contractor will also identify all hardware and software requirements associated with the testing, training, and production environments. Acquisition plans, installation, testing and preventative maintenance tasks will be identified as part of the Equipment/Technology Acquisition Plan for each hardware and office equipment grouping. The acquisition plans will identify the following requirements:

- Technical statement of work

- Identified sources and vendors

The installation plans will identify the following:

- Power and communication hook-up
- Space and facility location identified
- Installation tools and accessories
- Identification of special needs and delivery requirements

Testing planning will be established to determine proper installation, set-up, connectivity and interfaces. Preventative maintenance tasks will be identified to maintain operational and availability of equipment in support of appropriate project tasks.

Contractor will finalize the draft Equipment/Technology Acquisition Plan and conduct an internal peer review of the document. Once the draft document has been completed, Contractor will conduct a detailed walkthrough of the deliverable with State staff. Contractor will deliver the draft Equipment/Technology Acquisition Plan for the State to review and provide comments. Contractor will incorporate State comments and revise the document. The State will review the final document and provide sign-off on the final document.

3) Knowledge Transfer Plan (deliverable payment 43)

This deliverable will provide a knowledge transfer plan that allows the transfer of the system technical operation and maintenance to DIT and DCH staff. The plan will include:

- Knowledge transfer philosophy
- Schedules
- Events and activities
- Resources from both Contractor and State
- Time commitments

4) Facility & Data Security Plan (deliverable payment 43)

The Contractor will deliver a Facility & Data Security Plan based on the Centers for Medicare & Medicaid Services (CMS), Information Systems Security Policies, Standards and Guidelines Handbook; Information Security Acceptable Risk Safeguards (ARS) Standard; and the published Michigan State security policies, including Enterprise Security Policy 1350, and procedures, including DIT 1410.17.

The policies and procedures established in the Facility Security and Data Security Plan will address the following:

- Training Plan
- Incident Reporting and Response
- Sanctions

In addition, the Contractor's Facility Security & Data Security Plan will address policies, procedures, standards and guidelines pertaining to eleven security service areas:

- Physical
- Personnel
- Organizational Practices
- Security Management
- Facility and Data Certification & Accreditation
- Network
- System Access
- Application
- Data
- Vulnerability Assessments
- Auditing & Logging

5) Business Continuity and Contingency Plan (deliverable payment 33)

The Contractor will develop a Business Continuity and Contingency Plan in accordance with State and Federal (NIST) rules and requirements before the Replacement MMIS is implemented. This plan will be made up of multiple layers of planning that logically consider the risks and consequences associated with potential interruptions of system service or errors resulting in invalid data and/or processing. Ensuring business resumption in a timely manner requires a comprehensive plan for responding to events that encompass a continuity plan, procedures and processes to be followed for recovery, roles and responsibilities of recovery team, and the hardware/software configuration to be used for recovery for each level of service interruption.

The criteria for the execution of the BCCP will be developed in consideration of the criticality of the disrupted system and business process, the extent and nature of the disruption, and the choice of appropriate matching strategy. The BCCP execution criteria will be presented as a series of graded choices for review and approval by the State.

As part of the BCCP, Contractor will develop and implement a communication plan that addresses the alert process for each category of system-related issues. The communication plan identifies the who, what, where, and how of communicating an alert, including identification of all primary and back-up individuals responsible for initiating an alert, and all primary and back-up individuals to be contacted with the alert.

Contractor will develop a Disaster Recovery Plan (DRP) as part of the BCCP in accordance with State and Federal (NIST) rules and requirements before the Replacement MMIS is implemented. The specifications, procedures, strategies, and criteria required by the ITB will be provided for in the plans. The draft DRP will be reviewed with the State prior to submission for State approval.

6) Test Plans (deliverable payment 43)
Test plans will be developed and delivered separately for the following components within the timelines identified in the Initial Project Plan:

- Web Portal Test Plans; (deliverable payment 11)
- Document Management System Test Plans; (deliverable payment 20)
- Provider Enrollment Test Plans;
- MMIS Unit and System Test Plans; and (deliverable payment 37 & 45)
- MMIS Acceptance and Operations Test Plan. (deliverable payment 44)

The Web Portal, Document Management System, and Provider Subsystem test plans will include plans for unit, system and acceptance testing for each before going live during their staged implementation. The MMIS test plans will be iteratively delivered in two batches: 1) Unit and System Test Plans, and 2) Acceptance and Operations Test Plans

This approach will allow incorporating lessons learned from the first batch into the second set of deliverables. In addition, the testing approach will be different between the two deliveries of the MMIS Test Plan. All components of the system will be tested during MMIS Acceptance and Operational Testing, including the first batch delivery items that have already gone through Acceptance testing. The entire system must be tested as a whole. Each test plan delivery will include:

- Description of testing approach;
- Selection of test cases or processes;
- Resources, from both State and Contractor;
- Schedule;
- Validation of test results; and
- Corrective action approach.

7)   Conversion Plan (deliverable payment 43)

The Contractor will develop a Conversion Plan that describes their approach to data and file conversion. The deliverable will include all the activities, schedules and milestones for all the data required to be converted for the Replacement MMIS. The document will include the data conversion plans, including staged conversion of files, for the following data and any other data identified for conversion during the requirement phase:

- Provider files
- Claims from the current MMIS
- Prior Authorization files
- Eligibility data
- Claim Images and Attachments from the ImageFIRST Office image server
- Claims History
- Paper documents associated with the claims being migrated into the Replacement MMIS
- Codes and Code tables used in various MMIS sub-systems

For each of the above data conversion activities, Contractor will prepare conversion plans that will describe the following:

- Scope of conversion

- Description of conversion process
- Gap Analysis
- Data sources
- Data validation processes
- Resolution and recommendations for gaps found in the data
- Resource and Infrastructure required for data conversion
- Any dependency or impact on the current systems running in production
- Risks to the conversion process with acceptable outcomes

8)   Turnover Plan (deliverable payment 43)

The Contractor will develop a Turnover Plan that includes the following concepts:

- A description of how Contractor will prepare MDCH staff to assume responsibility for business operations as of the Operations Date, and support the state in performing the business functions of the MMIS over the transition period
- A description of how Contractor will perform application software support for the system and provide the knowledge to DIT staff to take over the maintenance responsibilities when Contractor's support ends
- Schedules
- A process for determining if the knowledge level is adequate for state staff to assume specific responsibilities
- Contingency process for setback, or failure of any aspect of the transition process
- Our turnover policies and procedures
- Steps for conducting turnover
- Roles and responsibilities
- Supporting resources and tools
- Dependencies
- Risks

9)   Integrated Requirements Validation Document (deliverable payment 14)

Contractor will confirm the requirements in Appendix D and E of the RFP and compare the requirements with the Base System. In collaboration with the State, Contractor will determine the requirement gaps and develop processes supported by the Base System to meet the requirements. The Requirement Validation Document will cover the entire system, including the requirements for the early implementation functionality in the Web Portal, Document Management System, and Provider Subsystem. The actual activities for validating those requirements are included under the associated Web Portal, Enhanced Document Management System, and Provider Subsystem Milestones in the Initial Project Plan.

To confirm and validate the requirements, Contractor will utilize a subsystem team approach with each team being responsible for the requirements validation of their associated subsystem.   The subsystem teams as indicated in the Initial Project Plan are as follows:

- General Requirements Validation
- Benefits Administration Requirements Validation

- Claims and Encounters Requirements Validation
- Contracts Management Requirements Validation
- Eligibility and Enrollment Requirements Validation
- Financial Services Requirements Validation
- Member Services Requirements Validation
- Program Investigation Requirements Validation
- Provider Services Requirements Validation
- Service Authorizations and Referrals Requirements Validation
- Interfaces Requirements Validation

The subsystem teams for requirements validation match the 10 business areas in Appendix D with the addition of the Interfaces subsystem team, which will focus strictly on interface requirements validation.

The Contractor will approach requirements validation by incorporating highly collaborative sessions with MDCH and DIT staff and the State SMEs. As indicated in the project plan, the general approach for each subsystem team includes:

- Review Existing Documentation and Business Rules;
- Document Contractor's Understanding of the Requirements;
- Verify System Requirements for Subsystem against the Functionality of the Base System;
- Define the Gaps in the Base System and Alternative Business Processes;
- Develop Material and Models for Collaborative Sessions;
- Review Material with System Engineering Working Group;
- Schedule and Conduct Collaborative Sessions;
- Document and Deliver Minutes for Collaborative Sessions;
- Approve Minutes for Collaborative Sessions; and
- Conduct Follow-Up Interviews to Resolve Open Issues.

(iii) *Acceptance Criteria*

To the extent known, requirements for the deliverables have been documented in this contract. However, prior to the creation and submission of each deliverable, the Contractor will work with the Project Control Office and the State to determine and agree upon the final format, content, acceptance criteria, and review process for the deliverable. The result will be a document that outlines the above items for each deliverable. The purpose of the document is to ensure that a common understanding exists between the State and the Contractor regarding the scope and content of the deliverable prior to beginning any work on the deliverable. Where appropriate sample formats, screen images and sample report pages should be included in the deliverable report.

(iv) *Milestone Payment Criteria*
Upon completion and acceptance of each deliverable contained within this milestone, Contractor may submit an invoice for the corresponding Milestone Payment.

(C) *Web PORTAL Milestone (payment deliverable 15),*

(i) *Activities:*
The objective of this task is to design, develop, test, and deploy a web-based portal service and applications that provide electronically delivered services and information to citizens, businesses, and other government entities. This task consists of the following:

o Conduct validation and confirmation of the Web Portal requirements through collaborative sessions;
o Develop the Web Portal design through collaboration with the State;
o Conduct Web Portal construction and configuration;
o Conduct unit, system, and acceptance testing on the Web Portal;
o Train State and Provider users on the Portal;
o Deploy the Web Portal; and
o Develop and deliver system documentation for the Web Portal.

(ii) *Deliverables*

1) **Detailed System Design for Web Portal (deliverable payment 4 & 10)**

Contractor will compile the Web Portal requirements and conduct walkthrough sessions with the State.   Contractor will submit a Requirements Validation Document for review and approval for the MMIS Portal that will eventually be included in the integrated MMIS Requirements Validation Document.   The Requirements Validation Document for the Provider Web Portal must include those requirements listed in Appendix A of this Contract that are applicable to the Provider Web Portal. **(deliverable payment 4)**

Once the Provider Web Portal requirements validation has been completed, Contractor will conduct collaborative sessions to present the proposed designs for the Web Portal based on the requirements.   Contractor will document the results of the collaborative sessions that will translate into the Web Portal Detailed Design Document.   Contractor will conduct a walkthrough of the Web Portal DSDD prior to submitting to the State for review and approval. **(deliverable payment 10)**

For reference purposes, the following list of requirements, as described in Appendix A may be applicable to this milestone
- PI# 12 – Web portal capability to display and maintain provider sanction online.
- RR# 61 – The system must allow authorized providers web access to forms for direct data entry of e-mail, claims submission, prior authorization submission, eligibility verification, claims status, online claim correction, payment status, program announcements, bulletin download, training schedules, training material, receive remittance advice, Electronic Funds Transfer, provider network information and complaint submission.
- RR# 66 – The system must support online registration for provider training seminars.

- RR# 68 – The system must provide the capability to generate news alerts to authorized users at sign-on to web page.

2) Web Portal Testing Results (deliverable payment 17)

Contractor will conduct unit, system, and acceptance testing on the MMIS Web Portal. Unit testing will actually be conducted during construction of Web Portal Milestone; however as indicated in the Initial Project Plan the Unit Test Results will be documented under the Testing Results deliverable.

Once the Unit Test Results are complete, Contractor will conduct System Testing of the Web Portal in conjunction with State staff. The System Testing will follow the test cases described and approved in the Web Portal Test Plan developed under the Planning Milestone. Contractor will conduct daily debrief session during the system testing which will be used to review discrepancies and make mutual decisions with the State on corrective actions. Contractor will correct discrepancies identified during the debrief sessions and regression testing will be performed. At the end of Web Portal System Testing a final debrief session will be conducted to review all test results and make a decision to move to Acceptance Testing of the Web Portal.

For Acceptance Testing, Contractor will follow similar procedures as System Testing. During Acceptance Testing of the Web Portal, Contractor expects State staff to take a direct roll in testing the Web Portal. State Staff will follow the test cases described and approved in the Web Portal Test Plan developed under the Planning Milestone. Contractor will conduct daily debrief session during the acceptance testing which will be used to review discrepancies and make mutual decisions with the State on corrective actions. Contractor will correct discrepancies identified during the debrief sessions and regression testing will be performed. At the end of Web Portal Acceptance Testing a final debrief session will be conducted to review all test results and make the decision to move to Implementation of the Web Portal.

3) Web Portal Implementation (payment deliverable 16)

The Contractor may be required to procure the Web Portal Environments. The Contractor will:

- Install, and configure Web Portal construction environment;
- Install and configure Web Portal acceptance test and production environment; and
- Prepare for Operations Date for Web Portal.

Implementation of the construction environment will need to occur prior to the design and prototyping. The following activities will be required by Contractor:

- Procure Construction Hardware and Software;
- Install Construction Hardware and Software;
- Establish Connectivity to State Network;
- Perform Checkout of Construction and Unit Testing Environment;
- Establish Change Control Process for Documenting Discrepancies and Resolutions; and

- Accept Construction Environment Infrastructure.

Contractor will configure a production environment that will also be used for Acceptance Testing of the Web Portal prior to Operations Date. Contractor may be required to procure and will install the needed hardware and software and will validate the Web Portal environment with the State prior to Acceptance Testing. In addition, Contractor will establish the following for the Web Portal production environment prior to Operations Date:

- Network Infrastructure and Connectivity;
- Processes for Migrating the Most Recent Web Portal Software to the Production Environment;
- Procedures for Back-up, Restoring, and Refreshing Data Stores;
- Processes for Applying Emergency Fixes to the Production Environment;
- Steps for Authorized Staff to Utilize Facility;
- Version Control Procedures for the Production;
- Promotion Procedures for the Production;
- Production Security Requirements;
- Acceptance to Production Environment for Operations Date.

To prepare for the Web Portal Operations Date, Contractor will assist the State in sending out the needed communiqué to the Providers and Programs to notify and prepare them for the coming Web Operations date. After the approval of the Web Portal Acceptance Test, Contractor will conduct walkthroughs of the implementation procedures and request approval to implement the Web Portal.

4)   Web Portal Documentation (deliverable payment 13)

Contractor will provide complete documentation for the Web Portal design. We will provide walkthroughs with the State prior to submitting for review and approval.

- DSDD (already approved under the Design task);
- User Manuals; and
- Operational Procedures.

(iii) *Acceptance*

To the extent known, requirements for the deliverables have been documented in this contract. However, prior to the creation and submission of each deliverable, the Contractor will work with the Project Control Office and the State to determine and agree upon the final format, content, acceptance criteria, and review process for the deliverable. The result will be a document that outlines the above items for each deliverable. The purpose of the document is to ensure that a common understanding exists between the State and the Contractor regarding the scope and content of the deliverable prior to beginning any work on the deliverable. Where appropriate sample formats, screen images and sample report pages should be included in the deliverable report.

(iv) Milestone Payment Criteria

Upon completion and acceptance of each deliverable contained within this milestone, Contractor may submit an invoice for the corresponding Milestone Payment.

(D)   *Provider Enrollment Subsystem Milestone*

(i) *Activities:*

Contractor will conduct the following general activities to accomplish the Provider Enrollment Subsystem Development and Implementation Milestone.

o   Conduct requirements validation for provider enrollment
o   Conduct requirements analysis of the two-way interface between the legacy provider subsystem and the new provider file
o   Develop detailed system designs for the provider enrollment and updates to the Base System provider file
o   Develop detailed designs of the legacy provider and new provider file interface
o   Develop software changes to the Base System provider functionality based on the designs
o   Develop the provider-to-provider interface
o   Conduct requirements, design, construction, and testing of the provider file conversion
o   Conduct unit, system, and acceptance testing of the provider subsystem functionality, including interface
o   Develop system documentation and deliver to the State
o   Implement the early delivery of the Provider Enrollment Subsystem.

(ii) *Deliverables*

1)   Detailed System Design for Provider Enrollment (deliverable payment 5 & 12)

Contractor will develop and deliver a Detailed System Design Document (DSDD) for the early delivery of the Provider Subsystem. The format, contents, and acceptance criteria of the DSDD will be similar to the overall MMIS DSDD. Contractor will present the proposed format, contents, and acceptance criteria of the Provider Subsystem DSDD in an orientation meeting with the State and will subsequently submit it to the State for review and approval.

Prior to developing the design of the Provider Subsystem, Contractor will conduct collaborative requirements verification sessions with the State. These sessions will be coordinated in parallel with the Web Portal and MMIS Provider Subsystem sessions.   Contractor will conduct the following activities for requirements verification: **(deliverable payment 5)**

- Review Existing Documentation and Business Rules
- Document Contractor's Understanding of the Requirements
- Verify System Requirements for Subsystem against the Functionality of the Base System
- Analyze and Verify Interface Requirements
- Define the Gaps in the Base System
- Develop Material and Models for Collaborative Sessions
- Review Material with System Engineering Working Group

- Schedule and Conduct Collaborative Sessions
- Document and Deliver Minutes for Collaborative Sessions
- Approve Minutes for Collaborative Sessions
- Conduct Follow-Up Interviews to Resolve Open Issues
- Finalize and Document Provider Enrollment and Requirements

Once the Provider Subsystem and interface requirements validation have been completed, Contractor will conduct collaborative sessions to present the proposed designs for the Provider Subsystem and interface to the State. Contractor will document the results of the collaborative sessions, which will translate into the Provider DSDD. Contractor will conduct a walkthrough of the DSDD prior to submitting to the State for review and approval. **(deliverable payment 12)**

For reference purposes, the following list of requirements, as described in Appendix A may be applicable to this milestone.

- PR#1 The system must store provider data including multiple addresses, phone numbers, e-mail addresses, address types and phone types.
- PR#2 The system must allow provider validation of provider record data through a self- service feature that promotes provider participation.
- PR#3 Provider data must support provider contracts with multiple business associations. For example, the provider may be FFS Medicaid and participating in one or more MCOs or associated with one or more groups of FFS providers.
- PR#4 Provider data must support stakeholders that are identified by unique IDs (e.g., provider enrolled in more than one program).
- PR#5 Provider edits must be applied before the provider is registered into the system. Screens will be auto-populated with valid data to the extent possible.
- PR#6 The system must be able to tie supporting documents to the related systems data and have these imaged documents available on the user's desktop.
- PR#7 The system must support different business rule definitions by provider, provider type, program, MCO, and geographic area.
- PR#8 Provider notifications must be linked to related documentation.
- PR#9 The system must support different notifications to be sent to providers by program.
- PR# 10 The system must provide program-defined provider enrollment that is time-limited and performs re-enrollment on a periodic basis by program (e.g., credentialing re-verified every two years). An automated data match against the State Medical Licensing database must also be performed.
- PR#11 The system must allow for multiple narrative fields within Provider data.
- PR#12 The system must support and display office hours, accessibility, alternative language and alternative format indicators for provider locations.
- PR#13 The system must allow different DHS organizations to enroll and validate licensure, etc. of their own providers.

- PR#14 The system must contain a document management component, which will image, store and retrieve upon demand all correspondence and documents associated with a provider's record. The date that all correspondence, including enrollment forms are received must be tracked for each Provider application and/or contact. The tracking system must track outgoing correspondence.
- PR#15 The system must identify, enroll, and track provider names and provider types for non-enrolled, out-of-state, borderland, and beyond borderland providers.
- PR#16 The system must support provider application processing statistics by type, month, year, and processor.
- PR#17 The system must support manual provider look-up by name (including phonetic search) and ID numbers.
- PR#18 The billing provider must be enrolled and given a provider number. Individual practitioners associated with the billing provider will be linked to the billing provider ID. The system must have the capability to unlink a provider from a unique ID when two providers are inappropriately tied together.
- PR#19 The system must perform automated checks of national databases and bulletin boards for sanctions or license revocation in other states.
- PR#20 The system must support automated criminal background checks for all providers.
- PR#21 The system must use CLIA information from the national data site in the certification process. The system must have an automated process that verifies CLIA numbers (i.e., interface with the federal agency that monitors CLIA). (Refer to CE #86, 87,and 88).
- PR#22 The system must maintain the individual CLIA number and level for each laboratory site in the provider file. (Refer to CE #86, 87,and 88).
- PR#23 System must support the ability to disenroll for electronic submission at the provider and / or submitter levels.
- PR#24 A single provider may have more than one electronic submitter and designate to which biller the 835 will be sent.
- PR#25 The system must support updates of CLIA information from an Online Survey, Certification and Reporting (OSCAR) interface.
- PR#26 The provider file must support enrollment of claims submitters (e.g. billing agents), as all entities that submit claims will be required to be enrolled in the system.
- PR#27 The system must support multiple provider contacts, their titles, telephone number and email address.
- PR#28 The system must support automatic re-verification of credentials on a periodic basis by program and provider type, by identifying and notifying when provider credentials are expiring.
- PR#29 The system must support an automated process for license verification at the time of claims payment. Payment should be held if the provider's license has expired.
- PR#30 The system must verify providers to the Vital Statistics File.
- PR#31 The system must support a process to suspend, terminate or withhold payments from providers under investigation.

- PR#32 All provider significant data, including demographic data and data that affects or reports payment, must be viewable online and directly updateable with appropriate authority.
- PR#33 The system must accept retroactive changes to the Provider file including who entered the change, when the change was made, and why the change was made.
- PR#34 The system must provide the capability to store and generate letter templates.
- PR#35 The system must support Mass Rate Changes by provider type.
- PR#36 The system must contain an indicator on file for MCO participation. Provider participation in a MCO network shall be stored in the provider file. Multiple iterations of MCO participation to a single provider record are required.
- PR#37 The provider file must store geo-codes for provider locations.
- PR#38 The system must provide the capability to identify and monitor specialty service capacity per MCO.
- PR#39 The system must provide the capability to identify and track pharmacies via PBM against individual providers. (Clarify tracking independent and chain pharmacies or individual prescribing providers; variation of tracking dispensing pharmacy and prescribing provider).
- PR#40 The system must edit for address standardization.
- PR#41 The system must store data fields to track MCO authorized capacity and available capacity in the provider file.
- PR#42 The system must support web functionality and a self-service process to handle applications for provider enrollment.
- PR#43 The system must provide the capability to indicate provider preferences in terms of auto assignment for MCO participation (e.g., accepting new patients indicator, open or closed to assignment.).
- PR#44 The system must notify/alert the MCOs of providers that are noted as Sanctioned Providers by CMS.
- PR#45 The system must break out the provider ID and provider type. Currently the system carries the provider type in the provider ID field. Additionally all requirements to collect and store the NPI must be available.
- PR#46 The system must provide the capability for template letter generation.
- PR#47 The system must support reconstructed and additional provider types. The system must contain a provider type table and allow an unlimited number of valid provider types in the system.
- PR#48 The system must provide the capability to access provider specialty data.
- PR#49 The system must support specialty services capacity monitoring.
- PR#50 The system must support non-Medicaid provider enrollment process.
- PR#51 The call tracking screens must be secure and have role-based access to screens and data.
- 1.7.15 Meet HIPAA National Provider Identifier (NPI) requirements and support pre-NPI processing within the MMIS until all Michigan providers required to receive an NPI have been assigned a NPI and begin using the assigned NPI for their billings.

- 1.7.18 Host a single demographic information system file for MCOs and service providers.
- 1.7.19 Contain automated noticing capabilities to produce standard and custom correspondence, letters, certificates, notices, and surveys to beneficiaries and providers.
- 1.7.27 Support web enabled transfer of information between the MDCH MCOs, service providers, clients, and other external stakeholders. The information transmitted and received will meet all HIPAA standards (e.g., transaction data content, code set, privacy, security and NPI), when applicable.
- 1.7.28 Provide access by authorized remote users, including providers, MCOs, and other approved end-users, through a variety of communication channels and protocols in order to support client eligibility verification, service authorization, electronic claims capture, POS claims adjudication, and prospective medical utilization review. The Contractor shall also provide access to an electronic bulletin board(s) and a web site(s) to support access to online provider manuals, posted remittance advice statements, provider bulletins, etc. The Contractor shall provide access through a variety of access mechanisms, including but not limited to: 1) Lease lines (if appropriate and required); 2) Modem to modem access through a direct dial up number operating at a variety of data transfer speeds; 3) Dial-up telephone inquiry via toll free lines; 4) Computer-to-computer communications for authorized providers. See Attachment E for details on a MMIS Web Portal.
- B#4 The system must support a variety of customized benefit programs and modes of delivery of services. Each program should have the flexibility of its own eligibility criteria, provider network, reimbursement rules, medical policy, and cost sharing and benefit structure. Benefit plans could include other state programs, such as Children's Special Health Care Services, and Maternity Outpatient Medical Services (MOMS).
- B#26.4 Numerous parameters used in claims processing including but not limited to: provider type, specialty, sub-specialty, laboratory certification, recipient age/gender restrictions, PA required, place of service, modifier, EPSDT indicator, co-payment indicator, eligibility aid category, family planning indicator, emergency indicator, claim type, diagnosis, units of service, review indicator, and tooth number or letter
- CE#23 The system must have the ability to dis-enroll for electronic submission at the provider and/or submitter levels.
- CE#48 The system must identify exact duplicates and duplicate claims from different providers within the same group.
- CE#68The system must edit for provider participation as a member of a billing group.
- CE#83 The system must edit provider eligibility to ensure that provider is eligible to perform type of service rendered on date of service (e.g., edit of the provider's CLIA identification number)
- CE#84 The system must invoke the CLIA level stored in the provider file during claims processing to approve those procedure codes associated with each level.
- CE# 152 The waiver claims function must maintain and pay claims based on provider specific information such as rates, limits, and thresholds submitted by each program.

- CE#167.1 The system must encompass Geographic area by county or ZIP code of provider or beneficiary
- CM#15 The system must have reports detailing the number of providers (PCP or specialist) that are accepting new patients.
- CM#30 The system must track and report the number of enrollees assigned to a PCP, including the total number assigned to the provider for each MCO and the total number of enrollees assigned for all MCOs in which the provider is participating.
- CM#44 The system must establish and maintain an automated interface with managed care Contractors to receive updates to provider networks.
- CM#47 The system must provide the capability to uniquely identify providers that furnish services on a capitated basis and those that provide services on both a FFS and capitated basis.
- CM#54 The system must be able to assign a provider number for reporting purposes that does not link a provider to a Provider Enrollment. All MCO providers are not enrolled Medicaid providers.
- PI#3The system must have the capability to flag a provider (one or more provider numbers) for prepayment review of claims using established business rules (e.g., include/exclude claims by procedure code or place of service) and automate payment or denial and/or suspend the claim for manual review.
- Provider Relations Tracking System
- PR#52The tracking system must track MDCH entry staff re-directed calls.
- PR#53The tracking system must contain a memo capability allowing a worker researching a provider to comment on who and/or what and why the research was initiated.
- EE#59 The system must provide the capability for online letter creation, generation, maintenance, modification, storage, and historical viewing of standard and ad hoc letters to recipients and their representatives, insurance companies, employers, provider, and other parties.
- PR#54 The tracking process must support outgoing mass e-mail function including the content of the message, and track which e-mails were acknowledged as received.
- PR#55 The tracking system must enable tracking of incoming e-mails and voice mails, record them in the system by provider and route them to designated MDCH staff.
- PR#56 The system must have an authentication routine to allow providers inactive ability to change their provider record through direct data entry via the web based on selected criteria.
- PR#57 The system must be capable of matching providers based on a file of sanctioned providers received from the State Board of Medical Examiners, as well as other licensing and certification boards and flagging the provider's record for termination.
- PR#58 The system must store provider returned check information at the provider level.
- PR#59 The system must be able to generate lists of provider mailing labels, using selection criteria such as individual providers, provider specialty, provider groups, provider type, or by a global selection. The selection process is limited to specific users.
- PR#60 This system must allow authorized users restricted access from remote locations.

- PR#61 The system must allow authorized providers web access to forms for direct data entry of e-mail, claims submission, prior authorization submission, eligibility verification, claims status, payment status, program announcements, bulletin download, training schedules, training material, receive remittance advice, Electronic Funds Transfer, provider network information and complaint submission.
- PR#62 The system must provide the capability to record and access provider complaint and resolution information in the tracking system.
- PR#63 The system must store provider- training records and reports for quality review and provider performance measurements.
- PR#64 The system must provide context sensitive help for all parts of the application (e.g., screens, error messages, web site).
- PR#65 The system must allow a single sign-on (LDAP) for multiple systems.
- PR#66 The system must support online registration for provider training seminars.
- PR#67 The system must enable wireless access and download capabilities by provider representatives
- PR#68 The system must provide the capability to generate news alerts to authorized users at sign-on to web page.
- National Provider Identifier
- PR#69 The provider enrollment system must allow inclusion of all entities allowed to obtain national provider identifiers
- PR#70 The provider enrollment system will allow entry of NPI number for all providers.
- PR#71 On the effective date of NPI implementation the PE system will require all providers to have NPI.
- PR#72 PE system will enable submission of all providers for mass enrollment in NPI if that is an option.
- PR#73 PE system will interface with NPI for identifiers.
- PR#74 PE system will link the NPI issued for same entity (e.g., Dr. Smith and Dr. Smith PC or U of M Hospitals and U of M Hospitals Emergency Department).
- PR#75 The vendor must describe the process that will convert the system from the existing provider numbering system to the NPI system.
- PR#76 PE system will interface with NPS for updated data on providers.
- CE#22 All electronic claim submitters must be enrolled in the system, and everyone they submit for must be registered as having an agreement with the submitter.
- CE# 23 The system must have the ability to disenroll for electronic submission at the provider and/or submitter levels.
- CE#163 The system must accommodate non-Medicaid providers and sources.
- CM#47 The system must provide the capability to uniquely identify providers that furnish services on a capitated basis and those that provide services on both a FFS and capitated basis.
- CM#50 The system must track capacities by service areas and geographic areas, (across plans, include PCCM, etc.).
- EE#97 The system must display specialty identification of PCCM at time of enrollment.

- F#11 The system must support multiple methods of payment (i.e. checks, electronic transfers, inter-agency transfer, ACH, EBT, etc.).
- F#18Foster Care and Home Help providers/vendors must reside in or interface with the MMIS provider file. The system must retrieve licensing information from the Bureau of Regulatory Services, BIT licensing system.
- F#19The system must allow FIA workers to access the Provider file online and make changes to Personal Care provider files real-time in the MMIS.
- F#126 The MMIS must process the annual IRS "no match" provider file and generate a report defined by the state.
- GS#7.15Meet HIPAA National Provider Identifier (NPI) requirements and support pre-NPI processing within the MMIS until all Michigan providers required to receive an NPI have been assigned a NPI and begin using the assigned NPI for their billings.
- GS#7.18Host a single demographic information system file for MCOs and service providers.
- MS#48 The system must have the capability to create listserv notices and push these notices to CSHCS providers or specified provider types upon request (state specific).

2)   Test Results (deliverable payment 35)

Contractor will conduct unit, system, and acceptance testing on the Provider Subsystem and Interface.

Once the Unit Test Results are complete, Contractor will conduct System Testing of the Provider Subsystem and Interface in conjunction with State staff. The System Testing will follow the test cases described and approved in the Provider Subsystem Test Plan developed under the Planning Milestone. Contractor will conduct daily debrief session during the system testing which will be used to review discrepancies and make mutual decisions with the State on corrective actions. Contractor will correct discrepancies identified during the debrief sessions and conduct regression testing. At the end of Provider Subsystem and Interface Testing, a final debrief session will be conducted to review all test results and make a decision to move to Acceptance Testing of the Provider Subsystem and Interface.

For Acceptance Testing, Contractor will follow similar procedures to those of System Testing. During Acceptance Testing of the Provider Subsystem and Interface, Contractor expects State staff to take a direct roll in conducting the testing. State Staff will follow the test cases described and approved in the Provider Subsystem Test Plan developed under the Planning Milestone. Contractor will conduct daily debrief session during acceptance testing, which will be used to review discrepancies and make mutual decisions with the State on corrective actions. Contractor will correct discrepancies identified during the debrief sessions and regression testing will be performed. At the end of Provider Subsystem and Interface Acceptance Testing, a final debrief session will be conducted with the State to review all test results and make the decision to continue to Implementation of the Provider Subsystem and Interface.

3)   Data Conversion (deliverable payment 36)

Contractor will convert the existing Provider File for the State to re-enroll all providers and update the provider data. The Provider File conversion process will follow a similar life cycle to the Provider Subsystem functionality and will be led by the Contractor Conversion Manager and Data Conversion Programmer(s). The following provides the general activities in the Provider File conversion process.

- Provider file data conversion requirements
- Provider file data conversion detailed design
- Provider file data conversion construction and testing
- Provider file conversion
- Provider file data conversion report

The Data Conversion Requirements process includes obtaining and analyzing source data schemas and related documentation, conducting collaborative requirements sessions with the State, and analyzing provider file data. Conversion will include the use of a reverse engineering tool to establish system rules and to compare the Base System provider schema against the reverse engineered model. Data conversion requirements will be extracted from this process and documented.

The Data Conversion Design steps includes conducting collaborative design sessions with the State, creating the data element mapping from the legacy Provider File to the Base System Provider file, and updating the business rules documentation. Contractor will document the data conversion design.

The Data Conversion Construction and Testing process includes updating the data element mapping with the legacy source, conducting test runs for extraction of data from the legacy provider source; and completing the development of the data conversion scripts.   Contractor will conduct data conversion development and test iterations through the extraction, conversion, and loading processes.

Once construction and testing are complete, Contractor will conduct a preliminary Provider File Conversion prior to System Testing for the Provider Subsystem to provide the real Provider File data during testing. Once Acceptance Testing results is accepted and approved. Contractor will conduct a final conversion in parallel with the Provider Subsystem Implementation tasks. Conversion will be completed at the same time as the Provider Subsystem Operations Date.

Contractor will develop and deliver a Provider File Conversion Report showing that the data was converted, data sources, and volume of date converted and gaps. The report will describe:

- Steps involved in converting the data for the new Provider File
- Any significant differences in approach from the earlier data conversion plan and the results
- Content and volume of converted data
- Data gaps
- Action Plan to compensate for data gaps.

4) Implementation (deliverable payment 34)
The Contractor will:

- Procure, install, and configure Provider Subsystem construction environment
- Procure, install and configure Provider Subsystem acceptance test and production environment
- Implementation of the construction environment must occur prior to the construction of the Provider Subsystem. Contractor will perform the following activities:
- Procure Construction Hardware and Software
- Install Construction Hardware and Software
- Establish connectivity to State network
- Perform Checkout of Construction and Unit Testing Environment
- Establish Change Control Process for Documenting Discrepancies and Resolutions
- Accept Construction Environment Infrastructure

Contractor will configure a production environment that will also be used for the Acceptance Testing Provider Subsystem prior to the Operations Date. Contractor will procure and install the needed hardware and software and we will validate the production environment with the State prior to Acceptance Testing. In addition, Contractor will establish the following for the Provider Subsystem production environment prior to Operations Date:

- Network infrastructure and connectivity
- Processes for migrating the provider subsystem and interface software to the production environment
- Procedures for back-up, restoring, and refreshing Data Stores
- Processes for applying emergency fixes to the production environment
- Steps for authorized staff to utilize facility
- Version control procedures for the production
- Promotion procedures for the production
- Production security requirements
- Acceptance to production environment for operations date

5) Documentation (deliverable payment 36)
Contractor will provide complete documentation for the Provider Subsystem. After our internal peer review process, we will provide walkthroughs of this documentation with the State prior to submitting for review and approval.
- DSDD (already approved under the Design task)
- User Manuals
- Operational Procedures

(iii) Acceptance Criteria
To the extent known, requirements for the deliverables have been documented in this contract. However, prior to the creation and submission of each deliverable, the Contractor will work with the Project Control Office and the State to determine and agree upon the final format, content, acceptance criteria, and review process for the deliverable. The result will be a document that outlines the above items for each deliverable. The purpose of the document is to ensure that a common

understanding exists between the State and the Contractor regarding the scope and content of the deliverable prior to beginning any work on the deliverable. Where appropriate sample formats, screen images and sample report pages should be included in the deliverable report.

(iv) *Milestone Payment Criteria*
Upon completion and acceptance of each deliverable contained within this milestone, Contractor may submit an invoice for the corresponding Milestone Payment.

(E) *Electronic Documentation Management System Expansion Milestone (deliverable payment 39)*

(i) *Activities:*
The following general activities will be accomplished during the Expansion DMS Milestone:

- o Conduct detailed project planning for the Expansion DMS an incorporate into the overall project plans such as the Detailed Project Plan, Quality Assurance Plan, and Configuration Management Plan;
- o Conduct onsite collaborative requirement gathering meetings with key users from MDCH, MSA and DIT to focus on the information needs, business processes, business requirements, and existing IT infrastructure at MDCH/DIT;
- o Prepare the design for the enhancements to the software applications and tools that need to be customized and developed for MDCH's requirements;
- o Perform development and customization for applications, tools and utilities per the design specifications;
- o Conduct system and user acceptance testing of the Expansion DMS;
- o Update and deliver user documentation and operational procedures for the Expansion DMS;
- o Convert data that need to be migrated into the new system shall be migrated from the old system.

(ii) *Deliverables*
1)   System Design (deliverable payment 7 & 18)
Contractor will develop and deliver a Detailed System Design Document (DSDD) for the Expansion DMS. The format, contents, and acceptance criteria of the DMS DSDD will be similar to the overall MMIS DSDD. Contractor will present the proposed format, contents, and acceptance criteria of the DMS DSDD in an orientation with the State and submit it to the State for review and approval. **(deliverable payment 7)**

Prior to developing the design of the Expansion DMS, Contractor will conduct requirements gathering sessions. Contractor will deploy a team responsible for the Expansion DMS requirements, design, and implementation similar to the make-up the MMIS subsystem team. **(deliverable payment 18)**

The requirements gathering process for the Expansion DMS will include collaborative sessions with designated State staff. Contractor will compile the Expansion DMS requirements in a requirement specification document that will include imaging, workflow, document types, document index, image format, and

interface requirements. Contractor will conduct walkthrough sessions with the State to review the requirement specifications. The requirement specifications for the Expansion DMS will be submitted to the State for review and approval and approved the DMS document will be included in the integrated MMIS Requirements Validation Document.

Upon approval of the requirement specifications, Contractor will prepare the design for the enhancements to the software applications and tools that needs to be customized and developed for MDCH's requirements. The design will include the following:

- Overview of the imaging and document management system;
- System architecture, design and functional specifications;
- Data model and schemas;
- Document organization in repository;
- Document Types and Document Indexes;
- System Interfaces and Web Services for integration with other internal and external systems;
- User Interface and Navigation;
- Process for imaging, storing, retrieving and managing documents; and
- Alternative process and approach to overcome any gaps and limitations in terms of requirements.

For reference purposes, the following list of requirements, as described in Appendix A may be applicable to this milestone.

- GS# 7.23 Document Imaging and Management – the system must provide document imaging and tracking for all correspondence and documents sent and received. The document management repository must support storage of X12N documents, including input and output files. Images must be linked to a beneficiary or provider record or file. Business users must be able to access retrieve, and view the imaged documents from their desktops. Bar coding or another mechanism is required to facilitate matching and attaching returned requested documents to the original claim or correspondence.
- 1.7.19 Contain automated noticing capabilities to produce standard and custom correspondence, letters, certificates, notices, and surveys to beneficiaries and providers.
- GS# 7.24 The proposed solution uses workflow to digitize the paper documents and also for electronic document processing that involves review, editing, approvals and printing. Workflow automates the business processes by managing the sequence of work activities or steps. It provides an automatic flow of information, such as scanned document image between workflow steps and by invocation of appropriate application, or human or other IT resources associated with various activities. The software provide features such as: Rule, Serial, Parallel based and ad-hoc routing of tasks, process rollbacks, exceptions handling, workflow status monitoring, queues and groups, parent and child workflows, web based user interface, ability to monitor the productivity of projects, stages, teams and individual operators, ability to monitor the elapsed time for each stage for each document.

- PA#18 The system must support the imaging of PA related documents, with images made available online through out the state and to providers.
- PI# 5 Workflow management functionality to assign work to specific individuals, allow authorized individuals to access the work queue, and reports detailing work in queue to be completed
- 1.7.24 Contain workflow management tools and reporting capabilities for all business processes supported by the new MMIS
- 1.7.26 Provide production and workflow tracking capability with a high degree of data validation, automated balancing and identification or errors and reconciliation of discrepancies for all incoming and outgoing files.
- CE#4 The system must receive and process claims in a variety of mediums, including paper documents from providers, billing services, Medicare Carriers and Intermediaries and Coordination of Benefits Contractors.
- EE#53 The system must generate CSHCS Eligibility Notices on user request. Notices are generated to the family and Provider Eligibility Notices to the client's authorized providers.
- EE#59 The system must provide the capability for online letter creation, generation, maintenance, modification, storage, and historical viewing of standard and ad hoc letters to recipients and their representatives, insurance companies, employers, provider, and other parties.
- PI#8 The system must make claim attachments and hardcopy documents received during the course of an investigation viewable from the desktop following imaging.
- PI#9 The imaging system must have a capability, which allows outgoing correspondence to be easily matched with the original claim/case upon return of the requested information.
- PI#10 The system must be capable of importing audit workbooks from SPSS and electronic medical records received during the course of an investigation and make them viewable by Program Investigation staff from their desktops.

2) Test Results (deliverable payment 42)

Contractor will conduct unit, system, and acceptance testing on the Expansion DMS. Unit testing will actually be conducted during Construction of Expansion DMS Milestone; however as indicated in the Initial Project Plan the Unit Test Results will be documented under this Testing Results deliverable.

Once the Unit Test Results are complete, Contractor will conduct System Testing of the Expansion DMS in conjunction with State staff. The System Testing will follow the test cases described and approved in the Expansion DMS Test Plan developed under the Planning Milestone. Contractor will conduct a daily debrief session during system testing to review discrepancies and make decisions with the State on corrective actions. Contractor will correct the discrepancies and conduct regression testing. At the end of Expansion DMS System Testing a final debrief session will be conducted to review all test results and make the decision to move to Acceptance Testing of the Expansion DMS.

For Acceptance Testing, Contractor will follow similar procedures. During Acceptance Testing of the Expansion DMS, Contractor expects State staff to take a direct roll in testing the DMS. State Staff will follow the test cases

described and approved in the Expansion DMS Test Plan developed under the Planning Milestone. Contractor will conduct a daily debrief session during the acceptance testing which will be used to review discrepancies and make decisions with the State on corrective actions. Contractor will correct the discrepancies and regression testing will be performed. At the end of Expansion DMS Acceptance A final debrief session will be conducted to review all test results and make a decision to move to Implementation of the Web Portal.

3)   Data Conversion (deliverable payment 41)

After installing the imaging and document management applications, any data to be migrated into the new system shall be migrated from the old system. Contractor will use automated and semi-automated procedures to migrate the existing data to the new system.

4)   Implementation (deliverable payment 40)

Contractor recommends the addition of an Implementation Task/Deliverable for the Expansion DMS. Several things will need to occur from an implementation perspective:

- Procure, install, and configure Expansion DMS construction environment; and
- Procure, install and configure Expansion DMS acceptance test and production environment.
- Implementation of the construction environment will need to occur prior to the construction and configuration of the Expansion DMS. The following activities will be required by Contractor:
- Procure Construction Hardware and Software;
- Install Construction Hardware and Software;
- Establish connectivity to State network;
- Perform Checkout of Construction and Unit Testing Environment;
- Establish Change Control Process for Documenting Discrepancies and Resolutions; and
- Accept Construction Environment Infrastructure.

Contractor will configure a production environment that can be used for Acceptance Testing of the Expansion DMS prior to Operations Date. If the state chooses Contractor to procure and install the needed hardware and software, Contractor will validate the DMS and imaging environment with the State prior to Acceptance Testing. In addition, Contractor will establish the following for the DMS and imaging production environment prior to Operations Date:

- Network Infrastructure and Connectivity;
- Processes for Migrating the Most Recent DMS and imaging Software to the Production Environment;
- Procedures for Back-up, Restoring, and Refreshing Data Stores;
- Processes for Applying Emergency Fixes to the Production Environment;
- Steps for Authorized Staff to Utilize Facility;
- Version Control Procedures for the Production;
- Promotion Procedures for the Production;
- Production Security Requirements;
- Acceptance to Production Environment for Operations Date.

5)   Documentation (deliverable payment 39)

For document management system following documents will be provided to the State.

- **User Manual:** This manual will provide details on how to use and navigate the system.
- **Administration Manual:** This manual will provide details on how to administer the system.
- **Operational Procedures:** This manual will provide details on how to install, setup, configure and operate the system, describe all the hardware and software configuration settings, list of operational errors and its resolutions, and other such aspects of the system operation.
- **Third Party Software Documentation:** All the documentation provided with the third party software used in implementing the document management system shall be provided to the State in the format provided by the Software vendor.

(iii) Acceptance Criteria

To the extent known, requirements for the deliverables have been documented in this contract. However, prior to the creation and submission of each deliverable, the Contractor will work with the Project Control Office and the State to determine and agree upon the final format, content, acceptance criteria, and review process for the deliverable. The result will be a document that outlines the above items for each deliverable.   The purpose of the document is to ensure that a common understanding exists between the State and the Contractor regarding the scope and content of the deliverable prior to beginning any work on the deliverable. Where appropriate sample formats, screen images and sample report pages should be included in the deliverable report.

(iv) Milestone Payment Criteria

Upon completion and acceptance of each deliverable contained within this milestone, Contractor may submit an invoice for the corresponding Milestone Payment.

(F)   Other MMIS Subsystems Milestone

(i) Activities:

The following general activities are performed under the Other MMIS Subsystem Development Milestone:

- Conduct detailed system design for each MMIS Subsystem based on the requirements verification and analysis of the remaining system requirements;
- Develop and deliver an integrated DSDD;
- Construction of the Subsystem modifications required to meet the MI requirements and design;
- Update the DSDD at the completion of construction;
- Conduct unit, system, acceptance, and operations testing of the entire MI Replacement MMIS, include operations testing of the staged, early delivery items;
- Conduct requirements analysis, design, construction, and testing of data conversion of other MMIS files/data;

- Perform the data conversion;
- Conduct all activities required to implement the system; and
- Prepare and deliver system, user, and operations documentation.

(ii) *Deliverables*

1)   Install Base System Functionally (payment deliverable 3)

The Contractor will install the Base System, known as eCAMS, at its Lansing, MI facility. The state will verify installation of eCAMS and base system functionality.

2)   Detailed System Design for Michigan Replacement MMIS (deliverable payment 19, 21-31 & 38)

Contractor will develop and deliver a Detailed System Design Document (DSDD) for the MI Replacement MMIS. Contractor will present the proposed format, contents, and acceptance criteria of the MMIS DSDD in an orientation with the State and submit it to the State for review and approval. The subsystems for which design document will be created are listed below:

- Service Authorizations and Referrals Design
- Provider Services Design
- General Design
- Program Investigation Design
- Contracts Management Design
- Benefits Administration Design
- Member Services Design
- Financial Services Design
- Eligibility and Enrollment Design
- Claims and Encounters Design
- Interfaces Design
- Data Conversion Detailed Design
- Detailed System Design Document (Integrated) Updated

Each subsystem team will follow a set of iterative activities to produce the design of the Replacement MMIS: **(deliverable payment 19 & 21-31**)

- Prepare preliminary designs
- Modify system designs to reflect state requirements
- Develop required updates to data model
- Review material with system engineering working group
- Schedule and conduct collaborative sessions with the state
- Document and deliver minutes for collaborative sessions
- Approve minutes for collaborative sessions
- Conduct follow-up interviews to resolve open issues with the state
- Update artifacts and system designs
- Finalize subsystem designs

The number of iterations of the design activities for each subsystem depends on the complexity of the subsystem.

The Contractor will develop an integrated DSDD will represent the complete design of the entire Replacement MMIS, including the following: **(deliverable payment 38)**

- Finalized system architecture
- Updated Base System data model
- Data dictionary
- Navigation models and process flows for the Replacement MMIS
- Design components and user interface specifications
- Requirements allocated to design components
- Updated business rules and derived requirements
- Design diagrams (sequence, collaboration or activity)
- Software coding conventions

The Contractor will finalize the contents of the integrated DSDD and conduct an internal peer review of the document. After all corrective actions have been completed; Contractor will conduct a walkthrough of the integrated DSDD with the State and subsequently update the DSDD based on comments from the walkthrough. Contractor will submit the DSDD for review and approval.

For reference purposes, the following list of requirements, as described in Appendix A may be applicable to this milestone.

Benefit Administration
  Determination of Covered Services
- B #1 - The system must support queries about eligibility (coverage) by a provider or authorized user to search all pertinent data and respond with a list of coverage's, limitations and co-payments.
- B #2 - The system must restrict payment for benefits as defined by State Policy.
- B #3 -The system must recognize multiple lines (historical) on the CSHSC diagnosis list that refer to special criteria, with cross-references to the special criteria definition.
- B #4 - The system must support a variety of customized benefit programs and modes of delivery of services. Each program should have the flexibility of its own eligibility criteria, provider network, reimbursement rules, medical policy, and cost sharing and benefit structure. Benefit plans could include other state programs, such as Children's Special Health Care Services, and Maternity Outpatient Medical Services (MOMS).
- B #5 - The system must support editing based on the diagnosis to procedure code entered, whether a service is covered, non-covered, included or excluded as well as process CCI bundling edits.
- B #6 - The system must support a beginning and an ending date range for edits that are created and modified in the system.
- B #7 - The system must generate expenditure, eligibility and utilization data to support budget forecasts, monitoring, and health care program modeling.

Benefit Packages

- B #8 - The system must support a variety of benefit packages that may vary by MDCH program, procedure, diagnosis or treatment plan. Benefit plan coverage periods are defined by time periods.
- B #9 - The system benefit packages must support medical service limits by age, time period (per calendar year, FY, or rolling year), gender, diagnosis, and eligibility program.
- B #10 - The system must be able to display co-payment requirements on the opening provider window, (i.e., co-payment amount a beneficiary is required to pay for a specific service, no co-payment required).
- B #11 - The system must process a variety of benefits packages by program, age, gender, eligibility and other eligibility determining factors passed by eligibility sources.
- B #12 - The system must be user friendly, and quickly and easily accommodate new or updated service limitations and exclusions.
- B #13 - The system must support co-pay tiers within a program or benefit package (i.e., different beneficiary co-pays for different procedures).
- B #14 - The system must accommodate services within a benefit package that may limit out-of-pocket expenses with individual ceilings per beneficiary.
- B #15 - If a beneficiary moves between health plans, the system must recognize new limits in co-payments, as well, as retain year-to-date accumulations.
- B #16 - The system must accommodate services within a benefit package that may be exempted from co-payment.
- B #17 - The system must be flexible enough to accumulate co-pays at the beneficiary level within rolling periods (i.e., not tied to specific dates of health plan, calendar).
- B #18 - The system must support separate dates for beneficiary eligibility and when benefits start.
- B #19 - The system must be capable of accumulating co-payments from a variety of sources including claims, encounters or other sources.
- B #20 - The system must be capable of tracking the amount of co-payment assessed and collected for services rendered.
- B #21 - The system must support billing of premium amount due associated with benefits package of responsible person (i.e., history).
- B #22 - The system must place limitations within benefit packages including but not limited to, types of service by procedure code, revenue code, diagnosis code, modifiers, drug class, and provider type based on beneficiary program eligibility or enrollment status.
- B #23 - Once verified the system must permanently store verification of premium exclusion on the beneficiary's record, for multiple programs.
- B #24 - The system must recognize groups of beneficiaries for which a plan premium may be excluded (i.e., families).
- B #25 - The system must track beneficiaries in arrears on premium payments, and identify beneficiaries considered disqualified from program benefits until such time as the arrearage is paid in full or the premiums are waived. This includes different premium payment amounts and requirements for multiple programs.
- B #26 - The system must maintain a procedure file which contains five character HCPCS, CDT, and CPT codes for medical-surgical, dental, and

other professional services; two character HCPCS and CPT modifiers; ICD-9-CM/ICD-10-CM surgical, obstetrical, and miscellaneous diagnostic and therapeutic procedure codes, CDT dental codes and 11 digit NDCs; four digit revenue codes. The procedure file must contain, at a minimum, elements such as:

- Maximum procedure code history with a minimum of seven years of date-specific pricing segments with effective begin and end dates, and allowed amount for each segment
- Maximum procedure code history with a minimum of seven years of status (active/inactive) code segments with effective begin and end dates for each segment
- Coding values that indicate if a procedure is covered by Medicaid and/or other programs
- Numerous parameters used in claims processing including but not limited to: provider type, specialty, sub-specialty, laboratory certification, recipient age/gender restrictions, PA required, place of service, modifier, EPSDT indicator, co-payment indicator, eligibility aid category, family planning indicator, emergency indicator, claim type, diagnosis, units of service, review indicator, and tooth number or letter
- Indicators associated with selected parameters to designate whether they should be included, excluded or disregarded in claims processing
- Multiple modifiers with different pricing factors applicable to each modifier
- Two digit place of service code
- Indication that the code requires a sterilization, hysterectomy, or abortion form
- Complete long and short narrative descriptions of procedure codes
- An indicator of how long a claim record for a given procedure must remain in history
- Indication of TPL actions (e.g., cost avoidance, benefit recovery or pay, etc.) by procedure code
- Procedures manually priced or reviewed
- Limits on the procedure to include quantity, occurrences, frequency by program, patient age or program or other parameters
- Indication of non-coverage by third party payers
- Information such as accident-related indicators for possible TPL, federal cost-sharing indicators, Medicare coverage, and allowed amounts
- B #27- The system must maintain a procedure code file that will be used to ensure that claims for related procedures are not paid on the same day for the same individual. The file will include but is not limited to: Related procedure or manually exclusive code numbers, complete narrative description of procedure codes, Modifiers, Multiple spans of begin and end dates, Audit trail and Add date.

Reference Table Maintenance
- B #28 - The system must support automated uploads to procedure and diagnosis tables obtained from an external source. Periodic scheduled and unscheduled updates to the procedure/diagnosis files will be completed online real-time (preferred) or through batch maintenance processes or manually. .
- B #29 - The system must support automated uploads to rates obtained from an external source or based on contract terms. Periodic scheduled and unscheduled updates to the pricing files is completed online real-time or through batch maintenance process.
- B #30 The system must provide reference field updates that are date specific with historical values retained.
- B #31 - The system must produce an audit trail for reference file changes, including the effective date, implementation date, change date(s), identify the user that made the change, and retroactive changes. The original effective date shall not be overlaid by subsequent changes for any reason.
- B #32 - The system must have role-based security to limit access to reference tables to well-trained staff.
- Rate Setting
- B #33 - The system must support new rates in cell composition by age and sex cohorts, eligibility attributes, geographic attributes, county, specific plan, daily/ monthly claim production, payments, and applicable carve out.
- B #34 The system must support rate variance and benefit variance across different programs.
- B #35 - The system must support determination of the amount to be paid to the MCO hospital (i.e., encounters reported vs. paid by plan).
- B #36 - The system must support online updates to DRG tables including weight and hospital unit values.
- B #37 - For inquiry purposes, the system must calculate and display a circumstance or procedure to determine price (e.g., inpatient hospital, outpatient hospital, long term care).
- B #38 - For inquiry purposes, the system must display online the formula used to calculate a given set of values so that provider and authorized users may determine in advance if a claim will be paid. Formulas are to include: hospital inpatient possibilities (DRG * unit value / per diem / case or beneficiary), and LTC and outpatient possibilities (% of charge / fee schedule amount for certain providers / % of APC / per diem -per period or prior admission). Refer to requirements 32-36 above.
- B #39 - To support federal reporting of LTC, the system must report on all care given on an individual basis.
- B #40 - The system must capture payment fund, and process payments by fund type for multiple funds and to multiple bank accounts.
- B #41 - The system must support different rates for different levels of care.
- B #42 - For Tribal Health Centers, the system must support multiple payment methodologies (e.g., FQHC or IHS rates).
- B #43 For hospice services, the system must use a percentage of the nursing home rates (from the provider file) to calculate payment to the hospice provider.

- B #44 The system must store the Medicare Rates file to obtain the following: weights, clinical labs (by region), other labs, and DME. (FFS rates).
- B #45 The system must store utilization data and compare past fiscal rates to the new rate to help determine increase or decrease in specific rates (FFS).
- B #46 The system must calculate utilization by procedure code, group of procedures, provider group, program, and rolled up as well as stand alone totals.
- B #47 The system must support the variety of medical pricing files to encompass programs that use different price structures than Medicaid.
- B #48 In response to an inquiry, the system must display online the formula and calculation results for FFS pricing (e.g., anesthesia).
- B #49 The system must carry the RVU with the corresponding procedure code to support pricing.
- B #50 The system must support the following types of rates:
  - Flat fee rates by geographical areas
  - Per diem rates by level of care
  - DRG set by beneficiary for a specific provider for a specific level of care:
  - Support different rates for different hospitals
  - Different rates based on level of care (SDD)
  - One flat rate for a set of services for a single procedure
  - % set on the basis of Ambulatory Payment Classification (APC) Groups
  - % set on a per admission basis (detox) per day or per admission
  - Visits per week.
  - Case rate
  - Different rates for different providers (custom fees)
  - % of rate goes to provider assistant
  - Based on % of Medicare Rate
  - Based on % of billed charges
- B #51 - The system must have full reporting capabilities, and be capable of doing modeling or forecasting based on benefit changes to specific programs.
- B #52 - The system must support date effective rates including retroactive rates.
- B #53 - The system must provide processes and reports to support managed care and facility year-end cost settlement.
- B #54 - The system must produce standard reports with breakout reporting of beneficiary utilization by program (e.g., Medicaid, CSHCS).
- B #55 - The system must provide a process to update reference data and audit files online, and provide automated support (e.g., allow mass changes).
- B #56 - The system must provide reference field updates that are date specific with historical values retained.
- B #57 - The system must be able to identify Hospice at home from Hospice in a facility, make reimbursement, and calculate appropriate beneficiary cost share.

Drug Formularies
- No requirements

Senior Discount Programs
- No requirements

Claims and Encounter Processing

Claims Receipt
- CE #1 - The system must store all source files submitted to the system and make the data available online to users.
- CE #2 - The system must receive and process X12N 837 4010A1 or later Institutional, Professional, and Dental transactions and return the required response to the service provider.
- CE #3 - The system must deny or reject all electronic claims transactions that do not comply with HIPAA mandated standards.
- CE #4 - The system must receive and process claims in a variety of mediums, including paper documents from providers, billing services, Medicare Carriers and Intermediaries and Coordination of Benefits Contractors.
- CE #5 - The system must identify upon receipt, each claim record with an Internal Control Number (ICN) that designates but is not limited to the origin of claim record, year and Julian date of receipt, batch number, and sequence within the batch.
- CE #6 - The system must accept paper and HIPAA compliant electronic attachments and link the attachment to the original claim.
- CE #7 - The system must maintain an online log of all claims submissions and processing results.
- CE #8 - The system must accept, control, process, and report separately, claims for Medicaid and other MDCH health care programs. Inputs include the following claim forms and transactions (in hard copy, fax, and electronic formats):
    - HIPAA-compliant electronic claims transactions (e.g., 837, NCPDP 5.1)
    - CMS-1500 paper claim form
    - CMS-1450 paper claim form
    - New UB Form currently in development
    - OBRA Level 1 screening claims from long term care institutions
    - American Dental Association (ADA) dental paper claim form; ADA 2000 and ADA2002
    - DDE through provider web portal
- CE #9 - The system must identify and reconcile ICNs that fail to balance to control counts.
- CE #10 - The system must reject an entire batch if it fails the tolerance levels of syntax edits, or if submitter is not authorized for claim types in batch.
- CE #11 - Accepted files must retain a unique submission ID in individual 0records and return back to the submitter totals of rejects/ accepted at the provider and problem levels.
- CE #12 - The system must accept claim inputs to the MMIS, including but not limited to:
    - Claims for Medicare coinsurance and deductible (cross-over claims), in both paper and other electronic formats.

- Attachments required for claims adjudication, including:
- Coordination of benefits and Medicare Explanation of Medical Benefits
- Sterilization, abortion, and hysterectomy consent forms
- Manual or automated medical expenditure transactions which have been processed outside the MMIS (e.g., spend down)
- Non-claim specific financial transactions such as fraud and abuse settlements, insurance recoveries, and cash receipts.

- CE #13 - The system must be capable of returning detail in the X12N 835 or other HIPAA compliant transaction format.
- CE #14 - The system must be capable of generating a paper Remittance Advice (835).
- CE #15 - The system must generate and display MDCH approved information messages on the banner page of the paper Remittance Advices. Banner messages can be generated for specific provider type(s), provider specialty or specialties, or all providers.
- CE #16- The system must generate an RA, even if the payment amount is zero.
- CE #17- The system must generate reports necessary for the MDCH to monitor the RA process.
- CE $18- The system must track claims that are returned to provider, including but not limited to, the date returned, and the reason for returning the claim.
- CE #19 - The system must check claims prior to submission with up front edits and error notification. (i.e., bad claims data will not get into the system)
- CE #20- The system must generate an electronic report to providers detailing claims not completely adjudicated; a X12N 277 Unsolicited, 277U.
- CE #21 - The system must retain the incoming claim in its original form for at least seven years. Original form means an image of paper documents or the pre-translation form of the 837.
- Validation
- CE #22 - All electronic claim submitters must be enrolled in the system, and everyone they submit for must be registered as having an agreement with the submitter.
- CE #23 - The system must have the ability to disenroll for electronic submission at the provider and/or submitter levels.
- CE #24   - The system must accept the following types of electronic claims; all must be in X12N 837 format: electronic batch (web portal, no discs or hard media), individual electronic (i.e. POS), paper claims converted to electronic by an imaging process, and system generated (e.g., capitation payments).
- CE #25 - The system must tie the electronic claim to the related paper claim images, attachments and adjustments that are submitted with the claim.

Edits and Audits
- CE #27- The system must process and perform online, real time adjudication of claims.

- CE #28 - The system must provide flexible, expandable, user-friendly, online edit/audit tables for defining claims processing rules and edit/audit disposition codes in accordance with MDCH and related programs policies and procedures. The MMIS must accept an unlimited number of edits/audits and updates to them.
- CE #29 - The system must define claim edit/audit dispositions and exceptions (e.g., pay, deny, suspend) including but not limited to bill type, submission media, provider type, or individual provider number.
- CE #30- The system must designate, change, and maintain history of begin and end dates for each edit/audit per MDCH guidelines.
- CE #31 - The system must provide the capability to integrate editing and auditing software developed and licensed by other vendors into the MMIS (e.g., Claim Check, InterQual).
- CE #32 - The system must maintain and edit, in accordance with State and Federal requirements, all required claims data elements or attachments to support the Medicaid program.
- CE #33- The system must support streamlined processing for out-of-state claims.
- CE #34- Claims and Encounter complete history records must be available to all authorized users.
- CE #35 -Beneficiary history views must include all services and payments that comprise the true cost of care, including but not limited to: encounters, claims, contract services, payment to insurance carriers, Medicare buy-in payments, premium payments, and spend down amounts.
- CE #36- The system must support user updated tables and table based edits.
- CE #37- The system must be able to pend claims for documentation review, for a designated period of time.
- CE #38- The system must allow for submission of new original claims, resubmission of denied claims, voiding previously paid claims, and adjusting previously paid claims on a self service basis.
- CE #39- The system must support the following claims status: denied, paid, suspend with/without notification to providers.
- CE #40 - Providers who submit claims online must get a real-time response on the status of the claim.
- CE #41- The system must support the ability for an analyst to suspend claims by variable parameters (i.e. client, provider, date range, procedure, etc.).
- CE #42- The system must support images of paper claims and will make them available to authorized users on the desktop for viewing.
- CE #43 The system must continue to attempt to pay lines on a valid claim, even though other lines may be denied.
- CE #44 -The system must provide multiple indexes to be used by staff to locate specific claims.
- CE #45- The system must perform functions associated with the CSHCS claims processing including service authorization, claims processing, and edit/audit processing for client-specific eligible diagnosis to procedure.
- CE #46 -The system must perform automated audit processing using history claims, suspended claims, in-process claims, and same cycle claims.

- CE #47 -The system must edit for potential duplicate claims across claims.
- CE #48- The system must identify exact duplicates and duplicate claims from different providers within the same group..
- CE #49 - The system must continue the edit/audit processing cycle when a claim fails an edit or audit. The MMIS shall not cease editing until all appropriate edit failures are encountered.
- CE #50 - The system must process corrected claims data through the entire edit/audit cycle.
- CE #51- The system must provide online real-time claims suspense resolution capabilities for all claims. Provider access to their own suspended claims through a web portal, with the ability for authorized users to correct errors using DDE is desirable.
- CE #52- The system must provide for each edit/audit code, a resolution code, an override, force, or deny indicator, and the date that the error was resolved, forced, or denied; forced claims shall carry the ID of the claims processor, to provide a complete online audit trail of processing. These data elements shall be carried on the claims history record to support provider and claims processing audits.
- CE #53 -The system must monitor the use of override codes during the claims resolution process to identify potential abuse, based on MDCH defined guidelines (e.g., emergency indicators).
- CE #54 The system must maintain claims correction screens that display all claims data as entered or subsequently corrected.
- CE #55- All claims are processed through MMIS Business Rules (edit logic). Edits can be set differently for different sets of criteria (such as: claim type, provider type, etc). Syntax and taxonomy edits are based on national standards and are applied prior to entry into MMIS processing modules. Claims are also tested for duplicates prior to entry of the batch into MMIS processing.
- CE #56- The system must support user control of edits and edit correction process (business rules). Different edits may be applied to claims vs. encounters. Different edits may be applied based on program.
- CE #57- The system must enforce Medicaid rules and regulations by performing edits, which validate claims, including: integrity of the claim transaction data, recipient/beneficiary eligibility at the time the services were provided, and provider eligibility at the time the services were provided.
- CE #58 -The system enforces Medicaid rules and regulations by performing audits and verifying that third party liabilities have been discharged.
- CE #59 -The system must edit to ensure that a valid insurance or Medicare indicator exists on the eligibility file if insurance or Medicare is indicated on the claim.
- CE #60-The system must edit to ensure that other insurance has been satisfied and/or a valid insurance denial attachment is present if required.
- CE #61-The system must edit to ensure that the claim is for a covered service within the benefit plan for the MDCH health care program the beneficiary is enrolled in. For CSHCS, the service must be related to one of the client's qualifying diagnoses.

- CE #62 - The system must edit to ensure all required attachments are present.
- CE #63 - The system must edit against a beneficiary's age when appropriate.
- CE #64 - The system must edit and suspend claims meeting defined criteria for requiring prepayment review.
- CE #65-The system must edit for MDCH health care program defined claims filing limit.
- CE #66-The system must edit beneficiary claims for lock-in procedure codes.
- CE #67- The system must provide information to providers about what errors have been submitted, what the impact of the errors are on payment, time allowed to correct and provide links to relevant training documentation.
- CE #68 -The system must edit for provider participation as a member of a billing group.
- CE #69- The system must edit for valid billing, attending, rendering, referring, and/or prescribing provider number and/or NPI, as appropriate.
- CE #70- The system must edit for prior authorization requirements, verify the claim matches to an active authorization on the MMIS.
- CE #71 - The system must edit prior authorized claims and cutback billed to units, dollars, visits, or days if the claim exceeds those authorized.
- CE #72 - The system must utilize edits in the claims process to track out of pocket limits, benefit limits and spend down.
- CE #73 - The system must support all HIPAA required code sets, and any remaining crosswalks necessary to support processing of HIPAA required code sets.
- CE #74- The system must support modifiers (i.e., the ability to bring in all modifiers and identify the one that is appropriate).
- CE #75- The system must provide an online process to correct or manually deny suspended claims.
- CE #76 - After corrections are applied to a claim, the system must attempt to re-process corrected claims through all edits and audits.
- CE #77 - The system must support claims edits by age limitations, gender limitations and service limitations (e.g., units, dollars, service dates).
- CE #78 - The system must have the ability to identify/select claims from the universe of suspended claims based on criteria on the claim. This criteria will include provider ID, recipient ID, procedure code, error code or biller ID. Selected claims can be: moved into specified work queues, reprocessed, rejected, or have specified edits (e.g., error code) overridden.
- CE #79 - The system must allow edit rules to vary by many parameters, including but not limited to program, benefit and claim type.
- CE #80 - Claims edits must be date sensitive and retained for historical reference.
- CE #81- The system must support an unlimited number of edits.
- CE #82 - The edit structure must include: definition, description (long and short), instruction, description to send in 835 transaction, description mapped to EOB code, and edit criteria (including units definition, periodic financial limit, etc.). The system must include a crosswalk into HIPAA

standard ARCs and/or remark codes. The crosswalk will be tabled and will allow changes as HIPAA codes or internal editing changes.

- CE #83- The system must edit provider eligibility to ensure that provider is eligible to perform type of service rendered on date of service (e.g., edit of the provider's CLIA identification number). CE #84 The system must invoke the CLIA level stored in the provider file during claims processing to approve those procedure codes associated with each level.
- CE #85- The system must support edits of CLIA information from an OSCAR interface.
- CE #86- History edits must be capable of recognizing duplicate and potential duplicate claims problems and send notification to a reviewer.
- CE #87- Some claims must be forced (bypass certain edits), however those claims will still require a minimum set of complete data.
- CE #88- The system must support an online process to view every edit that applies to an element (i.e. stand alone entry of client, procedure, etc. or a combination of elements).
- CE #89- The system must allow users to define the fields that apply to duplicate edits.
- CE #90 - All edits must be maintained with an effective service date and/or an edit effective date.
- CE #91- The system must support online testing of a claim (to see how it is going to process) through the system at any time.
- CE #92 - The system must support an automated test module that returns processing failures/errors with the data to the submitter.
- CE #93- The system must accept and process all paper and electronic Medicare crossovers for Medicare Part A and Medicare Part B services in accordance with State and HIPAA requirements.
- CE #94- The system must price Medicare coinsurance, co-payment and/or deductible crossover claims and adjustments in accordance with MDCH policy.
- CE #95 The system must uniquely identify Medicare crossover claims and adjustments on all standard claim status reports.
- CE #96- The system must interface with Medicare Contractors to exchange eligibility information, and other data as specified by MDCH, to utilize in matching information for Medicare crossover claims.
- CE #97- The system must maintain a minimum of 36 months of online adjudication (paid and denied) claims history including all other claims for procedures exempt from regular claims history purge criteria, as defined by the MDCH. The online history file shall be used in audit processing, online inquiry and update, and generate printed responses to claims inquiries.
- CE #98- The system must maintain claims that have been purged from active claims history indefinitely on a permanent history archive with key elements of the history claim.
- CE #99- The system must maintain claims data for any services that, due to MDCH policy, are required for processing for a longer span of time than 18 months (such as lifetime procedures) on the active claims history file for audit processing.
- CE #100 -The system must maintain the original billed amount, calculated allowed amount, any manually priced amount, and the actual payment amount on the claim history record.

- CE #101 - The system must produce a report of providers that have outstanding negative balances due to adjustments or claim voids or replacements

Adjustments and Voids

- CE #102 - The system must provide a web portal for DDE by authorized providers with access to previously paid claims and capability to initiate adjustments or to void claims.
- CE #103 - The system must process individual, mass, and gross adjustments submitted on HIPAA compliant X12N 837, NCPDP 5.1 transactions and paper claims.
- CE #104 - The system must identify and recover payments for claims denied by retrospective review.
- CE #105 - The system must perform adjustments to original and adjusted claims and maintain records of all previous processing.
- CE #106 -The system must deduct spend down/deductible, patient liability and co-payment, as appropriate, during claims adjustment processing.
- CE #107 - The system must allow cash advances and provide the capability to establish a series of timed gross adjustment recoveries to allow for recovery of advances over time.
- CE #108 -The system must produce quarterly reconciliation reports for PIPP and Nursing Home providers. The reconciliation report will compare the paid amount to the facility's prior quarter cost report. Based upon the outcome, the schedule amount (DRG or per diem) may need to be adjusted for the next quarter.
- CE #109 -The system must maintain complete online audit trails of all adjustment activities on the claims history files that include Ids for the claims processor initiating and approving the adjustment.
- CE #110 -The system must automatically identify all claim records affected by retroactive rate adjustments, create adjustment records for them, reprocess them, and maintain a link between the original and adjusted claim.
- CE #111 -The system must maintain adjustment data that includes who initiated the adjustment, and the disposition of the claim (additional payment, recovery, history only) for use in reporting the adjustment.
- CE #112 -The system must be capable of processing gross adjustments as needed in every regular payment cycle.
- CE #113- The system must generate reports showing statistics of gross adjustment processing.
- CE #114 -The system must allow adjustment of claims that have been purged from online history as directed by MDCH.

Claims Audit Trail

- CE #115- The system must maintain an audit trail for each claim record that shows each stage of processing, the date the claim entered each stage, and any edit/audit codes posted to the claim at each step in processing.
- CE #116 - The system must provide an audit trail with full accountability of processed claims by tracking changes to a claim (who, when why and comments).
- CE #117 -The system must generate claims statistics and audit trail reports including but not limited to:

- Inventory management analysis by claim type, processing location, and age
- Input control listings
- Returned claims
- Exception reports of claims in suspense in a particular processing location for more than a user-specified number of days
- Inquiry screens to include pertinent header and detail claim data and status
- Claims entry statistics
- Data entry operator statistics, including volume, speed, errors, and accuracy
- Electronic submission statistics
- Point-of-Sale submission statistics and transaction listings
- CE#118 -System must track claims volumes, error occurrence frequency, approved dollar volume and report when weekly volume varies by more that a defined amount e.g. two standard deviations
- CE #119 -The system must maintain an audit trail of all claims processed on an exception basis.
- CE #120 -The system must maintain claim correction screens that display all claims data as entered or subsequently corrected.

Claims Reports
- CE #121 -The system must generate at minimum the following claims control reports:
  - Invalid transaction listing
  - Batch acceptance report
  - Daily batch error report
  - Daily control activity report
  - Adjustments entered
  - Point-of-Sale report
  - Inventory and Production report
  - Daily management summary
  - Error analysis
  - Error summary
  - Aged inventory – location age
  - Aged inventory- system age
  - Claim lag reports
  - Incurred but not reported (INBR) claims
- CE #122 -The system must generate additional reports with claims entry statistics for assessing claims processing performance compliance (e.g., claims over 30 days in processing).
- CE #123 -The system must have the capability to easily track, assess, estimate, and report on the effectiveness and savings of each edit and audit (including revisions and updates) and the impact of each edit and audit on providers (e.g., individual provider, provider type, place of service, claim type, type of claim submission (e.g., electronic, paper), beneficiary program type) and their subsequent billing patterns.
- CE #124 -The system must generate online EPSDT or other children's primary care outreach and utilization reports to MCOs, CSHCS, or other entities.

- CE #125 - The system must contain an EPSDT indicator and provide MDCH with online access to EPSDT data from claims.
- CE #126 - The system must provide online inquiry to beneficiary EPSDT data to allow providers to check if a beneficiary is due for an EPSDT screening.
- CE #127 - The system must maintain all EPSDT program eligibility records, periodicity schedules, beneficiary notification and notification response dates, screening dates, and client notices, as directed by MDCH.
- CE #128 - The system must maintain, for each EPSDT eligible beneficiary, the screening date, immunization, and blood lead level testing status.
- CE #129 - The system must generate monthly blood lead level reports.
- CE #130 - The system must contain a Family Planning indicator and provide MDCH with online access to Family Planning data from claims.

Specialty Claims

POS/Pharmacy

- CE #131- The system must support inquires from a PBM on a real-time POS basis (eligibility, service limits, ProDUR, etc.).
- CE #132 -The system must support lock in of beneficiaries for pharmaceutical services.
- CE #133 -Pharmacy claims that utilize the NCPDP 5.1 specification may be processed using real time adjudication process.
- CE #134 -The system must accept preprocessed claims from outsourced PBM services. Minimal edits include data field validity, complete records, and member eligibility. Co-payment information may be extracted and reported separately.
- CE #135 -Pharmacy claims are screened for various clinical and utilization issues through parameter driven Prospective Drug Utilization Review (DUR) modules, as supplied by internal logic or a third party vendor. Pharmacy claims that appear to circumvent Prospective DUR may be reported back to the provider.

System Generated Claims

- CE #136 -The system must have a mechanism to automatically produce or system generate claims based upon business rules. The system must calculate monthly, weekly, or daily capitation payments to Medicaid MCO providers and County Health Plans based on such criteria as a monthly roster of members assigned to the plan, benefit plan, and MCO specific rate information. After the claims are generated for a defined date range, they enter into the claims adjudication process, are edited, and pay like all other claims. Payments of capitation to MCOs will be paid through MMIS for all programs that have capitated rates, with the possible exception of the mental health and substance abuse.
- CE #137 -The system must generate the Maternity Case Rate claim when identified on the Electronic Birth Record file and the mother is in an MCO at the time of the birth.
- CE #138 -The system must calculate Mental Health and Substance Abuse capitated claims are based on the number of TXIX beneficiaries in residence in the plan area.
- CE #139 -The system must generate a retroactive push payment quarterly report for each MCO, using specifications designated by MDCH.

The report compiles the eligibility/enrollment file with the payments for the 12 months period starting 15 months earlier. A capitation payment is initiated for any individual eligible and enrolled in a health plan but not paid. Other methods of insuring payment is made in cases of retroactive eligibility will be acceptable. See CE #144.

- CE #140 -The system must implement and automatically process special payments to MCOs providing services to beneficiaries (e.g., who are pregnant, receive AIDS/ventilation services or other payments as defined by MDCH).
- CE #141 -The system must support the generation of case management service claims using data extracted from the FIA systems in place at time of conversion.
- CE #142 -The system must calculate monthly and daily capitation payments to capitated MCO providers based on such criteria as monthly enrollment, benefit plan, and MCO specific rate information.
- CE #143 -The system must prorate capitated payments allow accurate reimbursement for various time periods such as month, partial month or day.
- CE #144 -The system must have a mass claim adjustment capability.
- CE #145 -The system must generate HIPAA compliant automated capitation payments (ASC X12N 820) for capitated programs for recipient/beneficiaries that are prospectively or retroactively enrolled in a capitated plan.
- CE #146 -The system must adjust and track capitation payments at the recipient/beneficiary level based on changing enrollment status or other changes that affect the capitation payment rate.
- CE #147 -The system must be able to mass adjust encounters with user controlled (send/not send) notification to affected plans.

Long Term Care/ Residential Facility

- CE #148 -The system must generate online and hardcopy balancing and control reports according to MDCH specifications.
- CE #149 - The system must be capable of pricing Long Term Care (LTC) claim records on a specific case mix per diem rate or a facility per diem rate.
- CE #150 - For case rate, the system must edit nursing home claims against beneficiary MDS or other criteria (e.g., OASYS), level of care indicator, and admit/discharge information as defined by the MDCH to ensure level of care billed is appropriate prior to making payment to the facility.

Waiver and Personal Care Services

- CE #151- The system must accept different start dates for different waiver programs.
- CE #152 - The waiver claims function must maintain and pay claims based on provider specific information such as rates, limits, and thresholds submitted by each program.
- CE #153 - The claims function must accept rates for waiver services including but not limited to: individual, provider, County, and program.
- CE #154 - The system must accommodate establishing recurring payments to a provider for waiver services.
- CE #155 - The system must generate payments to providers up to a specific dollar amount or units.

- CE #156 - The system must edit to ensure other insurance has been satisfied and/or a valid insurance denial attachment is present as required by MDCH.
- CE #157 - The system edit for required fields (e.g., LOC) to ensure beneficiary enrolled during waiver claims processing.
- CE #158 - The system must pre-populate claims forms for certain waiver claims.
- CE #159 - The system must verify waiver claims against prior authorization criteria for program, individual, and provider.
- CE #160 - The system must identify individuals that have been preauthorized for a waiver service.
- CE #161 - The system must approve service authorization requests up to a specific dollar amount.
- CE #162 - The system must authorize waiver services for a specific date range (e.g., six months or one year).
- CE #163 - The system must accommodate non-Medicaid providers and sources.
- CE #164 - The system must accept waiver program encounter data from counties.

Claims Payments
- The Contractor must describe how system will process claims and apply and record payments before NPI is implemented and how system will record and apply payments using NPI data.
- CE #165 -The system must provide MDCH with online access to claims pricing data
- CE #166 - The system must calculate the allowed claims payment amount according to date specific pricing and MDCH approved payment methodologies, including but not limited to:
  - Rate on file in accordance with MDCH policy
  - Rate on file or billed amount, whichever is less
  - Percentage of rate on file
  - Percentage of rate on file or billed amount, whichever is less
  - Percentage of charges billed
  - Percentage of charges billed up to a dollar cap amount
  - Percentage of Medicare rate
  - Medicare ESRD pricing
  - Anesthesia pricing using a formula
  - DRG pricing, with or without outlier
  - Maximum allowable fee per service
  - Contracted managed care organization capitation rate
  - Procedure code modifier pricing
  - FFP portion of maximum fee pricing
  - Manual pricing (medical consultant-determined rate per service)
  - Nursing home daily rate
  - Nursing home claim records on a specific case rate; per diem rate, or a facility per diem rate
  - Nursing home PPS
  - Facility specific per diem rate
  - Outpatient hospital rate per visit (day)

- Outpatient PPS
- Crossover claim pricing, including Part B cutback
- Incentive payment pricing
- MAC, EAC, or AWP minus percentage for drugs plus dispensing fee per prescription
- Individual waiver program pricing methodologies.
- CE #167 -Payment methodologies may be applied to:
  - Geographic area by county or ZIP code of provider or beneficiary
  - Individual provider number
  - MCO provider number
  - Beneficiary identification number
  - Beneficiary age, gender, or program/aid category
  - Provider type or specialty
  - Program benefit package
  - Any other configuration specified by MDCH.
- CE #168 -The system must provide for inpatient hospital pricing methodologies including but not limited to:
  - DRG grouping
  - DRG with outlier if an outlier is applicable
  - Per diem
  - Days eligible
  - Percentage of charge
  - Any other method specified by MDCH

Third Party Resources
- CE #169 - The system must edit to ensure that a valid insurance or Medicare indicator exists on the eligibility file if insurance or Medicare is indicated on the claim.
- CE #170 - The system must edit to ensure that other insurance has been satisfied and/or a valid insurance denial attachment is present if required.
- CE #171 - The system must identify potential and existing Coordination of Benefits (COB) opportunities (including Medicare) and deny the claim if it is for a covered service under an insurance resource, for applicable claim types.
- CE #172 - The system must have automated edits for cost avoidance using MDCH defined business rules for conditions and/or events (e.g., auto-accident). Criteria are easily changed on edit tables.
- CE #173 - The system must maintain up-to-date timely insurance information on the beneficiary file that contains sufficient specificity to allow for cost avoidance and identification of post-payment recovery billing requirements and access this information during claims processing.
- CE #174 - The system must allow authorized users online, real-time capability to update cost avoidance criteria and edit tables.
- CE #175 - The system must allow authorized users to override TPL edits as directed by MDCH.
- CE #176 - The system must accept and process all paper and electronic Medicare crossovers for Medicare Part A and Medicare Part B services in accordance with State and HIPAA requirements.
- CE #177 - The system must generate reports and provide access to cost avoidance data and statistics as specified by MDCH in order for MDCH to

monitor third party payments and denials and savings related to cost avoidance.

- CE #178 -The system must store all claims related system generated outbound communication to providers. This will primarily be the paper remittance advice and/or 820, 835, 277, 277U and 834 transactions.

Client Liability

- CE #179 - The system must edit for cost-sharing requirements on applicable claims or benefit plans. Payments are adjusted by the liability amount.
- CE #180 - The system must automate deduction of personal care allowance from a claim prior to calculating and issuing payment to the service provider.
- CE #181 - The system must exclude federal and state defined recipient/beneficiary groups or specific services from the co-payment requirement (e.g., nursing home residents, pregnant women, family planning services etc.).
- CE #182 - The system must process retroactive changes to beneficiary cost sharing and/or beneficiary contributions and adjust claims affected by the retroactive change.
- CE #183 - The system must apply beneficiary co-payment amounts based on type of provider, diagnosis codes, place of service, procedure code, dollar amount of co-payment and number of services, as well as the ability to identify exclusions for co-payments.

Claims Pricing Algorithms

- CE #184 -The system must allow for interim hospital billing.
- CE #185 - The system must have the ability to retain claims in an unpaid, but adjudicated status until released or voided.
- CE #186 -The system must support the ability to reduce or increase the fee schedule amount for an individual service or provider. The incentive or discount percentage will be applied at the time a claim is priced.
- CE #187 - The system must support the ability (by provider and analyst) to inquire into the provider's credit history. The file will maintain all transactions at the claim line detail including voids, adjustments and payments.
- CE #188 -The system must allow providers online access to their own claims payment history at detail level.
- CE #189 - The system must support payment of co-pay, if co-pay is less than allowed and client has other insurance.
- CE #190 - Claim edits must allow PCCM providers to receive both capitation and FFS payments.
- CE #191 - The system must ensure that claims received from specialists referred by PPCM must have the PPCM ID in the referral box on the claim.
- CE #192 - The system must define emergency services claims and pay without a prior authorization.
- CE #193 -The system must maintain appropriate controls and audit trails to ensure that the most current beneficiary data is used during each claims processing cycle.
- CE #194 -The system must deduct applicable beneficiary co-payment for services and beneficiary groups according to the co-payment policy set by MDCH.

- CE #195 - The system should have the ability to pay beneficiaries for certain reimbursable services (e.g. CSHCS non-emergency transportation).

Claims Status Inquiries/ Notifications

- CE #196 -The system must provide secure portals through which providers can access the system and see the results of FFS processing at any point in the processing.
- CE #197 - The system must support AVRS/EVRS for claims status check. Claims status and payment information provided must include:
- Adjudicated claims, paid amount, check number and date
- Claim status
- Claims denial reason
- Check write for active providers for the last five payment cycles
- CE #198 - The system must accept HIPAA compliant ANSI X12N 276, batch or real time transactions for claims status inquiry.
- CE #199 - The system must respond to provider inquiries with a HIPAA compliant X12N 277 Claim Status Inquiry Response transaction. All notifications must be in available in paper or electronic, HIPAA compliant format, if appropriate.

Notifications

- CE #200 - The system must generate a notice to the client when a service has been denied informing client of their right to a Hearing. Client notices will be sent based on user criteria.
- CE #201 - The system must support updates to the FIA system, generating notices to caseworkers by ad hoc selection or automatically for certain conditions, such as MCO enrollment changes or Vital Records events.

Encounter Processing

- Encounter Receipt
- CE #202 - The system must maintain an online log of all encounter submissions and processing results.
- CE #203 -The system must have the ability to accept and process encounters for non-Medicaid services.
- CE #204 -The system must accept the following types of electronic claims; all must be in X12N 837 and NCPDP 5.1 batch 1.1 formats: electronic batch (web portal, no discs or hard media).
- Encounter Edits and Audits
- CE #206 - Encounters go through many of the same edits as claims; however, some edits may be applied differently for encounters. Encounters will edit against FFS claims to prevent duplication of payments/services. Penalties could be assessed for encounters not submitted or corrected within specified time frames.
- CE #207 - Encounters must be included in claims history and used in claims history audits and duplicate checks.
- CE #208 -The system must provide a self-service utility that allows plans to view their encounters in the system.
- CE #209 - The system must support authorized user process to force encounters (e.g., override edits).
- CE #210 -The system must support the capability to process encounter claims and set a status of accepted or denied, with notification to MCO.

- CE #211 - The MCO must report the amount paid to their network providers, unless a contract provision between the MCO and the network providers does not allow for line item payment (sub-capitation). The system will capture what the MCO reports as paid to the network provider on the encounter.
- CE #212 - The system must have role-based security and limit access to encounter data to authorized users only.
- CE #213 - Mass adjustments/voids may be initiated on request by authorized users only in a situation where there has been an error by MDCH
- Notification
- CE #214 - The system must generate an error report to notify MCOs of the results of encounter processing. The status of each encounter is either accepted or denied.
- Encounter Reports
- CE #215 The system must generate encounter data reports as specified by MDCH to meet state, federal, and performance monitoring reporting requirements.

Contracts Management Business Requirements

Contract Terms

- CM #1 - The system must support a variety of contracts including optional service packages.
- CM #2 - The system must be able to change benefit structures and associated capitation payment based on a change in client eligibility
- CM #3 - The system must maintain a history of all contract activity including cross-reference to previous contracts and solicitations.
- CM #4 - The system must provide an online ability to maintain contract information that includes: Plan ID, the plan's service areas, capitation rates for each area serviced, covered services for each area, each plan's maximum capacity for each area serviced and subcontractor information. The system must provide date parameters on service area.
- CM #5 - The system must provide an automated mass rate update capability as well as a manual online rate update for plan contracts.
- CM #6 - The system must maintain a historical rate structure that includes beginning and ending dates for the covered period.
- CM #7 The system must provide the ability to include and exclude services in the contract.
- CM #8 - The system must receive, store and report on PCP assignment and network panel size provided by the MCOs.

Payment Options

- CM #9 The system must provide user options for redefining capitation rate cells by selected eligibility groupings (medical, demographic, geographic, and utilization) and for ensuring that the capitation/premium rates do not exceed FFS upper limits.

Contract Monitoring

- CM #10 -The system must be capable of generating a variety of reports to support contract monitoring based on utilization within an MCO and by individual/beneficiary. See Appendix A
- CM #11 -The system must relate expenditures to the appropriate contract (i.e. transportation, DME PA), and process payment based on business rules established for the contract.

- CM #12 -The system must have reports to analyze expenditures by provider types and sub-groups within provider types (performance to contract) with real-time, online access.
- CM #13 -The system must have reports available to demonstrate need flexible certification (applies to contract and out of contract areas such as transportation).
- CM #14 - The system must produce reports to support MCO contract monitoring of the following:
    - Enrollment capacity,
    - Contractual services,
    - Minimum loss ratios,
    - Complaints and Grievances,
    - MCO Financials (solvency and expenditures),
    - Enrollment vs. utilization,
    - Performance standards, and
    - HEDIS Outcomes.
    - PCP information
- CM #15 - The system must have reports detailing the number of providers (PCP or specialist) that are accepting new patients.
- CM #16 - The Web portal must have a mechanism for physicians to report the MCO in which they are participating, the number of managed care patients assigned to them by the MCOs, and the capability to indicate whether or not the physician is currently accepting new patients.
- CM #17 - The system must support contract tracking and reporting by Contract ID.
- CM #18 - The system must support monitoring of PCCM utilization, to ensure referrals take place and that the PCCM is rendering services (as FFS).
- CM #19 - The system must provide Case Management type utilization reports back to the PCCM (i.e. referral results, services, drugs prescribed).
- CM #20 - The automated Case Tracking system must support loading of Grievance and Complaint information from Plans (for information not for follow-up).
- CM #21 - The automated Case Tracking System must provide for categorization of Grievance and Complaints (i.e. waiting time, abusive staff).
- CM #22 - The automated Case Tracking System must receive and process grievance and complaint information from Plans that contains provider level information when applicable (i.e. Grievance / Complaint against provider not MCO).
- CM #23 - The system reporting capabilities must provide tools to support performance based contracts, with appropriate variety of reports for monitoring.
- CM #24 - The system must provide "report cards" comparing case mix and outcomes of MCO, PIHPs and Contractors on key performance indicators.
- CM #25 - The Case Tracking system must link tracking events to providers, clients and contracts.

- CM #26 - The system must provide for systematic calculation of the plan's individual provider capacities by area serviced.
- CM #27 - The system must provide an online ability to monitor and maintain plan capacities and will provide enrollment totals by MCO contract and geographic area totals by plan and provider ID number.
- CM #28 - The system must be capable of calculating cost effective measures (e.g., the total dollar amount paid by capitation rate vs. utilization expense reported in encounter data).
- CM #29 - The system must track patient assignments by PCP.
- CM #30 - The system must track and report the number of enrollees assigned to a PCP, including the total number assigned to the provider for each MCO and the total number of enrollees assigned for all MCOs in which the provider is participating.
- CM #31 - MDCH information regarding a Contractor /contract should be available online for contract management to review.
- CM #32 - The system must be able to determine and report lag times between dates of service and adjudication dates for encounter/ claims processing for both the MCOs and PIHPs.
- CM #33 - The system must report by exception, when a beneficiary enrolled and when services were first reported as received.
- CM #34 - The system must be able to generate contract alerts to the MCOs and record and track these alerts and make them available at a later date as required by MDCH.
- CM #35 - The system must allow plans to submit financials electronically.
- CM #36 - The system must maintain contract essentials and modifications, track status of each, including deliverables, milestones and work plans.
- CM #37 - The system must provide the ability to maintain a comment/ message area for each contract work responsibility.
- CM #38 - The system must contact forms to tie contracts to requests for information from other agencies and track (follow-up) results of query.
- CM #39 - The system must provide a process to support reviews within contract monitoring that includes the following:
  - Review measurements or evaluation criteria
  - Contracted State deliverables that effect the review
  - List of reports/formulae used in the evaluation
  - Contractor financial liability associated with the review
  - Review results (performance to contract)
  - Identify sign-off responsibility
  - Maintain history of all reviews by reporting period of contract
- CM #40 - The system must include a process that delivers a Quality Improvement Plan, which monitors the services provided and promotes quality in managed care by measuring health care quality outcomes through established standards and a collaborative effort with all stakeholders.
- CM #41 - The system must provide necessary data to support the development of health services delivery standards/practice guidelines that can be used in the ongoing monitoring and measurement of health plans' performance in the delivery of services, in providing members access to health care and satisfying members, regarding membership stability and

demographics as well as resource allocation within the plan, and in achieving financial stability.

- CM #42 -The system must provide tools to measure Provider adherence to contract terms, including encounter submission compliance.
- CM #43 - The system must provide the ability to track the issuance of warnings and sanctions to a particular plan/plan area.
- CM #44 - The system must establish and maintain an automated interface with managed care Contractors to receive updates to provider networks.
- CM #45 -The system must produce monthly and annual reports that depict the status of each capitated plan on an urban, rural, county, and statewide basis.
- CM #46 - The system must produce periodic reports of age-sex capitation distribution by prepaid health plan and by capitated provider.
- CM #47 - The system must provide the capability to uniquely identify providers that furnish services on a capitated basis and those that provide services on both a FFS and capitated basis.
- CM #48 - The system must provide capability to accomplish retrospective collection and analysis of health services data for prepaid managed care plans (PIHPs) covering the areas of utilization/cost of services, membership data, access to care, coordination of care, quality of care, and rate analysis to effect trend analysis, problem identification, and resolution.

Data Exchange

- CM #49 - The system must identify and report on beneficiaries who should be enrolled in a managed care program, based on criteria established by MDCH.
- CM #50 - The system must track capacities by service areas and geographic areas, (across plans, include PCCM, etc.).
- CM #51 - The system must support contract processing for the Primary Care Case Manager (PCCM) 'gatekeeper' program.
- CM #52 - The system must support contract processing of Transportation Brokerages for non-emergency brokered medical transportation.
- CM #53 - The system must have role-based security and restrict access to encounter data: mental health, substance abuse, MICHILD, Medicaid health Plans, County Health Plans to authorized users.
- CM #54 - The system must be able to assign a provider number for reporting purposes that does not link a provider to a Provider Enrollment. All MCO providers are not enrolled Medicaid providers.
- CM #55 - The system must support sending a file of enrolled and licensed providers to the MCO quarterly.

Eligibility

Eligibility Maintenance

- EE #1 - The MMIS will support a gatekeeper function that will exchange required data with eligibility systems, including ASSIST/CIMS and MDCH Oracle databases.
- EE #2 - Beneficiaries may be eligible for multiple programs concurrently, both Medicaid and non-Medicaid. Eligibility must be processed according to defined business rules.

- EE #3 - The system must identify and report data exchange transactions that fail either fatal and/or non-fatal update edits back to the originating system and user area.
- EE #4 - The system must attempt to identify duplicate eligibility records through specified business rules and specialized software (e.g., mnemonic applications) and notify the originating system so that the issue may be resolved.
- EE #5 - The system must accept and send data using various media options, such as online, Internet DDE, EDI, and reports to other state agencies and other external sources in the format required by the MDCH or device.
- EE #6 - The system must generate and produce reports as defined by the MDCH, including but not limited to control reports on input and output activity.
- EE #7 - The system must maintain data transmission formats and schedules, as directed by the MDCH.
- EE #8 - The system must receive and process daily updates to the MMIS recipient subsystem from CIMS/ASSIST and DCH Oracle eligibility determination systems.
- EE #9 - The system must incorporate audit trails to allow information on all recipient update source transactions to be traced through the processing stages to the point where the information is finally recorded, regardless of the method used to update. The ability to trace data from the final place of recording back to its source shall also exist.
- EE #10- The system must be capable of linking all members of a case together and to easily identify all members of a case, whether currently eligible or not.
- EE #11- The system must provide the capability to compare multiple transactions processed in the same cycle for individuals and update according to MDCH defined hierarchy or priority.
- EE #12- The system must maintain and display current and historical recipient eligibility data required to support ID card production, claims and premium processing, prior authorization processing, inquiry, eligibility verification, and reporting to include at a minimum:
  - Unique and/or universal recipient identifiers
  - Time-dependant eligibility data, including recipient eligibility group and program codes
  - Demographics, including race/ethnicity and preferred language
  - Third party coverage (private insurance, Medicare)
  - Premium assistance eligibility and activity (Medicare, employer-sponsored insurance)
  - Cost share amounts (spend down/deduction, institutional liability, premiums, deductibles)
  - Managed care program enrollment status
  - Managed care level of care
  - Nursing home level of care authorization and patient pay amount
  - Hospice enrollment and hospice residence (e.g., home or in nursing home (name of facility)
  - Waiver program enrollment
  - ID card status, to include replacement reasons

- Service restriction (lock-in, limited benefit eligibility)
- EPSDT status
- Claims history
- Recipient bank account number and bank routing number.
- Citizenship

- EE #13-The system must provide authorized users with the capability to manually add/change all MMIS eligibility file data via batch and online, real-time updates. See Appendix A
- EE #14-The system must provide the ability to disenroll/re-enroll members of one or more health plans into one or more health plans.
- EE #15-The system must provide the ability to view a single eligibility episode that is comprised from multiple eligibility segments (i.e. see the begin and end date for the sum of contiguous eligibility segments).
- EE #16-The system must produce daily audit trail reports, and allow inquiries, showing all recipient data updates applied to the REF master data.
- EE #17-The tracking system must maintain a log of electronic inquiries to eligibility inquiry systems.
- EE #18- The system must log a date that the record is sent to the EVS, PBM, or Enrollment Broker.
- EE #19- The MMIS must identify individuals with multiple program eligibility (e.g., Title V and Title XIX).
- EE #20- The system must maintain multiple levels of security restrictions for accessing client data to protect the privacy of clients.
- EE #21- The system must provide search capability for each client by ID number, name, short name, account/case number, date of birth, period of time, and SSN through online real time query.
- EE #22-The system must support plan notification of TPR confirmation.
- EE #23-The system must have the ability to display and report eligibility at any point in history.
- EE #24-The system must maintain an indicator to suppress generation of client identification documents for confidential services or other reasons.
- EE #25-The system must provide scheduled and ad hoc reports to meet all federal and state reporting requirements.
- EE #26-The system must track disclosure of PHI and have the capability of indicating persons authorized to discuss PHI for a beneficiary.

Special Programs Determination
- EE #27-The system must have the capability to process using business logic for diagnosis and interface with medical criteria to establish an intensity of service (CSHCS specific).
- EE #28-The system must have the capability to store and retrieve unlimited diagnoses on the recipient eligibility record (CSHCS specific).
- EE #29-The system must have the capability to edit claims and limit payment to procedures allowed for treatment of diagnoses entered on the recipient's record (CSHCS specific).
- EE #30-The system must have an indicator on the recipient eligibility record for provider(s) assigned to provide treatment to the recipient (multiple iterations) and the date assigned (CSHCS specific).

- EE #31-The provider assignment must be available on eligibility query and include physician, provider type, provider location, diagnosis approved for payment (CSHCS Specific).
- EE #32-The eligibility record must have a flag for medical home physician (PCCM functionality) and capability to push alerts to the family, PCCM, and other assigned providers.
  - Notify PCCM of the authorized specialty providers per enrollee and their automatic authorization to serve the recipient.
  - Notify to the authorized specialists of the PCCM and their referral number that automatically approves them to serve the recipient and submit claims to the MMIS.
  - Method to transfer all pertinent information upon recipient change of PCCM.
  - Method to notify PCCM and specialists when transition materials have been sent to client with request the providers reinforce and assist with preparing for various transition needs (CSHCS specific).
- EE #33 The system must have the ability to identify and list all CSHCS recipients, responsible party, and addresses both currently and historically and by subset (CSHCS specific).
- EE #34-The system must have comments fields to record and store case notes (CSHCS specific).
- EE #35-The system must provide batch and individual standard letters, forms, and survey generation capabilities (CSHCS specific).
- EE #36-The system must have case tracking and tickler functionality to prompt CSHCS staff when it is time to re-certify the case (CSHCS specific).
- EE #37-The system must produce system and user-generated recipient mailing labels, reports, and files, including generation of labels for only selected clients, e.g., by program code, level of care, etc. Mailing labels shall be available per individual or per household.
- EE #38-The system must be capable of processing multiple program authorizations (level of care, health plan, mental health plan).
- EE #39-The system must contain an interactive web application form for CSHCS and MIChild Programs and automate submission of information to the respective entity (e.g., CSHCS, enrollment broker, FIA) making the eligibility determination.
- EE #40-The system must contain role-based security to allow authorized users to access the application, make eligibility determination, and send a response via the Internet.
- EE #41-The system must accept and process waiver recipient eligibility received from FIA systems and other sources as specified by MDCH.
- EE #42-The system must receive and process weekly updates for recipient nursing home authorization data.
- EE #43-The system must contain a LOC indicator to identify recipients on the eligibility file with a unique provider ID number indicating Breast and Cervical Cancer Program enrollee (state specific).
- EE #44-The gatekeeper will report retroactive eligibility information (e.g., newborns) back to the source agency system. See CE# 138.

Eligibility Verification

- EE #45-The system must support real time verification of eligibility through online DDE.
- EE #46-The system will maintain a database of recipient eligibility to support provider inquiry and billing (e.g., eligibility voice response, dial-up eligibility verification inquiries, or point-of-service inquiries).
- EE #47-The recipient eligibility verification data must meet HIPAA standards for X12N 270, 271 for batch and real-time. The system will only send 270/271 transactions for eligibility inquiries.
- EE # 48-The system must produce a report of cards issued by type and funding source.
- EE #49-The system must automatically issue a new card for newly eligible beneficiaries that have not previously been issued a card. The issuance file must indicate type of card and funding source. Federally mandated brochures are then mailed depending on the program.
- EE # 50-The system must provide online access to request issuance of new or replacement ID cards by authorized users and track replacement ID card requests and date the replacement was generated.
- EE #51-The system must maintain an online audit trail of all updates to recipient identification card data.
- EE #52-The system must generate MIhealth replacement ID cards for enrolled beneficiaries who have changes in name
- EE #53-The system must generate CSHCS Eligibility Notices on user request. Notices are generated to the family and Provider Eligibility Notices to the client's authorized providers.
- a4. Third Party Resource Identification
- EE #53 -The system must generate CSHCS Eligibility Notices on user request. Notices are generated to the family and Provider Eligibility Notices to the client's authorized providers.
- EE #54 - The system must pass deceased client information to CIMS.
- EE #55 - The system must query other carriers using X12N 270 and receive and process data files from insurance companies to identify and update MMIS recipient records with third party payer information as scheduled by MDCH.
- EE #56 - The system must interface with Medicare Contractors to exchange eligibility information, and other data as specified by the State. This data will be utilized in matching information for Medicare crossover claims.
- EE #57 - The gatekeeper will report the following information back to the originating systems when information is received and MMIS information has updated: addresses, TPR (policy # and plan), eligibility segments.
- EE #58 - The system must process and transmit verified private insurance coverage information received from various outside sources (e.g., data match with BCBSM) that update recipient files to the FIA's eligibility determination systems (ASSIST and CIMS).
- EE #59 - The system must provide the capability for online letter creation, generation, maintenance, modification, storage, and historical viewing of standard and ad hoc letters to recipients and their representatives, insurance companies, employers, provider, and other parties.
- EE #60 - Provide the capability to image and track all correspondence, match returned correspondence to original claim or other documentation, and have images available on the desktop.

- EE #61 - The system will indicate those services, which may be covered by TPR and those that may be excluded from primary coverage.
- EE #62 - The system will store a TPR narrative (at least 3 lines).
- EE #63 - The system will support a database of employers and their insurance carriers.
- EE #64 - The system will accept an X12N 270 inquiry in a HIPAA compliant format from the insurance carrier and reply using the X12N 271.
- EE #65 - The system will provide a capability to capture TPR information to be used in recovery of overpayments and cost avoidance.
- EE #66 - The system will provide online access to the Child Support Enforcement system TPR information, and will record TPR information from Child Support Enforcement.
- EE #67 - The system must track premium amount(s) owed and received for all MDCH health care programs to include but not be limited to: recipient, month owed, amount owed, date payment received, payment method, primary payer, outstanding payments, payment discrepancy reports, and program for which premium is owed.
- EE #68 - The system must provide authorized users with online access to premium determination data for all MDCH health care programs.
- a5. MCO Enrollment
- EE #69-The MMIS must make eligibility data available to the Enrollment Broker daily.
- EE #70-The system should be able to lock health plan enrollment in certain populations with override capability, and allow other clients to change plans at any time.
- EE #71-The system must cross-reference all members of a case to a case number and provide the capability to identify all members of a case
- EE #72-The system must support the entry and update of certain eligibility information based on access security level (i.e. retroactive eligibility updates, addresses, any retroactive modifications not supported by CIMS).
- EE #73-The system will post retroactive eligibility sequentially.
- EE #74-The system must track MCOs that are open or closed for enrollment via auto-assignment, reassignment or recipient choice, based on the number of recipients currently enrolled in the MCO.
- EE #75-The system must allow (by default) auto-assignment of family members into the same plan.
- EE #76-When a family member returns to or is added to a case that is enrolled in a plan, that member can also be enrolled in that plan, even if the plan is closed.
- EE #77-The MMIS must be capable of recognizing programs/populations mandated to enroll in managed care.
- EE #78-The system must allow different enrollment and re-determination rules to be applied to different populations and plans.
- EE #79-The system must allow auto-enrollment but will allow for exemptions and overrides.
- EE #80-A summary screen must be provided that shows enrollment status by predetermined units (i.e., by case, household, or family members, etc.).

- EE #81-The system must store and maintain family and case cross-references (family and case groupings) to support the enrollment process.
- EE #82-Certain beneficiaries may be exempted from enrollment in a managed care plan (i.e. Medicare primary, commercial HMO coverage, incarcerated, and Native American). The system should have the capability of identifying persons to automatically disenroll persons that are exempted from enrollment.
- EE #83-Enrollment into an MCO can continue until the plan is closed to new enrollment.
- EE #84-When clients re-establish eligibility, they should be allowed to be enrolled in their plan even if the plan is closed to enrollment, within a specified time frame, and within contract requirements.
- EE #85-The system must automatically terminate enrollment for all persons whose eligibility has ended at card cut-off and the first of the month.
- EE #86-The system must be able to bypass the auto-assignment logic and move a large group of members between health plans (e.g., health plan leaves service area).
- EE #87-The system will allow beneficiaries enrolled in certain programs to be excluded from the MCO auto-enrollment processes.
- EE #88-The system must allow authorized users to suspend enrollment, voluntary or auto assignment and/or re-enrollment, based upon defined business rules.
- EE #89-The MMIS must store MCO enrollment and PCP for recipients enrolled in an MCO.
- EE #90-PCCM service area restrictions (including geographic restrictions and client distance to the PCCM) will be user-driven.
- EE #91-The effective date for enrollment can start on the date of enrollment, a default date or any defined date (based on security access).
- EE #92-The system will support an automated user-driven mass rollover process with automatic plan enrollment or FFS assignment.
- EE #93-When a plan is selected for the beneficiary, the beneficiary will have 90 days to change the selection.
- EE #94- If the beneficiary moves to a different county but stays in the plan service area, the beneficiary will not be disenrolled.
- EE #95 - If the beneficiary moves outside of the plan service area, a prospective disenrollment must be generated.
- EE #96 - The system must be able to determine what the recipient's eligibility was at any point in history.
- EE #97 - The system must display specialty identification of PCCM at time of enrollment.
- EE #98- Beneficiaries may be auto disenrolled without auto re-enrollment (exclusions).
- EE #99 - The system must support disenrollment at the end of the month or at any point during the month.
- EE #100 - The system supports lock-in provisions to ensure that members remain in a plan, unless the Enrollment Broker or Enrollment Services Section enters an exception.
- EE #101 - The system must support the tracking of disenrollment and re-enrollment, including plan and recipient related notification.

- EE #102 - The system must calculate a recoupment amount from the health plan's capitation payment when retro disenrollment is processed.
- EE #103 - The system must provide the capability for date-specific disenrollment or MCO enrollment changes.
- EE #104 - The recipient will be disenrolled from a plan when a commercial HMO has been verified as primary insurer.
- EE #105 - For certain populations, the system will continue the recipient's enrollment in managed care through the end of the following month after losing eligibility.
- EE #106 - The system must generate enrollment via x12N 834 to MCOs daily.
- EE #107 - The system must generate recipient enrollment information to DW daily.
- EE #108- The document management system must include the ability to generate correspondence for all MDCH programs.
- EE #109 - The document management system must retain all correspondence including e-mail and other electronic correspondence.
- a6. Health Insurance Premium Purchase (HIPP)
- EE #110 -The system will be able to perform a cost benefit analysis when a client is enrolled in TPR to determine if it is cost effective to pay premiums instead of FFS.
- EE #111 - Premium amounts paid to clients will be recorded on MMIS.
- EE #112 - The system must assign an employer ID number for tracking and distributing HIPP payments.
- EE #113 - The system must maintain online information related to HIPP cases including HIPP premium payout data and employer data, based on MDCH specifications.
- EE #114 -The system must produce enrollment reports for use in monitoring HIPP programs as defined by MDCH.
- EE #115 -Buy-in premium amounts and effective months must be stored in MMIS.
- EE #116 - The system will support alerts three months prior to age 65 and at again 45 days prior to eligibility for Medicare if the client record does not indicate Medicare TPR (I.e., to client, worker, TPR group, etc).
- EE #117 -The system will generate notices to the federal government of any changes in the buy-in eligibility for eligible Medicare beneficiaries within the state (Buy-In System requirement).
- EE #118 -The system will support annual reassessment of HIP and cost effective premium payments.
- EE #119-The system must contain screens and business logic to automate Buy-In (accretion and deletion) processing.
- EE #120-The system must generate Medicare eligibility files for the Medicare claims processor to use in processing crossover claims.
- EE #121-The system must provide a monthly extract of recipients that are dually eligible for Medicare and Medicaid to the Medicare Part A, Part B, and Part D carriers or coordination of benefits carrier.
- EE #122-The system must support the Medicare buy-in process by pre-populating the buy in records when the client has been flagged as being eligible for buy-in by CMS.
- EE #123-The system must support Medicare Part D cost sharing

Accounting

Accounts Payable
- F-#1-The system must perform all internal balancing activities to ensure accurate disbursement of payments.
- F-#2-The system must link financial data back to the source claim.
- F-#3-The system must provide a follow-up process to ensure that required changes to financial tables are applied.
- F-#4-The system must provide a single payment and receivable system to support all programs.
- F-#5-The system must support automated retro changes that are user driven (e.g. changes in funding match, rate changes).
- F-#6-The system must retain closed totals following retroactive changes that will not change closed totals but will retain them and also reflect revised totals.
- F-#7-The system must contain financial audit/controls.
- F-#8-The system must be able to support all MMIS financial data in the same format and structure (Index, Program Cost Account (PCA) and Agency Object Code) as MAIN and Treasury.
- F-#9-The system must allow authorized users to make changes and updates to the financial structures as required by the business.
- F-#10-The system must support reconciling checks to the state Treasury files, per business rules.
- F-#11 -The system must support multiple methods of payment (i.e. checks, electronic transfers, inter-agency transfer, ACH, EBT, etc.).
- F-#12 -The system must track and reconcile replacement checks, returned checks, canceled checks, and expired checks.
- F-#13 - The system must be able to reduce a provider payment by a percentage or hold an entire payment by provider type or other selection criteria (i.e. individual provider, service type).
- F-#14 - The system must have the ability to pay claims immediately or at defined intervals.
- F-#15 - The system must support the Accounts Payable process with automated interfaces in support of the Health Insurance Premium payment programs including the Medicare Buy-In Program, the Cost Effective Premium Payment program and the Health Insurance Premium Payment process. Interfaces include Centers for Medicare and Medicaid Services (CMS), and Treasury
- F-#16 - The system must process provider refunds.
- F-#17 - The system must generate Foster Care and Home Help payments from the new MMIS.
- F-#18 - Foster Care and Home Help providers/vendors must reside in or interface with the MMIS provider file. The system must retrieve licensing information from the Bureau of Regulatory Services, BIT licensing system.
- F-#19 - he system must allow FIA workers to access the Provider file online and make changes to Personal Care provider files real-time in the MMIS.
- F-#20 - Defined editing must be performed on enrollments and authorizations, including but not limited to: address changes, program eligibility closures, and end dates for authorizations.
- F-#21 - The MMIS must interface with AuthentiCare to receive X12N 837 transactions for billing Home Help and Foster Care Claims.

- F-#22 - The system must accommodate payment editing and reject certain payments for defined reasons. (Claims)
- F-#23 - The MMIS recipient file must have an indicator to identify Medicaid recipients approved for Home Help Program services. (Eligibility and Enrollment)
- F-#24 - The MMIS authorization file must be available on a real-time basis to authorized FIA caseworkers.
- F-#25 - The MMIS must receive authorization and process claims for Home Help Program services within limits (units, dollars, etc.) established on the authorization file. (Claims)
- F-#26 - The system must produce a scheduled extract of prior authorization data to the data warehouse. (PA)
- F-#27 - The MMIS must be able to generate the personal care allowance for Adult or Children's Foster Care programs.
- a8. Accounts Receivable
- F-#28 - The system must support claims recoupments at the detailed transaction level, not at the overall level. (PI asking for gross adjustment capability. F#30 appears to require gross adjustment capability as well)
- F-#29 - The system must retain claims recoupment data (funding) summarized to the level of accounting needed by MAIN and release the credit balance to MAIN as the money is recovered. The recoupment must be fully recovered before being released.
- F-#30 - The system must support multiple accounts receivable for a given provider to include a prioritization of satisfaction of the outstanding balances that may be overridden.
- F-#31- Payments from providers not related to specific claims (gross adjustment payments) should establish an A/R account for the provider for the payment run including full accounting data. (Clarify)
- F-#32 - Monthly statements will be generated on receivables reflecting claim specific and non claims specific receivables and payments made, and claim payments used to satisfy receivables. (Clarify)
- F-#33 - The system must support a drug rebate program including invoicing, A/R tracking and payment reconciliation.
- F-#34 - The system must have the flexibility to use drug claims and drug encounters in the drug rebate process.
- F-#35 - The system must support the charging of interest on receivables to various accounts with the flexibility to waive interest on a case by case basis.
- F-#36 - The system must allow the option to charge interest on unpaid interest.
- F-#37 - The system must allow claim payments to satisfy an outstanding receivable balance including payment of interest.
- F-#38 - Interest owed and other money owed must be accumulated separately by account.
- F-#39 - The system must generate notices prior to referring accounts for collection.
- F-#40 - The system must calculate the interest rate for late drug rebate receivables.
- F-#41 - The system must have an indicator with related date for notices/letters produced, bankruptcies, out of business, deceased and referrals to Treasury.

- F-#42 - The system must allow for multiple categories of receivables (audit, overpayments, fraud) to be identified, collected and reported by category.
- F-# 43 - The system must allow for escrow collections.
- F-#44 - The system must allow for collection of individual receivables to be suspended but still reported.
- F-#45 - The system must notify providers of Third Party Resources, Other Insurance, Private and Medicare on the remittance advice when a claim is received.
- F-#46 - The system must have an edit to prevent duplicate payments.
- F-#47 - The system must allow for deposits of receivables and refund of expenditures. This system then needs to interface this

Client Accounting
- F-#48 - The system must support the Spend down program.
- F-#49 - The system should have the capability to pay interest on client pay in accounts.
- F-#50 - The system must generate a bill (coupon) for client premiums and establish a client receivable and clear the receivable when the payment is received. This applies to Title XIX, XXI, and V programs.
- F-#51 - The system should allow for premium payments to post to client out-of-pocket maximums.
- F-#52 - The system must support cash and other types of client payments (i.e. credit card, electronic transfer) and provide for administrative expense accounts for costs associated with alternate payment types. Types of client contribution include but are not limited to co-payment/contribution, premium payments, and monthly payment contract agreement amount and deposit liabilities. CSHCS reimburses families when CSHCS pays less for the client's care than the amount the family paid to the program.
- F-#53 - The system must provide role-based, secure access to premium and collection data in the MMIS.
- F-#54 - The system must have the ability to query the client accounts for available funds, then create an adjustment to one or more claims until the spend down amount has been met or client funds are exhausted. (Adjustment or offset)
- F-#55 - The system must manage the CSHCS trust fund expenditures, allowing payments to non-Medicaid providers, clients, or guardians.

Monitoring and Budget
- No Requirements

Revenue Management
- No Requirements

Cash Receipting
- F-#56 - Designate financial status of all cash receipt transactions including the date of record creation, updates, comments, financial coding and attach documentation.
- F #57 - Update MMIS financial claims history to reflect cash receipts.
- F #58 - Generate cash receipt reports to disclose various types of activities (e.g., refund check, TPL recoveries, TPL casualty, SUR recoveries).

- F #59 - Interface with existing receipts processing system to transfer data to RPS.

Third Party Payments
- F-#60 -Generate reports and provide access to cost avoidance data and statistics as specified by the MDCH in order for MDCH to monitor third party payments and denials and savings related to cost avoidance. See Appendix A

Budget Management
- F-#61 -The system must have the ability to remotely view and update financial information (e.g. A/R and Revenue), online and in detail, and do comparisons on year to year basis.
- F-#62 -The system should support making a single payment from two fiscal periods at year-end close.
- F-#63 -The system must have the ability to report prior periods, with comparisons to current periods, in order to support expense projections.
- F-#64 -The system must have the ability to regularly examine financial data to determine expenses reported as paid and subsequent adjustments. Must have flexibility to revise select criteria, pull history data and download data for analysis.
- F-#65 -The system must support reporting based on date of service, and payment dates to help resolve discrepancies between budget month and expenditure month.
- F-#66 -The system must provide for financial modeling capability to perform the analysis functions required for actuarial analysis in utilization, costs, and rate setting. See Appendix A
- F-#67 -The system must create subsets, internally generate norms, and produce statistically valid random samples for studies and audits. The system must have the capability to randomly select samples of claims for audits and to identify and extrapolate overpayments.

Fiscal Monitoring
- No Requirements

Provider Financial Audit
- F-#68 -The system must produce an annual report of suspect providers based on flexible audit criteria. See Appendix A
- a18. Cost Settlements
- F-#69 -The system must generate worker notices for institutional cost settlement providers that show utilization spikes in either direction, when compared to history of previous years. The selection criteria can be fine tuned by staff (e.g. compare provider to provider, provider to peer groups).
- F-#70 -The system must receive notice that Medicare Cost Settlement from CMS is complete and notify audit staff. (Confirm capability to receive alert from Medicare)
- F-#71 -The system must build cost settlement spreadsheets from claim/encounter history.
- F-#72 -The system must generate settlement notices to the provider and must apply adjustments to claim/encounter history.
- F-#73 -The system must have standard reports for claims and encounters for health care providers (e.g. hospitals, FQHC, and RHC) providing service under a managed care contract, which can be used in support of cost settlements. (Confirm data loaded to MMIS or DW)

- F-#74 -The system must support the calculation of disproportionate share payments, per business rules.
- a19. Fund Source Reconciliation
- F-#75-The system must support reconciliation of payment accounts by fund source at periodic intervals as defined by MDCH. There will be multiple fund sources (programs) with claims processed within the MMIS.

Program Reporting

- F-#76 -The system must create a variety of financial reports required for monitoring state programs (e.g., CSHCS, ESO), backed up by levels of summarization that make up a particular total (bucket) on each report. Organization of the summarization is such that it allows tracking back to the level of the detailed claim. Summarization of expenditures is by MDCH program.

Federal Reporting

- F-#77 -The system must be capable of creating a fully auditable MSIS file of claims and eligibility data each quarter, with a final reconciled file produced annually.
- F-#78 -The system must support the CMS quarterly arrears report.
- F-#79 -The system must create the reports needed for state and federal reporting, backed by levels of summarization that make up a particular total (bucket) on each report. Organization of the summarization is such that it allows tracking back to the level of the detailed claim. (e.g., reports include 21B (Expenditures), the CMS 37 (Budget), the CMS 64 Expenditures, the 416 (EPSDT) and the HCFA 372 Waivered Services Report).
- F-#80 -The system must provide an automated interface to produce and transmit the CMS 64.
- F-#81 -The outputs of the financial function shall meet all federal and state reporting requirements, and must provide the information necessary to assess compliance with federal certification.
- F-#82 -The MMIS must provide online access to the federal Funding Reporting sub business function.
- F-#83 -The MMIS must generate reports necessary to meet the requirements of the federal Cash Management Act of 1990 (CMIA).
- F-#84 -The MMIS must generate all Quarterly State Children's Health Insurance Program Statement of Expenditures for Title XXI, Form CMS-21 (and CMS-21P amendment if necessary) quarterly.
- F-#85 -The MMIS must generate data as requested for production of all Quarterly Medicaid Program Budget Reports, CMS-37.
- F-#86 -The MMIS must generate data and supporting reports for submission of the CMS-64.9, Quarterly Medicaid Statement of Expenditures of the Medicaid Program.
- F-#87 -The MMIS must generate data and supply reports required for submission of new CMS 64.9 Waivers, including, but not limited to information needed to report by Medicaid Eligibility Groups (MEG), cost effectiveness and mutually exclusive data for state waiver programs covered by these requirements.
- F-#88 The MMIS must generate a medical policy report for drug claims that demonstrates for federal reporting purposes that drug claims do not exceed the Federal Maximum Allowable Cost (MAC).

State Reporting

State Accounting Reconciliation

- F-#89 -The MMIS must provide a follow-up process to ensure that required changes to financial tables are applied.
- F-#90 -The MMIS must support automated retro changes that are user driven.
- F-#91 -The retroactive changes should not change closed totals but will retain them and also reflect revised totals.
- F-#92 -The MMIS must contain financial audit/controls consistent with GAP standards.
- F-#93 -The MMIS must be capable of processing multiple programs within the system. All programs must be defined so that service payments can be linked to the correct funding source and report line definition.
- F-#94 -Reports and notices/letters must be Microsoft Office Compatible for use in spreadsheets and emailing of reports.
- F-#95 -Allow for export of A/R data/reports to excel based on user-defined parameters.
- F-#96 -Allow for beginning and end dates for reports.
- F-#97 -The system must provide a monthly report for return of federal funds for accounts receivables.
- F-#98 -Report of collection activity for all account receivables by category (Summary and Detail).
- F-#99 -Report of collection activity of account receivables that are federally funded.
- F-#100 -Report of receivable balances by category (Summary and Detail)
- F-#101 -Cash Receipts Report
- F-#102 -Claim payments used to satisfy receivables Report
- F-#103 -Accounts receivable Aging report (Summary and Detail)
- F-#104 -Summary statistical reports based on user defined parameters including but not limited to new accounts receivables added, previous accounts receivable balance, current balance of accounts receivable (both count and dollars).
- F-#105 -Provider Earnings report
- F-#106 -Gross Adjustment Report
- F-#107 -Exportable monthly receivable statements reflecting claim specific & non-specific receivables and payments made along with clam payments used to satisfy receivables.
- F-#108 -Several (user defined) Collection notices/letters available for accounts receivable
- F-#109 -Treasury referral notice
- F-#110 -Report of providers receiving collection notices/letters
- F-#111 -Report of providers referred to treasury for collection
- F-#112 -Report of receivables related to bankrupt providers.
- F-#113 -Escrow report.
- F-#114 -Report of receivables by Account Number (parameter of last activity date within the current fiscal year).

Quality Assurance Assessment Program

- F-#115 The MMIS must support generation of statistically valid random sampling selection.

- F-#116 The system must support a variety of financial, utilization, and eligibility reports for all types of transactions needed to adequately support quality assurance activities within the department.

W-2/Statement of Estimated Earnings

- F-#117 - The system must provide authorized users with online access to the Internal Revenue Service and State Reporting sub-business function.
- F-#118 - The system must maintain data to be used for IRS and state Department of Revenue reporting including, but not limited to; FICA, 1099-Misc, W-2.
- F-#119 - The system must use Accounts Receivable data to report and/or adjust providers' earnings to include but not be limited to the following: Payout, re-coupment, or transaction amounts and issued or reissued checks by the state. (Confirm need types of reports and second to address)
- F-#120 - The system must report and pay withholding tax in accordance with federal and state regulations.
- F-#121 - The MMIS must verify the accuracy of 1099/W2 information prior to issuing the 1099/W2. (Confirm verifying against)
- F-#122 - The MMIS must generate provider 1099/W 2 earnings reports annually.
- F-#123 - The MMIS must generate federal and state provider earnings reports for the IRS and Michigan Department of Revenue in accordance with federal and state regulations.
- F-#124 - The MMIS must generate a snapshot file that lists the activity in each provider's year to date earnings at the time the 1099/W2 is created. A copy of each provider's 1099/W2 form for the year shall be maintained for seven (7) years.
- F-#125 The MMIS must process and track provider change requests for 1099/W2s.
- F-#126 - The MMIS must process the annual IRS "no match" provider file and generate a report defined by the state.
- F-#127 - The MMIS must test changes to 1099/W2 processing report and submit the changes for review by the state.

Member Services

Case Tracking System

- MS #1 - The Case Tracking System must contain case tracking and workflow management functionality for beneficiary contacts and appeals.
- MS #2 - Provide an automated comprehensive Case Tracking System that will serve as a management tool for monitoring call/correspondence received by MDCH programs. The information shall include but is not limited to:
  - Time and date of call/contact received
  - Beneficiary name and ID number
  - Beneficiary address
  - Caller name (if not the beneficiary) and relationship to beneficiary
  - Beneficiary SSN
  - Nature and details of the call/contact
  - Type of inquiry (e.g., phone, written, face to face, internet, email)
  - Status of inquiry (e.g., open, pended, closed)

- Response given by CSR and format in which response was given (e.g., verbal, mail fax)
- Length of call when a phone contact
- Caller's county of residence
- The requested language if translation assistance was required
- CSR name and/or ID number
- Capacity to add free form text to describe problems and resolutions.

- MS #3 The Case Tracking System must allow inquiry and online display of call/contact records by type, original call/contact date, beneficiary or provider name or number, caller name (if different from beneficiary), CSR name or ID, or any combination of these data elements.

- MS #4 The Case Tracking System must allow online display and update of call/contact records relating to the beneficiary contact.

- MS #5 The automated Case Tracking System must be capable of assigning a unique case tracking number for each contact (phone or in written).

- MS #6 The automated Case Tracking system must track case status, case disposition, and referrals to external agencies (e.g., General Attorney or Tribunal).

- MS #7 The automated Case Tracking System must have comment fields to allow unlimited comments to be added to the case over time and date stamp each comment with the authorized user adding the comment.

- MS #8 The automated Case Tracking System must have the capability to attach documents to the case, either by scanning the documents into an electronic file or attaching an electronic file to the case file for storage and easy retrieval.

- MS #9 The automated Case Tracking System must have word processing capabilities and templates to generate standard letters, notices, forms, and ad hoc reports. Correspondence may be sent to the Head-of-Household or to each beneficiary within the household as needed.

- MS #10 The automated Case Tracking System must have flexible and user-friendly report generation capabilities to report on all data fields within the database and standard beneficiary specific reports for reporting on a single contact basis and/or for all contacts in any status in the database for a specific period of time (beneficiary contact history report).

- MS #11The Case Tracking System must be capable of generating reports on incoming and outgoing correspondence as defined by the MDCH.

- MS #12The automated Case Tracking System must contain an audit trail to track changes to contact documentation, when the change occurred, who made the change, and the reason for change.

- MS #13-The automated Case Tracking System must contain data fields to identify a beneficiary's personal health care representative and the beneficiary's relationship to this individual.

- MS #14-The automated Case Tracking System must contain data fields to store multiple addresses for a beneficiary (e.g., residence, correspondence address) and identify and generate letters to one or both mailing addresses.

- MS #15-The automated Case Tracking System must have role-based security to protect all information on file. The system screens must support viewing of appropriate levels of clinical information to ensure the privacy of the beneficiary is maintained.
- MS #16-The automated Case Tracking System must have the capability to flag a contact requesting an appeal or grievance, document the complaint, and the workflow management functionality to forward the contact directly to the Tribunal.
- MS #17-The Case Tracking System must initiate a workflow assignment and management report for the Member Services Supervisors. Workflow management functionality to assign work to specific program areas, allow authorized users to access the work queue, identify when a response was issued to the contact, and reports detailing work in queue to be completed is needed.
- MS #18-The system must have an automated suspense tracking capability, which can be triggered by the CSR, and track the date, and time of call, and prioritize by date the call response for all suspended calls.
- MS #19-The Case Tracking System must have an inquiry routing and escalation procedure based on priority and length of time the inquiry has been outstanding.
- MS #20-The Case Tracking System must generate a system notification to alert a CSR that a call/contact has been assigned to him/her.
- MS #21-The Case Tracking System would routinely send extracts of all information called to the DW, making it available to all authorized users for reporting purposes.
- MS #22-The system must make written correspondence and hardcopy documents received viewable from the desktop following imaging.
- MS #23-The imaging system must have a bar coding capability for outgoing correspondence which allows returned documents to be easily matched with the original contact upon return of requested information.
- MS #24-The Case Tracking System must interface with the MMIS to beneficiary specific eligibility and/or premium payment information.
- MS #25-The Case Tracking System must interface with the MMIS to send TPL information gathered during calls/contacts and store this information in the MMIS.
- MS #26-The Case Tracking System must create defined extract files that contain detailed information on all calls/contacts and appeals for upload to the Data Warehouse for reporting.
- MS #27-The Case Tracking system must have functionality to purge calls/contacts from the system as directed by the MDCH.
- MS #28-If the vendor's solution includes replacing BPCTS, the BPCTS data must be preserved, converted to the new CRM product, and available to MDCH staff on their desktops.
- MS #29-The Case Tracking System must interface with the provider tracking system.
- a28. Certificate of Creditable Coverage (CCC)
- MS #30-The MMIS must identify and track cases on a monthly basis that are required to receive certificates based on state and federal criteria.
- MS #31-The MMIS must generate and distribute CCC on a monthly basis for all appropriate cases in which eligibility ended.

- MS #32-The MMIS must generate CCC automatically or on demand and include dates of coverage within the last 18 months.
- MS #33-The MMIS must generate CCC automatically or on demand and include dates of coverage within the last 24 months.
- MS #34-The MMIS must generate CCC in multiple languages.

Privacy Notices

- MS #35-The Case Tracking System must track and process correspondence from individuals exercising their rights for information under the HIPAA Privacy rule.
- MS #36-The MMIS must respond to an individual's request for a copy of their PHI, as directed by the MDCH.
- MS #37-The Case Tracking System must maintain a record of restrictions, per individual request, on certain uses and disclosures of PHI as directed by the MDCH.
- MS #38-The MMIS must track and provide an accounting of anyone who received a copy of an individual's PHI.
- MS #39-The MMIS must identify beneficiaries that are required to receive notices of privacy practices.
- MS #40-The MMIS must track the date each type of notice became effective, the date the notice was replaced and for the replacement notice, the revisions that were made.
- MS #41-The MMIS must track copies of each notice as required by HIPAA regulations.
- MS #42-Generate and distribute the Notices of Privacy Practices (NPP) and track record of mailing and date privacy information provided for each beneficiary. Current guidelines require that NPPs be sent to the Head of Household with eligible beneficiary/participants that have not received a notice of privacy practices within the past three years.
- MS #43-Generate and distribute monthly notices of privacy practices (NPP) to new individuals as directed by the MDCH.
- MS #44-Generate and distribute NPS no less frequently than once every three years and when material revisions are made to the NPP.
- MS #45-Allow use of an alternate mailing address to send PHI, upon individual request, as approved by the MDCH.
- MS #46-The system must be able to generate surveys to CSHCS families using random sampling to select those families who will receive the survey or based upon a specific diagnosis or event trigger (state specific).
- MS #47-The system must be able to generate surveys to CSHCS families using random sampling to select those providers who will receive the survey or based upon a specific diagnosis or event trigger (state specific).
- MS #48 -The system must have the capability to create listserv notices and push these notices to CSHCS providers or specified provider types upon request (state specific).
- MS #49-The automated Case Tracking System must have appeals screens to store, and track all appeals processes, including date of receipt of appeal, reason for appeal, multiple iterations of scheduled date of appeals, receipt of documentation, appeal status, appeal decision, and capability to attach documents to the case and/or make imaged documents available on the desktop for reviewers.
- MS #50-The Case Tracking System must identify type and priority (e.g., urgency, emergency, routine) of grievance and complaint.

- MS #51The Case Tracking System must generate and distribute notification letter(s) to appropriate parties (e.g., MCO grievance contact or FFS provider).
- MS #52The Case Tracking System must generate summary sheet of MCO grievances.
- MS #53The Case Tracking System must generate monthly and quarterly reports, including but not limited to:
    - Case status
    - Grievances – number and type
    - Complaints – number and type
    - Appeals counts and information

Program Investigation Functional Requirements

Fraud and Abuse

- PI #1 - The system must contain a single sign-on for access to multiple systems used by Program Investigation staff when conducting investigations.
- PI #2 - The system must have the capability to enforce program policy through system edits and audits of claims and encounters. Expected types of parameters include: procedure, procedure to diagnosis, unit limitations, dollar limitations, place of service, provider type and/or specialty, etc.
- PI #3 - The system must have the capability to flag a provider (one or more provider numbers) for prepayment review of claims using established business rules (e.g., include/exclude claims by procedure code or place of service) and automate payment or denial and/or suspend the claim for manual review.
- PI #4 - The system must have appropriate functionality to initiate, track and apply refunds (e.g., offset current claims; gross adjustments; mass adjustments) and allow authorized users to view these adjustments online.
- PI #5 - Workflow management functionality to assign work to specific individuals, allow authorized individuals to access the work queue, and reports detailing work in queue to be completed.
- PI #6 - The system must have the capability to process institutional claim adjustments at the detail line level or DRG changes.
- PI #7 - The system must have functionality to offset payments against future claims submitted by a provider.
- PI#8 - The system must make claim attachments and hardcopy documents received during the course of an investigation viewable from the desktop following imaging.
- PI #9 - The imaging system must have a capability, which allows outgoing correspondence to be easily matched with the original claim/case upon return of the requested information.
- PI #10 - The system must be capable of importing audit workbooks from SPSS and electronic medical records received during the course of an investigation and make them viewable by Program Investigation staff from their desktops.
- PI #11 -The system must be capable of generating statistically valid random samples for audits of claims or encounters.

- PI #12 -Web portal capability to display and maintain provider sanction online.
- PI #13 -The MMIS must be able to suspend claims during claims processing by provider type. This capability to suspend claims for one or all provider types is needed.
- PI #14 -The system must be able to automate the process of downloading complaint information from Web form into the case tracking system.

Detection

- PI #15 -The automated Case Tracking System must contain an automated process for downloading data to the Data Warehouse.
- PI #16 -The system must provide an automated comprehensive audit tracking system that will serve as a management tool for monitoring audits. The database will include audit details such as: the audit type, number of providers in a group, date span, total dollar amount, provider ID, and location of actual profile data with an electronic link to that data.
- PI #17 -The automated Case Tracking System must be capable of assigning a unique case tracking number for each case under investigation.
- PI #18 -The automated Case Tracking system must track case status, case disposition, and referrals to external agencies (e.g., General Attorney or licensing board).
- PI #19 -The automated Case Tracking System must have comment fields to allow unlimited comments to be added to the case over time.
- PI #20 -The automated Case Tracking System must have the capability to attach documents to the case, either by scanning the documents into an electronic file or attaching an electronic file to the case file for storage and easy retrieval.
- PI #21 -The case tracking system must receive and store the electronic workbooks sent from SPSS and allow data entry of information into the form on the case tracking system.
- PI #22 -The automated Case Tracking System must have word processing capabilities to automate initiation of standard letters, letter templates, and reports.
- PI #23 -The automated Case Tracking System must have data fields to collect overpayment amounts and track refunds/recoveries for a single provider or all cases within a specific time period.
- PI #24 -The automated Case Tracking System must have flexible and user-friendly report generation capabilities to report on all data fields within the database on a single case basis and/or for all cases in any case status in the database for a specific period of time.
- PI #25 -The automated Case Tracking System must contain an audit trail to track changes made in case investigation logs, when the change occurred, and reason for change.
- PI #26 The automated Case Tracking System must meet privacy and security requirements and have role-based security to protect Fraud and Abuse investigation information on file.
- PI #27 -The automated Case Tracking System must collect, store and track initial complaint investigations from all sources, including whether the complaint was validated, and any dispute resolutions.

- PI #28 -The MMIS must generate and distribute monthly REOMBs to all, or a sample of, individual recipients using selection criteria defined by the state.
- PI #29 -The MMIS must generate and distribute REOMBs to recipients receiving school based services (SBS) after each semester.
- PI #30 The MMIS must produce and distribute REOMBs in accordance with federal regulations. Statements shall be clear and easy to read and in plain English and other languages, as directed by the state.
- PI #31 -The MMIS must display the procedure codes next to the plain English and other languages on the REOMB, making it possible for Program Investigation staff to identify the specific service billed.
- PI #32 -The MMIS must be able to produce an individual REOMB upon recipient request.
- PI #33 -The MMIS must provide an electronic summary report of all REOMBs generated monthly.
- PI #34 -The MMIS must be able to translate the NCPDP version of PBM adjudicated claims back into the MMIS and extract those pharmacy claim records and store them on the DW, similar to medical claims extracts sent to the DW. It is intrinsic that the entire pharmacy claim record be populated on the DW, including all additional data fields used by the PBM adjudicating system to process the claim (e.g., DEA number, beneficiary eligibility information/status used to process each claim).
- PI #35 -The MMIS must be capable of linking newly adjusted/voided pharmacy claims back to previously paid claims stored in the DW.
- PI #36 -The MMIS provider record must include all data fields required for pharmacy providers (see enrollment form in Appendix TBD). The POS system provider file must mirror the MMIS provider file or use an external vendor product. If an external vendor provider file (e.g., NCPDP) is used to load the MMIS pharmacy providers, the MMIS must ensure that identified data fields (e.g., addresses) are not overwritten by subsequent updates from the external database source.

Surveillance and Utilization Review System (SURS)
- PI #37 -Adhere to MDCH confidentiality and security requirements.
- PI #38 -Perform other state defined profiling reports to identify potential fraud and abuse occurrences. See Appendix A
- PI #39 -Format data and reports into spreadsheets, databases, etc. as requested by the state.
- PI #40 -Transfer data and reports via various media (e.g., electronic, CD, diskette) based on timeframes specified by the state.
- Beneficiary Monitoring (BMP)
- PI #41 - The system must carry an indicator to flag a beneficiary for lock-in to a specific provider. Claims must edit against established business rules to identify procedures billed by the provider, PCCM number on claim and automate payment or denial and/or suspend the claim for manual review.
- PI #42 -The system must carry an indicator to flag a beneficiary for pharmaceutical service lock-in including notification to the PBM.

Provider services business requirements
Provider Enrollment
- PR #1-The system must store provider data including multiple addresses, phone numbers, e-mail addresses, address types and phone types.

- PR #2-The system must allow provider validation of provider record data through a self- service feature that promotes provider participation.
- PR #3-Provider data must support provider contracts with multiple business associations. For example, the provider may be FFS Medicaid and participating in one or more MCOs or associated with one or more groups of FFS providers.
- PR #4-Provider data must support stakeholders that are identified by unique IDs (e.g., provider enrolled in more than one program).
- PR #5-Provider edits must be applied before the provider is registered into the system. Screens will be auto-populated with valid data to the extent possible.
- PR #6 -The system must be able to tie supporting documents to the related systems data and have these imaged documents available on the user's desktop.
- PR #7 -The system must support different business rule definitions by provider, provider type, program, MCO, and geographic area.
- PR#8 - Provider notifications must be linked to related documentation.
- PR #9-The system must support different notifications to be sent to providers by program.
- PR #10 -The system must provide program-defined provider enrollment that is time-limited and performs re-enrollment on a periodic basis by program (e.g., credentialing re-verified every two years). An automated data match against the State Medical Licensing database must also be performed.
- PR #11 -The system must allow for multiple narrative fields within Provider data.
- PR #12 -The system must support and display office hours, accessibility, alternative language and alternative format indicators for provider locations.
- PR #13 -The system must allow different DHS organizations to enroll and validate licensure, etc. of their own providers.
- PR #14 -The system must contain a document management component, which will image, store and retrieve upon demand all correspondence and documents associated with a provider's record. The date that all correspondence, including enrollment forms are received must be tracked for each Provider application and/or contact. The tracking system must track outgoing correspondence.
- PR #15 -The system must identify, enroll, and track provider names and provider types for non-enrolled, out-of-state, borderland, and beyond borderland providers.
- PR #16 -The system must support provider application processing statistics by type, month, year, and processor. See Appendix A
- PR #17 -The system must support manual provider look-up by name (including phonetic search) and ID numbers.
- PR #18 -The billing provider must be enrolled and given a provider number. Individual practitioners associated with the billing provider will be linked to the billing provider ID. The system must have the capability to unlink a provider from a unique ID when two providers are inappropriately tied together.

- PR #19 -The system must perform automated checks of national databases and bulletin boards for sanctions or license revocation in other states.
- PR #20 -The system must support automated criminal background checks for all providers.
- PR #21 -The system must use CLIA information from the national data site in the certification process. The system must have an automated process that verifies CLIA numbers (i.e., interface with the federal agency that monitors CLIA). (Refer to CE #86, 87,and 88).
- PR #22 -The system must maintain the individual CLIA number and level for each laboratory site in the provider file. (Refer to CE #86, 87,and 88).
- PR #23-System must support the ability to disenroll for electronic submission at the provider and / or submitter levels.
- PR #24-A single provider may have more than one electronic submitter and designate to which biller the 835 will be sent.
- PR #25-The system must support updates of CLIA information from an Online Survey, Certification and Reporting (OSCAR) interface.
- PR #26-The provider file must support enrollment of claims submitters (e.g. billing agents), as all entities that submit claims will be required to be enrolled in the system.
- PR #27-The system must support multiple provider contacts, their titles, telephone number and email address.
- PR #28-The system must support automatic re-verification of credentials on a periodic basis by program and provider type, by identifying and notifying when provider credentials are expiring.
- PR #29-The system must support an automated process for license verification at the time of claims payment. Payment should be held if the provider's license has expired.
- PR #30-The system must verify providers to the Vital Statistics File.
- PR #31-The system must support a process to suspend, terminate or withhold payments from providers under investigation.
- PR #32-All provider significant data, including demographic data and data that affects or reports payment, must be viewable online and directly updateable with appropriate authority.
- PR #33-The system must accept retroactive changes to the Provider file including who entered the change, when the change was made, and why the change was made.
- PR #34-The system must provide the capability to store and generate letter templates.
- PR #35-The system must support Mass Rate Changes by provider type.
- PR #36-The system must contain an indicator on file for MCO participation. Provider participation in a MCO network shall be stored in the provider file. Multiple iterations of MCO participation to a single provider record are required.
- PR #37-The provider file must store geo-codes for provider locations.
- PR #38-The system must provide the capability to identify and monitor specialty service capacity per MCO.
- PR #39-The system must provide the capability to identify and track pharmacies via PBM against individual providers. (Clarify tracking independent and chain pharmacies or individual prescribing providers;

variation of tracking dispensing pharmacy and prescribing provider). See Appendix A

- PR #40-The system must edit for address standardization.
- PR #41-The system must store data fields to track MCO authorized capacity and available capacity in the provider file.
- PR #42-The system must support web functionality and a self-service process to handle applications for provider enrollment.
- PR #43-The system must provide the capability to indicate provider preferences in terms of auto assignment for MCO participation (e.g., accepting new patients indicator, open or closed to assignment.).
- PR #44-The system must notify/alert the MCOs of providers that are noted as Sanctioned Providers by CMS.
- PR #45-The system must break out the provider ID and provider type. Currently the system carries the provider type in the provider ID field. Additionally all requirements to collect and store the NPI must be available.
- PR #46-The system must provide the capability for template letter generation.
- PR #47-The system must support reconstructed and additional provider types. The system must contain a provider type table and allow an unlimited number of valid provider types in the system.
- PR #48-The system must provide the capability to access provider specialty data.
- PR #49-The system must support specialty services capacity monitoring.
- PR #50-The system must support non-Medicaid provider enrollment process.
- PR #51-The call tracking screens must be secure and have role-based access to screens and data.

Provider Relations Tracking System

- PR #52 - The tracking system must track MDCH entry staff re-directed calls.
- PR #53- The tracking system must contain a memo capability allowing a worker researching a provider to comment on who and/or what and why the research was initiated.
- PR #54- The tracking process must support outgoing mass e-mail function including the content of the message, and track which e-mails were acknowledged as received.
- PR #55- The tracking system must enable tracking of incoming e-mails and voice mails, record them in the system by provider and route them to designated MDCH staff.
- PR #56- The system must have an authentication routine to allow providers inactive ability to change their provider record through direct data entry via the web based on selected criteria.
- PR #57- The system must be capable of matching providers based on a file of sanctioned providers received from the State Board of Medical Examiners, as well as other licensing and certification boards and flagging the provider's record for termination.
- PR #58- The system must store provider returned check information at the provider level.
- PR #59- The system must be able to generate lists of provider mailing labels, using selection criteria such as individual providers, provider

specialty, provider groups, provider type, or by a global selection. The selection process is limited to specific users.

- PR #60- This system must allow authorized users restricted access from remote locations.
- PR #61- The system must allow authorized providers web access to forms for direct data entry of e-mail, claims submission, prior authorization submission, eligibility verification, claims status, payment status, program announcements, bulletin download, training schedules, training material, receive remittance advice, Electronic Funds Transfer, provider network information and complaint submission.
- PR #62-The system must provide the capability to record and access provider complaint and resolution information in the tracking system.
- PR #63-The system must store provider- training records and reports for quality review and provider performance measurements.
- PR #64 -The system must provide context sensitive help for all parts of the application (e.g., screens, error messages, web site).
- PR #65-The system must allow a single sign-on (LDAP) for multiple systems.
- PR #66-The system must support online registration for provider training seminars.
- PR #67-The system must enable wireless access and download capabilities by provider representatives
- PR #68-The system must provide the capability to generate news alerts to authorized users at sign-on to web page.

National Provider Identifier

- PR #69-The provider enrollment system must allow inclusion of all entities allowed to obtain national provider identifiers
- PR #70-The provider enrollment system will allow entry of NPI number for all providers.
- PR #71-On the effective date of NPI implementation the PE system will require all providers to have NPI.
- PR #72-PE system will enable submission of all providers for mass enrollment in NPI if that is an option.
- PR #73-PE system will interface with NPI for identifiers.
- PR #74-PE system will link the NPI issued for same entity (e.g., Dr. Smith and Dr. Smith PC or U of M Hospitals and U of M Hospitals Emergency Department).
- PR #75 -The vendor must describe the process that will convert the system from the existing provider numbering system to the NPI system.
- PR #76-PE system will interface with NPS for updated data on providers.

Service Authorizations & Referrals

Prior Authorization

- PA #1 -The system must support interactive processes between providers and authorized users (self service) to promote the authorization process.
- PA #2 -The system must produce error reports to communicate details of the cause of authorization errors (i.e. missing data) to the provider or authorized users, expand reasons for the errors, and provide narrative capability.

- PA #3 -The system must support online inquiry to providers and authorized users to see if a prior authorization is still valid (eligibility changes, etc.).
- PA #4 -The system must provide table driven edit processes for PA so that PA related business rules can be configured by the user and not hard coded in the system.
- PA #5 -The system must have inquiry capability that provides all of the information needed to respond to a prior authorization status request.
- PA #6 -The system must display eligibility information for beneficiaries with multiple program eligibilities and allow authorized users to select the program under which to authorize the requested services.
- PA #7 -Authorized users must have online access to the prior authorization data with data entry, update, and inquiry capabilities in the MMIS.
- PA #8 -The system must have screens to enter and track appeals associated with prior authorization, referrals, and service authorizations. Screens must track all pertinent activities associated with the appeal (e.g., date of receipt of appeal, reason for appeal, appeal date, outcome of appeal, etc.), and unlimited comments field capability.
- PA #9 -Written PA requests and attachments received must be imaged and available to authorized users on their desktops for retrieval.
- PA #10-There must be an automated process (e.g., bar code) to link hard copy PA attachments received in the mail, such as x-rays and dental models, with the corresponding PA that has been submitted electronically.
- PA #11-The system must have automated workflow management capabilities for routing, reviewing, adjudicating, tracking, and updating PA requests and amendments to the appropriate workers or worker groups for review.
- PA #12-Providers must be able to submit supporting documentation electronically, and the documents will be stored for audit purposes (including imaged documents).
- PA #13-The system must support process for auditors to identify irregular PA activity (i.e. by procedure code, provider, etc.).
- PA #14-The system must suspend for review based on procedure category or for provider on sanctions.
- PA #15-The system must auto approve certain PA requests. Other PA requests can be partially auto approved and pended for higher level of approval.
- PA #16-The system must support the capability to auto deny a pended PA after a defined amount of time.
- PA #17-The system must support the generation of standard authorization letters and notices for approved and denied PA requests as individual letters or in batch. Notices will have the capability to be suppressed, or defined fields on the notice may be suppressed, and notice addresses can be changed on a notice-by-notice basis.
- PA #18 -The system must support the imaging of PA related documents, with images made available online through out the state and to providers.
- PA #19-The system must have the ability to link related procedures (i.e. surgery, anesthesia) in a single PA.

- PA #20-The system must support a change of provider between the time the PA was created and the claim was submitted (i.e. business sold).
- PA #21-The system must auto determine the PA dollar amount (i.e., procedure * units) but will allow it to be manually overridden by authorized users.
- PA #22-The system must create an audit trail to record the authorized user who entered the PA, stamp date and time, and provide tools for workflow management to push PA request to those entities required to take action.
- PA #23-The system must support ad-hoc reporting and inquiry to PA history.
- PA #24-When a PA is entered, the system must dupe check other PA requests on file for beneficiary for overlapping dates and services.
- PA #25-The system must process claims against authorizations on file that have a start date in one year and an end date in another year without requiring the authorized user to break the authorization into multiple line items.
- PA #26-The PA process must alert the authorized user if a beneficiary is Medicare primary and Medicare covers the services(s).
- PA #27-The system must allow multiple providers involved in a series of procedures to be incorporated into a single PA.
- PA #28-For transplants, the system must require an evaluation PA to process a service PA but can be manually overridden.
- PA #29-The system must allow administrative decisions to be recorded in narrative form on comments field and attach comments to a specific PA request.
- PA #30-The system must require a diagnosis to be provided for drug PA.
- PA #31-The system must allow entry of retroactive PA as a result of beneficiary's disenrollment and place him/her in FFS retroactively, or when a beneficiary is made retroactively eligible.
- PA #32-The system must provide the ability to authorize several periods of time with different procedures and different providers within a single PA.
- PA #33-The system must support the Prior Authorization process for Inpatient and Long Term Care admissions with an online process.
- PA #34-The system must provide an automated or online process to deny a Prior Authorization request for a beneficiary that is enrolled in an MCO. The MCO is responsible for providing prior authorization of enrolled members for all services for which the plan receives a capitation payment, including notification to the requesting party.
- PA #35-The system must support the worker creation of a PA by generating a unique PA number, verifying beneficiary eligibility and enrollment, determining if information necessary to complete the PA is present, presenting results online to a worker, and issuing a denial or approval notice, per the worker's decision.
- PA #36-The system must store authorizations and make them available for processing by other processes, such as claims and POS.
- PA #37-The system must provide the capability of entering narrative on approval and denial notices.
- PA #38-The system must accept online, real-time updates to PA information, as well as electronic batch updates.

- PA #39-The system must accept and process electronic and paper PA requests and Medicare-formatted oxygen certifications.
- PA #40-The system must support automated workflow management and distribution of PA requests to appropriate medical professional specialists for review and determination.
- PA #41-The system must provide a tickler file to indicate that a PA request has been submitted electronically but medical documentation has not been received.
- PA #42-The system must identify and display online the status of PA records, including pended, approved, denied, or amended, active or inactive.
- PA #43-The system must be able to track utilization, and make available online, the number of authorized services and number of used services, by prior authorization or case management plan.
- PA #44-The system must provide the capability to update at any time the scope of services authorized and to extend or limit the effective dates for services authorized.
- PA #45-The system must provide online inquiry access for authorized MDCH, FIA, and providers to the PA request data set (including in-process or pending requests, approvals, denials, and PA for which all services have been used or the PA closed), with access by beneficiary ID, provider ID, ordering provider ID, PA number, program, service type, and procedure or drug code. The system will maintain appropriate security for access using provider or user ID and assigned passwords.
- PA #46-The system must limit online provider inquiry to only those records for the user is the ordering or rendering provider.
- PA #47-The system must produce an audit trail to indicate date of last change, ID of person initiating change, and information changed for each PA record.
- PA #48-The system must maintain detailed audit trail reports of all updates to PA records.
- PA #49-The system must flag or identify PA requests for which an administrative review request has been submitted, indicate the outcome of such reviews, and identify the PA for which an appeal has been filed.
- PA #50-The system must have standard templates for generating approval notices and appeals rights to beneficiaries when a request for services is modified or denied.

Level of Care Placements

- PA #51The system must have the capability to link to MDS or any other assessment tool (MDS-NF, MDS-HC and OASIS) using a case mix/acuity score grouper to determine/verify level of care prior to making monthly payment for LTC services and make payment at the case mix/acuity score assigned for the beneficiary.
- PA #52-The system must apply rates to level of care data monthly.
- PA #53-The system must provide MDCH with online access to level of care data.
- PA #54-The system must track, at minimum, the following current and historical level of care data online:
- Payment rates and effective dates for each rate, per facility
- By beneficiary, by facility with effective dates

- PA #55-The system must identify cases due for level of care review based on criteria specified by the MDCH.
- PA #56-The system must maintain the following beneficiary data to support processing of long term care claims:
    - Level of Care
    - Level of Care effective dates
    - Nursing home facility
    - Nursing home facility date(s)
    - Spend down amount
    - Patient liability amount
    - Patient liability amount effective dates
- PA #57 - The system must have LOC indicators to identify beneficiaries enrolled in Home Help, Hospice, and Habilitation Support Programs.

Referrals
- PA #58- The system must have business rules for editing diagnosis and interface with medical criteria to establish an intensity of service (state specific for CSHCS).
- PA #59- The system must support interactive processes between providers and other providers (i.e., PCP and Specialist) to support the referral process.
- PA #60 - The system must support interactive processes between providers and MDCH staff to allow timely exchange of information (e.g., LOC assessments) and notification of approval for services.
- PA #61 - The system must support imaging of all hardcopy documents received and make those documents immediately available to authorized users on their desktops.

Waiver Services
- No Requirements

Service Plans
- PA #62 - The web portal must contain an interactive MERF so that providers can submit referrals to the CSHCS Program online.
- PA #63 - The system must allow entry of beneficiary ID, procedure codes and diagnosis results that will result in a search of all MMIS data (including CSHCS Diagnosis), to validate eligibility, services, service plan, etc.
- PA #64-The system must support transportation authorization online.
- PA #65-The system must support an interface to transportation brokers to store transportation authorizations (when and if applicable).
- PA #66- The system must provide interfaces to FIA case management systems (i.e., Assist) to automatically create a service authorization by populating the beneficiary, provider and date fields in the MMIS.
- PA #67-The system must support the concurrent review/continuation of stay procedure with an online process to extend an updated plan of care for a continued stay in a long term care facility or waiver in home services.
- PA #68-The system must support Medical Review for outpatient services such as therapies and mental health services, with an online process that includes notifying the provider of the medical review decision (e.g., approve, modify or deny).

3) Test Results (deliverable payment 32, 37 & 45)

Contractor will hold a Test Readiness Review to orient MDCH and other stakeholders on the goals, plans, and procedures of testing. The purpose of the review is to gain sign-off from MDCH to allow commencement of system testing. The members of the review will review a test readiness checklist to ensure that all aspects are in place prior to testing. The detailed, daily test schedule will be finalized, resources verified, and test exit criteria established for each type of test. In addition, the process of collecting and correcting discrepancies will be established.

Contractor will conduct Unit, System, User Acceptance, and Operations Testing on the Replacement MMIS, per the Test Plans developed during the Planning Milestone. Each testing stage will result in a separate test report.

Unit Testing (deliverable payment 37)

Unit testing will be conducted during the Construction of the Replacement MMIS. The Unit Test Report will be documented under this Testing Results deliverable. Contractor will report the scope of the system being tested, the methods for selecting test cases, the test cases, results, the system errors that were identified, and corrective actions for these discrepancies per the Test Plan.

System Testing (deliverable payment 45)

System Testing will occur in conjunction with State staff. The System Testing will follow the test cases described and approved in the MMIS System Test Plan. Contractor will conduct a daily debrief session during system to review discrepancies and make decisions with the State on corrective actions. Contractor will correct discrepancies identified during the debrief sessions and conduct regression testing. At the end of MMIS System Testing, a final debrief session will be conducted to review all test results and make decision to move to Acceptance Testing of the Replacement MMIS.

User Acceptance Testing (deliverable payment 32)

For User Acceptance Testing, Contractor will follow similar procedures as System Testing.   During Acceptance Testing of the Replacement MMIS, Contractor expects State and Provider (if available) staff to take a direct roll in the testing.   State and Provider staff will follow the test cases described and approved in the MMIS Acceptance Test Plan developed under the Planning Milestone.   Contractor will conduct a daily debrief session during acceptance testing to review discrepancies and make decisions with the State on corrective actions.   Contractor will correct discrepancies identified and regression testing will be performed.   At the end of MMIS Acceptance Testing, a final debrief session will be conducted to review all test results and make a decision to move to Operations Testing of the MMIS.

Operations Testing

Operations testing will be conducted by State and Provider (if available) staff to conduct volume testing, pilot claims processing, business continuity and disaster recovery testing, and physical data center verifications. State and Provider staff will follow the test cases described and approved in the MMIS Operations Test Plan developed under the Planning Milestone. Contractor will conduct a daily debrief session during the Operations testing, to review discrepancies and make

decisions with the State on corrective actions. Contractor will correct discrepancies and regression testing will be performed. At the end of MMIS Operations Testing, a final debrief session will review all test results and make a decision to move to Implementation of the Replacement MMIS.

4) Data Conversion (deliverable payment 48)

Contractor will conduct data conversion activities including downloading of existing MMIS claims, prior authorization data, and eligibility data. Data will be validated and scrubbed through a series of edits and then uploaded to the Replacement MMIS. The Replacement MMIS will carry five years of data on-line. Contractor will provide the State with a data conversion report showing that the data was converted, data sources, and volume of date converted and gaps. The report will describe:

- The steps involved in converting the data for the new Provider File
- Any significant differences in approach from the earlier data conversion plan and the results
- The content and volume of converted data
- Gaps in data
- Recommendations for compensating for the data gaps.

5) Implementation (deliverable payment 46)

Contractor will have performed the following tasks which are needed to implement the Replacement MMIS system:

- Install and verify Base System functionality
- Procure, install, and configure construction environment
- Procure, install, and configure system test environment
- Procure, install, and configure acceptance test environment
- Prepare production environment for operational testing
- Implement and test business continuity and contingency plans
- Establish training environment
- Prepare for acceptance and cutover
- Final data conversion and verification.

The following activities are planned to prepare for acceptance and cutover:

- Request approval to implement the system upon successful operations
- Testing
- Provide final notifications to providers
- Conduct walkthrough of implementation procedures
- State review approval request
- State provide approval to implement the system
- Update production environment with baseline production software
- Inform providers to stop processing claims through the old system
- Shutdown old system

Once the State has provided approval to implement the system, Contractor will perform the following final data conversion and verification activities:

- Work with state to obtain all necessary source files
- Store archived files based from the existing MMIS

- Perform final adjudication for all claims in suspense
- Perform data conversion process on the delta files
- Monitor conversion progress and reporting
- Report successful conversion results to the State
- Report problems and assess impact
- Perform data conversion verification
- Conduct final business report and data verification

6) Documentation

Contractor will provide complete updated documentation for the Replacement MMIS prior to the operations date. Contractor will provide walkthroughs with the State prior to submitting for review and approval. These documents include complete system documentation, user manuals, and operations procedures (if not covered in a user manual).

(iii) *Acceptance Criteria*

To the extent known, requirements for the deliverables have been documented in this contract. However, prior to the creation and submission of each deliverable, the Contractor will work with the Project Control Office and the State to determine and agree upon the final format, content, acceptance criteria, and review process for the deliverable. The result will be a document that outlines the above items for each deliverable. The purpose of the document is to ensure that a common understanding exists between the State and the Contractor regarding the scope and content of the deliverable prior to beginning any work on the deliverable. Where appropriate sample formats, screen images and sample report pages should be included in the deliverable report.

(G) *Turnover Milestone*
(i) *Activities*

The DDI phase will only include the first step of the turnover activities. Contractor will update the Turnover Plan initially developed under the Planning Milestone and then begin executing the Turnover Plan 90 days prior to the Operations Date. The following activities will be conducted:

- Update the Turnover Plan and deliver to the State for review and approval
- Conduct collaborative sessions with State business users to transfer knowledge
- Conduct collaborative sessions with State managers to review all aspects of system operations to assure resources are prepared for initial operations
- Conduct walkthroughs of processes and procedures, including but not limited to:
- Back-up, restoring, and refreshing data stores
- Applying emergency fixes to production environment
- Steps for authorized staff to utilize the facility
- Version control procedures
- Promotion procedures for the production environment
- Production environment security requirements
- Finalize and communicate an inventory of all items that comprise the Replacement MMIS
- Prepare State help desk staff
- Conduct Operational Training

o   Maintain a list of outstanding issues

(ii) _Deliverables_

1)   Updated Turnover Plan (payment deliverable #47)

The Turnover Plan will confirm the steps and requisite responsibilities for transferring the daily business operation to state staff during the final 90 days of DDI and during the one year Transition Phase. The Turnover Plan will include:

- Responsibilities of MDCH, DIT and Contractor for each system area
- Proposed transition schedule to state staff
- Anticipated level of resources required after transition
- Contingency plan for any failed transfers

The Turnover Plan will be accompanied by a proposal for maintenance after the Transition Phase is complete, developed by the System Operations Manager. After the plan is updated, Contractor will conduct an internal peer review and conduct a walkthrough with the State. Contractor will update the plan based on walkthrough comments and submit the plan for review and approval.

(iii) _Acceptance Criteria_

To the extent known, requirements for the deliverables have been documented in this contract. However, prior to the creation and submission of each deliverable, the Contractor will work with the Project Control Office and the State to determine and agree upon the final format, content, acceptance criteria, and review process for the deliverable. The result will be a document that outlines the above items for each deliverable. The purpose of the document is to ensure that a common understanding exists between the State and the Contractor regarding the scope and content of the deliverable prior to beginning any work on the deliverable. Where appropriate sample formats, screen images and sample report pages should be included in the deliverable report.

(H)   _CMS Certification Milestone_

(i) _Activities_
The four major activities to accomplish certification are:
o   MMIS system stabilization;
o   Development of an MMIS Certification Plan that meets all of the requirements of the State Medicaid Manual (SMM), Part 11;
o   Review all system operations to confirm compliance with Certification Requirements; and
o   Participation in the CMS certification process.

(ii) _Deliverables_

1)   MMIS Certification Plan
The MMIS Certification Plan will clarify the Contractor approach to handling each factor that covered consistent with the SMM, Part 11, determine responsible person(s) and must include a corrective action plan should a deficiencies be

identified during the DDI phase. The CMS Certification Plan is a living document throughout the DDI process that must be adhered to at all times. This plan will include the following major elements:

- The establishment and maintenance of a documentation repository for the Michigan Replacement MMIS project;
- The subsystems or functional areas to be included;
- The ITB and certification requirements for each of the subsystems or functional areas;
- The reports for each of the subsystems or functional areas;
- The MMIS interfaces with other systems; and
- A corrective action plan for any identified deficiency(ies).

The MMIS Certification Plan will address each of the subsystems or functional areas that will be part of the CMS Certification review process:

- Benefits Administration
- Claims and Encounters
- Contracts Management
- Eligibility and Enrollment
- Financial Services
- Member Services
- Pharmacy POS (Optional)
- Program Investigation
- Provider Services
- Service Authorizations and Referrals

For each of these subsystems or functional areas, the documentation will include:

- The overall system flowchart(s) identifying the programs and files;
- A narrative description of each program, including basic functions;
- A sample of each input form;
- A list of all error codes and explanations by program;
- A record layout of each data file, including data element definitions;
- Conversion process for the subsystem; and
- Test Plans and reports of results of all phases of testing.

(iii) *Acceptance Criteria*

To the extent known, requirements for the deliverables have been documented in this contract. However, prior to the creation and submission of each deliverable, the Contractor will work with the Project Control Office and the State to determine and agree upon the final format, content, acceptance criteria, and review process for the deliverable. The result will be a document that outlines the above items for each deliverable.   The purpose of the document is to ensure that a common understanding exists between the State and the Contractor regarding the scope and content of the deliverable prior to beginning any work on the deliverable. Where appropriate sample formats, screen images and sample report pages should be included in the deliverable report.

(I)   *Transition Milestone*

(i) *Activities*

The responsibilities for the activities of this phase are split between the State and Contractor. The State (MDCH) is responsible for daily operations of the MMIS, under the oversight of Contractor. The State (DIT) is also responsible for hardware and system maintenance support. Contractor will provide application software maintenance and enhancement, while training the DIT staff to take over routine support for the MMIS application software. Contractor will produce all files for data transmittal to outside entities and acceptance of incoming files for automatic system updates. State users will perform direct data entry for file updates.

The Initial Project Plan provides the detailed activities to be performed in order to meet the objectives of the Transition Phase. The following general activities will be conducted:

o Perform on-going system maintenance and enhancements. Contractor will provide up to 200 hours per month of labor for system enhancements.
o Execute Turnover Plan, transition activities and knowledge transfer (Other Transition Activities)
o Develop and deliver final Turnover Report
o Develop and deliver final Knowledge Transfer Report.

1)   System Maintenance

System maintenance refers to regular and routine work performed by Contractor on the Replacement MMIS, and any ancillary systems run by Contractor under this contract. System maintenance includes any work required to correct defects in the system operation, as required to meet SOW requirements and any routine file maintenance to update any information required for operation of the MMIS.

All releases will follow the general life cycle of problem analysis and validation, design if applicable, development and unit test, integration and system test, and acceptance test. A full set of release planning, design, test, and installation/transition documentation will be developed and managed for each release. As appropriate, user and training documentation will be updated and the required training of State personnel will be provided. When changes to the system hardware or software are required, the tested changes will be turned over to the State for installation.

For problems that are designated as critical, Contractor will expedite the fixes. Depending on the severity of the problem and the operational impact, Contractor will either develop a separate fix, develop a temporary patch (with a complete fix integrated into the next scheduled maintenance release), or integrate the fix directly into a scheduled release.

All releases will follow the same configuration management process and procedures, with quality assurance reviews, that were implemented in the Design, Development, and Implementation Phase. The degree of formality and rigor will be adapted to the size and complexity of each release. Should an individual maintenance change requested by DIT constitute a system enhancement, Contractor will advise the DIT Contract Manager in writing within

ten (10) business days of receiving the request. If the DIT Contract Manager agrees on classification of this work order, he/she will re-classify the work order as a system enhancement.

2)   System Enhancement
System enhancement includes changes to the Replacement MMIS that are necessary to meet new state policy requirements, new technology requested by the state or accommodate new or updated interfaces requested by the State. System enhancements require a change to the MMIS product specifications. All change requests and approvals will be generated in accordance with the Change Control Process. Upon approval of a change request by the Change Control Board, a formal contract change order will be generated that will include additional funding for the change.

System enhancements will be integrated into the system maintenance/release process and schedule. Enhancements will normally be assigned to a specific release commensurate with their priority and complexity. Each enhancement will consist of its own set of design and development tasks with budgeted resources. Upon completion of development and unit testing, the enhancement will be integrated into the assigned maintenance release where it will undergo system and acceptance testing.

3)   Other Transition Activities
During Transition, Contractor will provide, in accordance with the Turnover Plan developed during the DDI phase, oversight of all business operations functions and assist the State in an advisory capacity concerning daily operations of the MMIS. During this phase, Contractor staff will provide the necessary training and knowledge transfer on the MMIS.

In addition to providing knowledge transfer for operating the MMIS, Contractor will also provide hands-on training to the State personnel who will assume maintenance responsibilities at the end of the Transition Phase. Contractor will integrate members of the State maintenance team into Contractor's release teams; increasing the scope and amount of release management and engineering responsibility with each release.

The Contractor staff, working with the State, will produce all files for data transmission to outside entities and accept incoming files for automatic system updates. Contractor will train the State staff and provide knowledge transfer of data file transmission and receipt activities during the Transition Phase.

(ii) Deliverables
1)   Final Turnover Report
Contractor will produce and deliver to the State a Final Turnover Report 30 days prior to the end of the Transition Phase. The report will describe the successes and deficiencies in State operation of the Replacement MMIS during the Transition Phase. Contractor will submit a suggested format and outline of the report for State review and approval prior to the development of the report. The report will include, at a minimum:

- Training provided to each business area;

- Performance level of each business area based upon testing of business responsibilities;
- Any risks and remediation for continued MDCH operation of the business areas following Transition; and
- Level of state business resources required after Transition.

Because the report will cover the first 10 to 11 months of the 12 month long Transition Phase, Contractor will provide periodic, informal status reports throughout this phase. This information will be input into the Knowledge Transfer Reports, described below.

2) Knowledge Transfer Reports

Contractor will produce and deliver monthly progress reports during the Transition Phase. These reports will be a continuation of the status reports provided during the DDI phase. The reports will cover the activities, issues, and progress of the knowledge transfer to the State. A summary report will be produced and delivered no later than 30 days prior to the end of the Transition Phase. The report will describe:

- The knowledge transfer process;
- Accomplishments and obstacles to DIT's assumption of full responsibility for the Replacement MMIS;
- Training provided to each technical area;
- Performance level of each technical area based upon testing of technical maintenance requests;
- Any necessary corrective action or remediation taken; and
- Risks in state assumption of operation.

(iii) *Service Level Agreements*

The hardware and software proposed by this Contractor to support the Michigan MMIS must meet the following metrics in each of the listed categories before the State will accept the System for Final Acceptance. Contractor must be able to demonstrate and report that these performance metrics have been met and will be sustained for a five year timeframe.

1) Service Level Metrics - System Performance

For specific comparative metrics, the Contractor must provide the required measurement in a report format for the State of Michigan. Some of these metrics can be differentiators for systems that are otherwise "tied" with respect to functionality and basic technical requirements.

a) Equipment Capacity:

Contractor must size the production/test and DR hardware and database environments to withstand five years of growth without any additional unplanned hardware enhancements.

b) User Load:

The system should be able to support 1.5x the peak number of concurrent users in the current system in order to provide sufficient capacity for growth. Tech requirement 4359 lists 1000 users; the standard would be 1500 users.

c) Screens
- The response time for user screens should not degrade below current response times for the peak number of users listed previously. The response time should be broken down by class of user actions:
- Search screens should have the longest allowed times (5-10 seconds depending on complexity)
- Natural screen flows resulting in the updates of single logical records should be very quick (one second or less)
- Screen actions invoking complex computations or rules engines should be relatively fast (two seconds or less)

d) Transaction Performance:
- Actions invoking remote interfaces or systems should be time limited by the responsiveness of the remote system.
- Response time for the MMIS will be measured at multiple locations in the Lansing area. The Contractor will measure response time and report the results to the State Contract Managers.
- The system must be able to perform 1.5x the peak rate of transactions on the current system with 2x the number of cases in order to provide sufficient spare capacity for future growth. If there are multiple classes of transactions, this metric should be per transaction type applied simultaneously across all transaction types.

e) Batch
- The batch window time must be clearly defined based on the estimated caseload and class of batch job.
- The backup window times must be clearly defined, both incremental and weekly/monthly etc.
- A planned maintenance window must be clearly defined, for the application of operating system and security patches no less then once a month.
- The Contractor must address where batch jobs have been eliminated in favor of online transactions (the more the better in general), without excessively degrading system performance. This should be in addition to any mandated online transactions.

f) System Down Time
- The system must be operational twenty-four hours per day, seven days per week. The Contractor will provide a configuration for a failover solution with one hour or less time to switch to the standby/backup DR solution.
- Contractor will provide a clustered configuration for the production environment (this is a zero downtime solution) that will allow for

monthly planned system maintenance without a system outage to the client.

(iv) Acceptance Criteria

To the extent known, requirements for the deliverables have been documented in this contract. However, prior to the creation and submission of each deliverable, the Contractor will work with the Project Control Office and the State to determine and agree upon the final format, content, acceptance criteria, and review process for the deliverable. The result will be a document that outlines the above items for each deliverable. The purpose of the document is to ensure that a common understanding exists between the State and the Contractor regarding the scope and content of the deliverable prior to beginning any work on the deliverable. Where appropriate sample formats, screen images and sample report pages should be included in the deliverable report.

(J)   Phase III-Maintenance and Ongoing Operations

(i) Activities

The state will require a three (3) year maintenance period for the system. The Contractor will be expected to provide one FTE, full time, on site to perform requested enhancements or troubleshoot system defects.

Ongoing operations will include operation of all MMIS subsystems, performance of claims processing, accounting and reporting activities by state staff, along with Contractor support as needed by the State for all interfaces required for routine operation of the Michigan MMIS.

Section 2.06   Project Governance Process
(A)   Issue Management
Contractor, PCO, and the State will jointly be responsible for the identification of issues impacting the quality and/or timing of the deliverables, as well as the timely resolution of assigned issues.

(B)   Risk Management
Contractor, PCO, and the State will jointly be responsible for the identification of risks impacting the quality and/or timing of the deliverables, as well as the timely resolution of assigned risks.

(C)   Change Management
Contractor, PCO, and the State will jointly be responsible for the identification of potential change controls, impact assessment, (including schedule, cost, and risk), and participation in the formal change control reviews.

Article III. General Terms and Conditions

Section 3.01   (2.010) Contract Structure and Administration
(A)   2.011   Definitions

- Capitalized terms used in this Contract (including its Exhibits) shall have the meanings given below, unless the context requires otherwise:
- "Days" means calendar days unless otherwise specified.
- "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/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. "Additional Service" does not include New Work.
- "Amendment Labor Rates" means the schedule of fully-loaded hourly labor rates.
- "Audit Period" has the meaning given in **Section 3.11(A)**.
- "Business Day," whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.
- "Incident" means any interruption in Services.
- "Business Critical" means any function identified in any Statement of Work as Business Critical.
- "Deficiency" means a failure of a deliverable or an omission, defect, or error in a deliverable, which causes it to not confirm to its specifications may be mutually agreed upon between the State and the Contractor.
- "Deliverable" means physical goods and/or commodities as required or identified by a Statement of Work
- "Key Personnel" means any Personnel designated in **Section 3.04(A)(ii)** as Key Personnel.
- "Material Deficiency" means a deficiency preventing a deliverable from being used as intended and for which an alternate solution is not available.
- "New Work" means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. "New Work" does not include Additional Service.
- "Operations" means information technology support services which shall be performed by Contractor, following final acceptance of the System and which are described in the Statement of Work.
- "Services" means any function performed for the benefit of the State.
- "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 Contractor delegates performance of a portion of the Services to, but does not include independent Contractors engaged by Contractor solely in a staff augmentation role.
- "Work in Process" means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

(B)   2.012 Attachments and Exhibits

All Attachments or Exhibits attached to any and all Statement(s) of Work, attached to, or referenced in this Agreement, are hereby incorporated into and form part of this Contract in it/their entirety unless otherwise specified.

(C)   2.013 Issuing Office

This Contract is issued by the Department of Management and Budget, Office of Acquisition Services ("OAS") and the Department of Community Health (DCH) and the Department of Information Technology (collectively, including all other relevant State of Michigan departments and agencies, the "State"). OAS is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. OAS is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.   The Contractor Administrator within the Office of Acquisition Services for this Contract is:

Dale Reif, Senior Buyer
Office of Acquisition Services
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Email: Reifd@michigan.gov
Phone (517) 373-3993
2.014   Contract Compliance Inspector

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

David McLaury, Director
Medicaid Services Administration
Department of Community Health
400 S Pine Street
Lansing, MI 48933
Email: mclauryd@michgian.gov
Phone: (517) 241-7135

(D)   2.015 Interpretation

Reserved

(E)   2.016 RESERVED

Section 3.02   (2.020) RESERVED

Section not applicable at this time

Section 3.03   (2.030) Legal Effect and Term

(A)   2.031 Legal Effect

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

(B)   2.032 Contract Term

This Contract is for an approximate period of five and one-half years commencing on the date that the last signature required to make the Contract enforceable is obtained and ending by 09/30/2011.

All outstanding Purchase Orders shall also expire upon the termination (cancellation for any of the reasons listed in 2.210) of the Contract, unless otherwise extended pursuant to the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

(C)   2.033 Renewal(s)

This Contract may be renewed in writing by mutual agreement of the parties not less than sixty (60) days before its expiration. The Contract may be renewed for up to two additional one-fiscal-year periods for maintenance services only, through no later than 09/30/2013. Successful completion of negotiations surrounding the terms of the extension will be a pre-requisite for the exercise of any option year.

Section 3.04   2.040 Contractor Personnel

(A)   2.041 Contractor Personnel

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

relationship between Contractor and Subcontractor is an independent Contractor relationship.

(ii) Key Personnel

- In discharging its obligations under this Contract, the Contractor shall provide the named Key Personnel on the terms indicated.

Table 1 - Key Personnel

DDI - Phase 1 - Key Personnel	
Name	Role
Mr. Lynne H. Green	Project Manager
Mr. William Hamilton	Deputy Project Manager
Mr. Krishnaraj Kannan	System Development Manager
Mr. Sunil Ranade	Database Administrator
Mr. John Harding	Conversion Manager
TBD	Training Liaison
Mr. Mukesh Panchal	Knowledge Transfer Manager
Mr. John Jauregui	Security Officer
Transition - Phase 2 Key Personnel	
Mr. Lynne Greene	Transition Manager
Mr. Krishnaraj Kannan	Systems Operations Manager
Mr. Mukesh Panachal	Knowledge Transfer Manager
Mr. John Jauregui	Security Officer
Maintenance – Phase 3 Key Personnel	
Mr. Krishnaraj Kannan	Modification Manager

- Key Personnel shall be dedicated, as defined, 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.
- The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, the Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. Additionally, the State's request shall be based on legitimate, good faith reasons. Proposed alternative for the individual denied, shall be fully qualified for the position.
- Contractor shall not remove any Key Personnel from its assigned roles or the Contract without the prior written consent of the State. If the Contractor does remove Key Personnel without the prior written consent of the State, it shall be considered an unauthorized removal ("Unauthorized Removal"). It shall not be considered an Unauthorized Removal if Key Personnel must be

replaced for reasons beyond the reasonable control of the Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. It shall not be considered an Unauthorized Removal if Key Personnel must be replaced because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and the Contractor provides thirty (30) days of shadowing unless parties agree to a different time period. The Contractor with the State shall review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its rights under **Section 3.21**.

- 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, the 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 3.21**, the State may assess liquidated damages against Contractor as specified below.

- For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the liquidated damages amount shall be $50,000.00 per individual provided the Contractor identifies a replacement approved by the State pursuant to **Section 3.04(A)** and assigns the replacement to the Project to shadow the Key Personnel s/he is replacing for a period of at least thirty (30) days prior to such Key Personnel's removal.

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

(iii) Re-assignment of non-Key Personnel

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

(iv) Re-assignment of Personnel at the State's Request

- The State reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be

based on legitimate, good-faith reasons. Replacement personnel for the removed person shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with removed personnel results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted in **Section 3.07(F)** for a time as agreed to by the parties.

(v) Staffing Levels

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

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

(vi) Personnel Turnover

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

(vii)   Location

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

(B)   2.042 Contractor Identification

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

(C) **_2.043 Cooperation with Third Parties_**

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

(i) _2.044 Subcontracting by Contractor_

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

o Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Office of Acquisition Services has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 3.07(F)** for a time agreed upon by the parties.

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

obligations or performance required under this Contract. Attached as Exhibit E is a list of the Subcontractors, if any, approved by the State as of the execution of this Contract, together with a copy of the applicable subcontract.

o   Except where specifically approved in writing by the State on a case-by-case basis, Contractor shall flow down the obligations in Section 3.04**, Section 3.11, Section 3.15, Section 3.16, Section 3.17(c), Section 3.17(B)(ii), Section 3.18, Section 3.26, Section 3.29(G),** in all of its agreements with any Subcontractors.

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

(D)   2.045 Contractor Responsibility for Personnel

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

Section 3.05   (2.050) State Standards

(A)   2.051 Existing Technology Standards

The Contractor must adhere to all applicable standards as established by the State of Michigan, Department of Information Technology and provided on the website at http://michigan.gov/dit. The referenced website provides an exhaustive list of such DIT standards.

(B)   2.052 PM Methodology Standards

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

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

(C)   2.053 Adherence to Portal Technology Tools

The State has adopted the following tools for its Portal Technology development efforts:

- Vignette Content Management and personalization Tool
- Inktomi Search Engine
- E-Pay Payment Processing Module
- Websphere Commerce Suite for e-Store applications

Unless otherwise stated, Contractor must use the Portal Technology Tools to implement web content management and deployment efforts.   Tools used for web-based application development must work in conjunction with Vignette and Inktomi.   The interaction with Vignette and Inktomi must be coordinated with DIT, Enterprise Application Services Office, e-Michigan Web Development team.

Contractors compelled to use alternate tools must have received an exception from DIT, Enterprise Application Services Office, e-Michigan Web Development team, before this Contract is effective.

(D)   2.054 Acceptable Use Policy

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

Section 3.06   (2.060) Deliverables
(A)   2.061 Ordering

- Any Services/Deliverables to be furnished under this Contract shall be ordered by issuance of written Purchase Orders/Blanket Purchase Order by the State after approval by the Contract Administrator or the Contract Compliance Inspector or his/her designee. All orders are subject to the terms and conditions of this Contract. In the event of conflict between an order and this Contract, the Contract shall take precedence as stated in **Section 3.29(C)**. In no event shall any additional terms and conditions contained on a Purchase Order/Blanket Purchase Order be applicable, unless specifically contained in that Purchase Order/Blanket Purchase Order's accompanying Statement of Work.

- (b) DIT will continue to oversee the use of this Contract by End Users. DIT may, in writing, delegate to agencies the authority to submit requests for certain services directly to the Contractor. DIT may also designate, in writing, some services as non-delegated and require DIT review and approval before agency acquisition. DIT will use Contractor provided management reports and periodic random agency audits to monitor and administer contract usage for delegated services.

(B)   2.062 Software

Within ninety (90) days from this Contract start date Contractor and State will define a list of software required for purchase in execution of this Contract. This list shall include all software required to complete the Contract and make the Deliverables operable and will specify the party responsible for purchase of each item.

(C)   2.063 Hardware

Within ninety (90) days from this Contract start date Contractor and State will define a list of hardware required for purchase in execution of this Contract. This list shall include all hardware required to complete the Contract and make the Deliverables operable and will specify the party responsible for purchase of each item.

(D)   2.064 Equipment to be New and Prohibited Products
(i) Equipment to be New

If applicable, all equipment provided under this Contract by Contractor shall be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where

Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.

(ii) Prohibited Products
The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Acquisition Services has approved a change order pursuant to **Section 3.10(F)**.

Section 3.07 (2.070) Performance

(A) 2.071 Performance, In General
The State engages Contractor to execute the Contract and perform the Services/provide the Deliverables, and Contractor undertakes to execute and complete the Contract in its entirety in accordance with the program intent, project objectives, background, and all terms and conditions of this Contract, and with the participation of State representatives / staff as specified in this Contract.

(B) 2.072 Time of Performance
i) Contractor shall use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables in accordance with the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.
ii) Without limiting the generality of **Section 3.07(B)i)**, Contractor shall notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and, in such event, shall inform the State of the projected actual delivery date.
iii) If Contractor believes that a delay in performance by the State has caused or will cause Contractor to be unable to perform its obligations in accordance with specified Contract time periods, Contractor shall notify the State in a timely manner and shall use commercially reasonable efforts to perform its obligations in accordance with such Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent such delay is caused by the State.

(C) 2.073 Liquidated Damages
The parties acknowledge that failure on the part of Contractor to meet the agreed upon start date for operation (Operations Date) of the new MMIS, and/or failure of the system to meet Federal certification as a MMIS retroactive to the Operations Date will interfere with the timely and proper completion of the Contract, to the loss and damage of the State. Therefore, the Contractor and the State agree that in the case of any such failure to meet the Operations Date, or Federal certification, in respect of which the State does not elect to exercise its rights under **Section 3.19(A)**, the State may assess damages, actual, liquidated, or both, for such failures, as described below.

(i) Actual Damages
The following activity is subject to actual damages, since failure to meet the performance standard will result in a specific loss of Federal matching dollars.

1)   Systems Certification
Section 1903(a)(b)(d) of Title XIX of the Social Security Act provides seventy-five percent (75%) Federal Financial Participation (FFP) for operation of mechanized claims payment and information retrieval systems approved by the Federal Department of Health and Human Services (DHHS). Up to ninety percent (90%) FFP is available for MMIS-related development costs receiving prior approved by DHHS. The Michigan MMIS is expected to meet all certification requirements established by DHHS as of the Operations Date.

The Contractor will ensure that the transferred MMIS complies with the specifications set forth in this Contract with respect to the obtaining of federal financial participation upon certification retroactive to the date of Operations. Should the State fail to achieve such certification of the MMIS, or any component part of it, as a direct and sole result of Contractor's failure to comply with the specifications and requirements contained within this Contract, the Contractor will be responsible for the financial damages assessed by DHHS.

The Contractor shall be liable for the difference between the maximum allowable enhanced FFP and that actually received by the State, for the period beginning with the Operations Date and continuing through the effective date for system certification.

All damages assessed by the State will be withheld from amounts payable to the Contractor until all such damages are satisfied. Damage assessments will not be made by the State until DHHS has completed its certification approval process and notified the State of its decision in writing.

(ii) Liquidated Damages
The following circumstances will result in liquidated damages, since it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any such delay.

1)   Delay in Operations
It is the State's intent to have the Michigan MMIS fully operational by such date as agreed upon by Contractor and the State as specified in the Detailed Project Plan, as same may be amended from time to time. Fully operational is defined as having the MMIS established and operational with approximately three (3) years of claim data online; processing correctly all claim types, claims adjustments, and other financial transactions; maintaining all system files; producing all required reports; meeting all system specifications; supporting all required interfaces; and performing all other Contractor responsibilities specified in this Contract.

Compliance with the Operations date is critical to the success of this project and State's interest. If Contractor fails to meet the agreed upon Operations Date, then the State shall be entitled to collect liquidated damages in the amount of

$100,000.00 and an additional $100.00 per day for each day the Contractor fails to meet such date.

(D)   2.074 Bankruptcy

If Contractor shall file for protection under the bankruptcy laws, or if an involuntary petition shall be filed against Contractor and not removed within thirty (30) days, or if the Contractor becomes insolvent, be adjudicated bankrupt, or if it should make a general assignment for the benefit of creditors, or if a receiver shall be appointed due to its insolvency, and Contractor and/or its affiliates are unable to provide reasonable assurances that Contractor and/or its affiliates can deliver the services provided herein, the State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, may take possession of the "Work in Process" and finish such Works in Process by whatever appropriate method the State may deem expedient. Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process shall be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

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

(E)   2.075 Time is of the Essence

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

(F)   2.076 Service Level Agreements (SLAs)

SLAs will be completed with the following operational considerations:

- SSLAs will not be calculated for individual Incidents where any event of Excusable Failure has occurred as defined in this Contract.
- SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification and/or coordination.
- SLAs will not apply if the applicable Incident could have been prevented through planning proposed by the Contractor and not implemented at the request of the State. In order to invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.
- Time period measurements will be based on the time Incidents are received by the Contractor and the time that the State receives notification of resolution based on 24x7x365 time period, except that the time period measurement will be suspended based on the following ("Stop-Clock Conditions"):
  o Time period(s) will not apply where the Contractor does not have access to a physical State Location and where access to the State Location is necessary for problem identification and resolution.
  o Time period(s) will not apply where the Contractor needs to obtain timely and accurate information or appropriate feedback and is unable to obtain timely and accurate information or appropriate feedback from the State.

- Chronic Failure for any Service(s) will be defined as three (3) unscheduled outage(s) or interruption(s) on any individual Service for the same reason or cause or if the same reason or cause was reasonably discoverable in the first instance over a rolling thirty (30) day period. Chronic Failure will result in the State's option to terminate the effected individual Service(s) and procure them from a different vendor for the chronic location(s) with the Contractor to pay the difference in charges for up to three (3) additional months. The termination of the Service will not affect any tiered pricing levels.
- Root Cause Analysis will be performed on any Business Critical outage(s) or outage(s) on Services when requested by the Contract Administrator. The Contractor will provide its analysis within two (2) weeks of outage(s) and provide a recommendation for resolution.
- All decimals shall be rounded to two decimal places with 5 and greater rounding up and 4 and less rounding down unless otherwise specified.

Section 3.08   (2.080) Delivery and Acceptance of Deliverables

(A)   2.081 .Delivery of Deliverables

A list of the Deliverables is to be prepared and delivered by the Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable") or a Custom Software Deliverable. All Deliverables shall be completed and delivered for State review and written approval and, where applicable, installed in accordance with the State-approved delivery schedule and any other applicable terms and conditions of this Contract. Prior to delivering any Deliverable to the State, the Contractor will first perform all required quality assurance activities, and, in the case of Custom Software Deliverables, System Testing to verify that the Deliverable is complete and in conformance with its specifications.

Before delivering a Deliverable to the State, the Contractor shall certify to the State that (1) it has performed such quality assurance activities, (2) it has performed any applicable testing, (3) it has corrected all material deficiencies discovered during such quality assurance activities and testing, (4) the Deliverable 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. In discharging its obligations under this Section, Contractor shall be at all times (except where the parties agree otherwise in writing) in compliance with Level 3 of the Software Engineering Institute's Capability Maturity Model for Software ("CMM Level 3") or its equivalent.

(B)   2.082 Contractor System Testing

The Contractor will be responsible for System testing each Custom Software Deliverable in Contractor's development environment prior to turning over the Custom Software Deliverable to the State for User Acceptance Testing and approval. The Contractor's System Testing shall include the following, at a minimum, plus any other testing required by CMM Level 3 or the Contractor's system development methodology: The Contractor will be responsible for performing Unit Testing and incremental Integration Testing of the components of each Custom Software Deliverable.

The Contractor's System Testing will also include Integration Testing of each Custom Software Deliverable to ensure proper inter-operation with all prior software Deliverables, interfaces and other components that are intended to inter-operate with such Custom Software Deliverable, and will include Regression Testing, volume and stress testing to ensure that the Custom Software Deliverables are able to meet the State's projected growth in the number and size of transactions to be processed by the Application and number of users, as such projections are set forth in the applicable Statement of Work.

The Contractor's System Testing will also include Business Function Testing and Technical Testing of each Application in a simulated production environment. Business Function Testing will include testing of full work streams that flow through the Application as the Application will be incorporated within the State's computing environment. The State shall participate in and provide support for the Business Function Testing to the extent reasonably requested by the Contractor. Within ten (10) days before the commencement of Business Function Testing pursuant to this Section, the Contractor shall provide the State for State review and written approval the Contractor's test plan for Business Function Testing.

Within five (5) Business Days following the completion of System Testing, the Contractor shall provide to the State a testing matrix establishing that testing for each condition identified in the System Testing plans has been conducted and successfully concluded. To the extent that testing occurs on State premises, the State shall be entitled to observe or otherwise participate in testing under this Section as the State may elect.

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(C)   2.083 Approval of Deliverables, In General

All Deliverables require formal written approval by the State, in accordance with the following procedures. Formal approval by the State requires that the Deliverable be confirmed in writing by the State to meet its specifications, which, in the case of Custom Software Deliverables, will include the successful completion of State User Acceptance Testing, to be led by the State with the support and assistance of the Contractor. The parties acknowledge that the approval process set forth herein will be facilitated by ongoing consultation between the parties, visibility of interim and intermediate Deliverables and collaboration on key decisions.

The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables being reviewed. If the Contractor fails to provide a Deliverable to the State in a timely manner, the State will nevertheless use commercially reasonable efforts to complete its review or testing within the applicable State Review Period.

Before commencement of its review or testing of a Deliverable, the State may inspect the Deliverable to confirm that all components of the Deliverable (e.g., software, associated documentation, and other materials) have been delivered. If the State determines that the Deliverable is incomplete, the State may refuse delivery of the Deliverable without performing any further inspection or testing of the Deliverable. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable.

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

If, after three (3) opportunities (the original and two repeat efforts), the Contractor is unable to correct all deficiencies preventing State approval of a Deliverable, 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 this Contract in force and do, either itself or through other parties, whatever the Contractor has failed to do, in which event the Contractor shall bear any excess expenditure incurred by the State in so doing beyond the contract price for such Deliverable and will pay the State an additional sum equal to ten percent (10%) of such excess expenditure to cover the State's general expenses without the need to furnish proof in substantiation of such general expenses; or (iii) terminate this Contract for default, either in whole or in part by notice to the Contractor (and without the need to afford the Contractor any further opportunity to cure). Notwithstanding the foregoing, the State shall not use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

The State, at any time and in its own discretion, may halt the User Acceptance Testing (UAT) or approval process if such process reveals deficiencies in or problems with a Deliverable in a sufficient quantity or of a sufficient severity as to make the continuation of such process unproductive or unworkable. In such case, the State may return the applicable Deliverable to the Contractor for correction and re-delivery prior to resuming the review or UAT process and, in that event, the Contractor will correct the deficiencies in such Deliverable in accordance with the Contract, as the case may be.

Submission of a corrected deliverable to the Sate by Contractor will result in the UAT or approval process resuming. The State will complete the approval process within the number of days remaining in the State review period as of the date the UAT process was halted. Submission of a corrected deliverable will not result in the UAT or approval process timeframe starting over.

Approval in writing of a deliverable by the State shall not preclude the State from later submitting Change requests to Contractor to modify future deliverables that draw upon or are based upon a previously approved deliverable.

In the event the State does not provide definitive notice of approval or rejection of a Deliverable within the time periods set forth above or as mutually agreed upon by the State and Contractor, as referenced in the Project Plan, the Contractor may submit a change request to address any resulting cost or schedule impact.

See each specific Deliverable Item as included in the Statement of Work, for final acceptance criteria of individual deliverables.

(D)   2.084 Process for Approval of Written Deliverables.

The State Review Period for Written Deliverables will be the number of days set forth in the Statement of Work following delivery of the final version of the Written Deliverable (failing which the State Review Period, by default, shall be five (5) Business Days for Written Deliverables of one hundred (100) pages or less and ten (10) Business Days for Written Deliverables of more than one hundred (100) pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable prior to its submission to the State.

The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Written Deliverable is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected prior to approval of the Written Deliverable (or at the State's election, subsequent to approval of the Written Deliverable).

If the State delivers to the Contractor a notice of deficiencies, the Contractor will correct the described deficiencies and within five (5) 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 will be made at no additional charge. Upon receipt of a corrected Written Deliverable from the Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Written Deliverable to confirm that the identified deficiencies have been corrected.

In the event the State does not provide notice of approval or rejection of a deliverable within the time periods defined (or as shall be mutually agreed upon between State and Contractor), as referenced in the Contractor's State-approved project plan, Contractor may submit a change request to address any resulting cost or schedule impact. Final approval for this change request shall be with the Contract Compliance Inspector and with the Contract Administrator.

(E)   2.085 Process for Approval of Custom Software Deliverables.

The State will conduct UAT of each Custom Software Deliverable in accordance with the following procedures to determine whether it meets the criteria for State approval – i.e., whether it conforms to and performs in accordance with its specifications without material deficiencies.

Within thirty (30) days (or such other number of days as the parties may agree to in writing) prior to the Contractor's delivery of any Custom Software Deliverable to the State for approval, the Contractor shall provide to the State a set of proposed test plans, including test cases, scripts, data and expected outcomes, for the State's use (which the State may supplement in its own discretion) in conducting UAT of the Custom Software Deliverable. The Contractor, upon request by the State, shall provide the State with reasonable assistance and support during the UAT process.

For the Custom Software Deliverables list, the State Review Period for conducting UAT will be indicated. For any other Custom Software Deliverables not listed, the State Review Period shall be the number of days agreed in writing by the parties (failing which it shall be forty-five (45) days by default). The State Review Period for each Custom

Software Deliverable will begin when Contractor has delivered the Custom Software Deliverable to the State accompanied by the certification required by Section Acceptance terms as specified in this AGREEMENT and the State's inspection of the Deliverable has confirmed that all components of it have been delivered. The State's UAT will consist of executing test scripts from the proposed testing submitted by the Contractor, but may also include any additional testing deemed appropriate by the State. If the State determines during the UAT that the Custom Software Deliverable contains any deficiencies, the State will notify the Contractor of the deficiency by making an entry in an incident reporting system available to both Contractor and the State. The Contractor will modify promptly the Custom Software Deliverable to correct the reported deficiencies, conduct appropriate System Testing (including, where applicable, Regression Testing) to confirm the proper correction of the deficiencies and re-deliver the corrected version to the State for re-testing in UAT. The Contractor will coordinate the re-delivery of corrected versions of Custom Software Deliverables with the State so as not to disrupt the State's UAT process. The State will promptly re-test the corrected version of the Software Deliverable after receiving it from Contractor.

Within three (3) business days after the end of the State Review Period, the State will give the Contractor a written notice indicating the State's approval or rejection of the Custom Software Deliverable according to the criteria and process described herein this Contract.

(F)   *2.086 Final Acceptance.*

Final Acceptance of the MMIS Replacement System, itself, will be at the completion of the transition and transfer period (See Statement of Work) with Federal CMS certification of the System. At the turn over point, all system operation will become the responsibility of the State. Although, the State may contract with the vendor for extended maintenance services, beyond the turn over and initial maintenance period's contract ending-date.

"Final Acceptance" shall be considered to occur when the Custom Software Deliverable to be delivered has been approved by the State. If the State elects to defer putting a Custom Software Deliverable into live production for its own reasons, not based on concerns about outstanding material deficiencies in the Deliverable, the State shall nevertheless grant Final Acceptance of the Project.

Final Acceptance of the final turnover includes the confirmation by this Contractor that all items in the turn-over plan have been met and agreement by the State that all functionality is working properly and that State managers have been adequately trained by this Contractor to accept the responsibility.

Final Acceptance Criteria of the MMIS Replacement System can include but is not limited to:
- Is the turn-over plan complete, with all items met?
- Have the State managers from DCH accepted the functionality for their area as meeting all program requirements?
- Have the State managers from DIT accepted the system functionality for their area as meeting all program and technical requirements including requirements identified in this contract.

- Is the future maintenance protocol, if any, in place and understood by both parties?

Section 3.09   (2.090) Financial

(A)   2.091 Letter of Credit

Contractor shall obtain, within sixty days of the execution of this contract, issuance to the State of a standby letter of credit, subject to the issuing bank's approval, for no less than $1,000,000.   The Letter of Credit may be drawn upon by the State upon occurrence of the following event: Federal Government denies MMIS certification due solely to the failure of CNSI to comply with the specifications and requirements contained within this Contract and the Federal Government withholds matching funds from the State as a result of such failure to obtain certification. The following provisions apply to the letter of credit:
· This letter of credit is issued subject to the International Standby Practices 1998 (ISP 98) and the laws of the State of Michigan.
· Issuer agrees to replace this original letter of credit in the even that it is lost, stolen, mutilated or destroyed with one marked as a copy or replacement.
· Failure to provide a new letter of credit at least sixty (60) days before the expiration of the old one will be considered a breach of contract allowing DMB to collect on the old letter of credit.
Such draws against the Letter of Credit by the State will be up to the amount of actual damages assessed against Contractor in accordance with Section 3.07(C)(i) of this Contract.

(B)   2.092 State Obligations

The State reserves two options to extend this Agreement for an additional fiscal year. Thus, this Agreement may be extended by amendment / advice of change, which must specify the dollar amount of the extension, the amount of service to be delivered during the extension period, and the up-dated, cumulative maximum to be paid during the Agreement, based on: a determination by the State of need for services; available, appropriated funding; and, approval of State and Departmental procurement authorities (see **Section 3.03(B)**, Contract Term).

The State's obligation under this Contract is payable only and solely from funds appropriated for the purpose of this Contract. Contractor acknowledges and agrees that all funds for payments during any State fiscal year are subject to the availability of a legislative appropriation for the purpose of this Contract. Events of non-appropriation are addressed further in **Section 3.21** of this Contract.

(C)   2.093 Payment Method and Terms
Contractor AGEES that –
- Each Contractor invoice will show details as to charges by Deliverable component at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. The charges for Services billed on a time and materials basis shall be determined based on the actual number of hours of Services performed, at the applicable Labor Rates. Invoices for Services performed on a time and materials basis will show, for each individual, the number of hours of Services performed during the billing

period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 3.09(D)**.

- Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within forty-five (45) days after receipt, provided the State determines that the invoice was properly rendered.
- Contractor will provide the State a prompt payment discount of one-half of one percent (1%) of the invoiced amount in the event Contractor receives payment within fifteen business days of invoice submission.
- Payment to Contractor will be based upon completion by Contractor and approval by the State of Deliverables as set forth in the agreed upon project Deliverable Payment Schedule. The amount set opposite each Deliverable will be paid to Contractor upon completion of such Deliverable and submission of an invoice for such Deliverable by Contractor.
- For equipment, hardware, or software purchased by Contractor the State will reimburse Contractor once the equipment has been installed at the DIT data center in Lansing, MI and accepted by DIT as operational.
- During the three (3) year Maintenance Phase payment will be made monthly, based on approval of the completed Maintenance Report Form.

(D)   *2.094 Payment Schedule*

All deliverables identified in this contract are reflected in Appendix D with their corresponding payment amount. Payment will be issued in the amounts specified upon completion of each deliverable provided Contractor submits proper invoices in accordance with section 1.030 of this Contract.

(E)   *2.095 Holdback*

The State shall have the right to hold back, as a retainage, an amount equal 17.3% of all amounts invoiced by Contractor for Services/Deliverables as specified in §1.6, Compensation and Payment, of this Contract. The amounts held back shall be released to Contractor after the State has granted Final Acceptance of the Replacement System (received federal certification of the replacement system). In the event Federal certification of the replacement MMIS System is withheld for reasons unrelated to compliance by Contractor with the specifications contained herein the withheld amount will be released to Contractor within twelve months following the date upon which the MMIS System became fully operational.

(F)   *2.096 Electronic Payment Availability*

Electronic transfer of funds is available to State Contractors. Contractor is required to register with the State electronically at http://www.cpexpress.state.mi.us. Public Act 533 of 2004, requires all payments be transitioned over to EFT by October, 2005.

Section 3.10   (2.100) Contract Management

(A)   2.101 Contract Management Responsibility

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

(B)   2.102 Problem and Contract Management Procedures

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

(C)   2.103   Reserved

Section not applicable at this time

(D)   2.104 System Changes

Contractor is not responsible for and not authorized to make changes to any State systems without written authorization from the State. Any changes Contractor makes to State systems with the State's approval shall be done in accordance with applicable State procedures, including security, access and configuration management procedures. Contractor shall have no responsibility for correction, repair, or other remedies to system errors, malfunctions, or failures resulting in whole or in part from modification or mis-use of the system by the State or any third party not authorized by Contractor.

(E)   2.105 Reserved

(F)   2.106 Change Requests

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

If the State requests or directs the Contractor to perform any Services/Deliverables that are outside the scope of the Contractor's responsibilities under the Contract ("New Work"), the Contractor must notify the State that it believes the requested activities are New Work. Upon notification to the State by Contractor that it believes such request or direction constitutes New Work, the Contractor and State will review the requested tasking to determine if it is within the scope of the contract. In the event the parties do not agree that the work is In-Scope and the State wishes the Contractor to proceed with such tasking, then a change request may be submitted by Contractor.

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

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

Also see Change Management in Section 1.06 C.

    (i) *Change Requests*

        1)   State Requests

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

        2)   Contractor Recommendations

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

3)   Research

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

4)   Change Request Disposition

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

5)   Notice

No proposed Change shall be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Office of Acquisition Services.

6)   Unauthorized Work

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

(G)   2.107 Management Tools

Contractor will use an automated tool for planning, monitoring and tracking the Contract's progress, as shall be approved by DIT. In addition, Contractor shall use automated project management tools as reasonably necessary to perform the Services, which tools shall include the capability to produce through the end of the Contract: (i) staffing tables with names of personnel assigned to Contract tasks, (ii) project plans showing tasks, subtasks, Deliverables and the resources required and allocated to each (including detailed plans for all Services to be performed within the next sixty (60) days, updated semi-monthly) and (iii) graphs showing critical events, dependencies and decision points during the course of

the Contract. Any tool(s) used by Contractor for such purposes must produce information of a type and in a manner and format that will support reporting in compliance with the State's standard to the extent such information is described with reasonable detail in the Statements of Work and to the extent the related work is of sufficient project complexity and duration to warrant such reporting.

Section 3.11   (2.110) Records and Inspections

(A)   2.111 Records and Inspections

- Inspection of Work Performed. The State's authorized representatives, including Federal agencies, shall at all reasonable times and with ten (10) days prior written request, have the right to enter Contractor's premises, or any other places, where the Services are being performed, and shall have access, upon reasonable request, to interim drafts of Deliverables or work-in-progress. Upon ten (10) Days prior written notice and during business hours, the State's representatives shall be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that such access will not interfere or jeopardize the safety or operation of the systems or facilities. Contractor must provide all reasonable facilities and assistance for the State's representatives, so long as no security, labor relations policies and propriety information policies are violated.
- Examination of Records. No more than once per year, Contractor agrees that the State, including its duly authorized representatives, until the expiration of seven (7) years following the creation of the material (collectively, the "Audit Period"), shall, upon twenty (20) days prior written notice, have access to and the right to examine any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the terms and conditions of the Contract and with applicable laws and rules, including the State's procurement rules, regulations and procedures, and actual performance of the Contract for the purpose of conducting an audit, examination, excerpt and/or transcription but the State shall not have access to any information deemed confidential to Contractor to the extent such access would require such confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.
- Retention of Records. Contractor shall maintain at least until the end of the Audit Period all pertinent financial and accounting records pertaining to the Contract in accordance with generally accepted accounting principles and other procedures specified in this Section. Pertinent financial and accounting records shall be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving 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.
- Audit Resolution. If necessary, the Contractor and the State shall meet to review each audit report promptly after issuance. The Contractor will respond

to each audit report in writing within thirty (30) days from receipt of such report, unless a shorter response time is specified in such report. The Contractor and the State shall develop and agree upon an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in such audit report.

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

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

(B)   *2.112 RESERVED*

Section 3.12   *(2.120) State Responsibilities*

(A)   *2.121 State Performance Obligations*

(i) Equipment and Other Resources
To facilitate Contractor's performance of the Services/Deliverables, the State shall provide to Contractor such equipment and resources as identified in the Statements of Work or other Contract Exhibits as items to be provided by the State.

(ii) Facilities
The State shall designate space as provided in the Statement of Work, to house Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). In the event Contractor is unable to provide conference facilities the State will provide any additional conference facilities necessary to coordination and conducting of collaborative sessions as determined by Contractor. Contractor shall have reasonable access to, and unless agreed otherwise by the parties in writing, shall observe and comply with all rules and regulations relating to, each of the State Facilities, on a twenty-four-hour, seven-day-a-week basis (including hours of operation) used by Contractor in the course of providing the Services. Contractor will comply with all security and access requirements imposed by the State, including any required personnel background investigations. Contractor agrees that it will not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for Contractor's use, or to which Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.

(iii) *Return*

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

(iv) *Staff*

The State will make available to Contractor, as mutually agreed upon, those State staff with requisite knowledge and skills to effect complete knowledge transfer and transition activities. The State will also make available documentation and staff necessary to facilitate Contractor's understanding of State business processes and the existing MMIS. The State will designate a State Staff Conversion Manager and a State Staff Test Manager. The State will provide, in accordance with the Contractor annual staffing plan, as same may be amended from time to time, a dedicated, knowledgeable counterpart corresponding to each of the project teams that Contractor has proposed.

(v) *Failure to Perform*

Except as otherwise provided in **Section 3.22**, the State's failure to perform its responsibilities as set forth in this Contract shall not be deemed to be grounds for termination by Contractor. However, Contractor will not be liable for any default or delay in the performance of its obligations under this Contract to the extent such default or delay is caused by nonperformance of the State's obligations under this Contract, provided Contractor provides the State with reasonable written notice of such nonperformance and Contractor uses commercially reasonable efforts to perform notwithstanding the State's failure to perform. In addition, if the State's nonperformance of its responsibilities under this Contract materially increases the time required for Contractor's performance or Contractor's cost of performance, Contractor shall be entitled to seek an equitable extension via the Change Request process described in **Section 3.10(F)**.

Section 3.13   (2.130) Security

(A)   *2.131 Background Checks*

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

All Contractor personnel will also be expected to comply with the State's security and acceptable use policies for State IT equipment and resources.   See http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--,00.html.
Furthermore, Contractor personnel will be expected to agree to the State's

security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. It is expected the Contractor will present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff will be expected to comply with all Physical Security procedures in place within the facilities where they are working.

Section 3.14   (2.140) Reserved

Section not applicable at this time

Section 3.15   (2.150) Confidentiality

(A)   2.151 Freedom of Information

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

(B)   2.152 Confidentiality

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

(C)   2.153 Protection of Confidential Information

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

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

(D) 2.154 Exclusions

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

(E) 2.155 No Implied Rights

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

(F) 2.156 Remedies

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

(G) 2.157 Security Breach Notification

In the event of a breach of this Section, Contractor shall take (i) prompt corrective action to cure any such deficiencies and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations. Contractor and the State will cooperate to mitigate, to the extent

practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor shall report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within ten (10) days of becoming aware of such use or disclosure or such shorter time period as is reasonable under the circumstances.

(H)   2.158 Survival

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

(I)   2.159 Destruction of Confidential Information

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

Section 3.16   (2.160) Proprietary Rights

(A)   2.161   Ownership

(i) Ownership of Work Product by State
All Deliverables first produced or developed during performance of this Contract shall be owned by the State and shall be considered works made for hire by the Contractor for the State. The State shall own all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

(ii) Vesting of Rights
With the sole exception of any preexisting or previously licensed works the Contractor shall assign, 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 such Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon State's request, the Contractor shall confirm such assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State shall have the right to obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

(iii) License to Contractor

The State intends to license back all developed software to the contractor through a license agreement, which will be completed within 90 days of contract execution. Please see licensing agreement attached in appendix F between CNSI and the State regarding licensing of the Developed software.

(iv) Source Code Escrow

1)   Definition
 "Source Code Escrow Package" shall mean:

(i)   A complete copy in machine-readable form of the source code and executable code of the RuleIT rules engine including any updates or new releases of the product;
(ii)   A complete copy of any existing design documentation and user documentation, including any updates or revisions; and/or
(iii)   Complete instructions for compiling and linking every part of the source code into executable code for purposes of enabling verification of the completeness of the source code as provided below. Such instructions shall include precise identification of all compilers, library packages, and linkers used to generate executable code.

2)   Delivery of Source Code into Escrow
Contractor shall deliver a Source Code Escrow Package to the Escrow Agent, pursuant to the Escrow Contract, which shall be entered into on commercially reasonable terms subject to the provisions of this Contract within thirty (30) days of the execution of this Contract.

3)   Delivery of New Source Code into Escrow
If at anytime during the term of this Contract, the Contractor provides a maintenance release or upgrade version of the Escrowed Software, Contractor shall within ten (10) days deposit with the Escrow Agent, in accordance with the Escrow Contract, a Source Code Escrow Package for the maintenance release or upgrade version, and provide the State with notice of the delivery.

4)   Verification
The State reserves the right at any time, but not more than once a year, either itself or through a third party Contractor, upon thirty (30) days written notice, to seek verification of the Source Code Escrow Package.

5)   Escrow Fees
All fees and expenses charged by the Escrow Agent will be paid by the Contractor.

6)   Release Events
The Source Code Escrow Package may be released from escrow to the State, temporarily or permanently, upon the occurrence of one or more of the following:

(i)   The Contractor becomes insolvent, makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, suffers or permits the appointment of a receiver for its business or assets, becomes subject to any proceeding under bankruptcy or insolvency law, whether domestic or foreign;
(ii)   The Contractor has wound up or liquidated its business voluntarily or otherwise and the State has reason to believe that such events will

cause the Contractor to fail to meet its warranties and maintenance obligations in the foreseeable future;

(iii)   The Contractor voluntarily or otherwise discontinues support of the provided products or fails to support the products in accordance with its maintenance obligations and warranties.

7)   Release Event Procedures

If the State desires to obtain the Source Code Escrow Package from the Escrow Agent upon the occurrence of an Event in **Section 3.16(A)(iv)**, then:

(i)   The State shall comply with all procedures in the Escrow Contract;

(ii)   The State shall maintain all materials and information comprising the Source Code Escrow Package in confidence in accordance with this Contract;

(iii)   If the release is a temporary one, then the State shall promptly return all released materials to Contractor when the circumstances leading to the release are no longer in effect.

8)   License

Upon release from the Escrow Agent pursuant to an event described in **Section 3.16(A)(iv)**, the Contractor automatically grants the State a non-exclusive, irrevocable license to use, reproduce, modify, maintain, support, update, have made, and create Derivative Works. Further, the State shall have the right to use the Source Code Escrow Package in order to maintain and support the Licensed Software so that it can be used by the State as set forth in this Contract.

9)   Derivative Works

Any Derivative Works to the source code released from escrow which are made by or on behalf of the State shall be the sole property of the State. The State acknowledges that its ownership rights are limited solely to the Derivative Works and do not include any ownership rights in the underlying source code.

(B)   2.163 Rights in Data

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

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

(C)   *2.164 Ownership of Materials*

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

(D)   *2.165 Standard Software*

If applicable and necessary, all Standard Software used in performing the Services shall be provided to the State under a separate license agreement between the State and the owner (or authorized licensor) of such software. Standard Software to be licensed to the State is listed in Appendix E.

(E)   *2.166 Pre-existing Materials for Custom Software Deliverables*

Neither Contractor nor any of its Subcontractors shall incorporate any preexisting materials (including Standard Software) into Custom Software Deliverables or use any pre-existing materials to produce Custom Software Deliverables if such pre-existing materials will be needed by the State in order to use the Custom Software Deliverables unless (i) such pre-existing materials and their owners are identified to the State in writing and (ii) such pre-existing materials are either readily commercially available products for which Contractor or its Subcontractor, as the case may be, has obtained a license (in form and substance approved by the State) in the name of the State, or are materials that Contractor or its Subcontractor, as the case may be, has the right to license to the State and has licensed to the State on terms and conditions approved by the State prior to using such pre-existing materials to perform the Services.

(F)   *2.167 General Skills*

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

Section 3.17 *2.170 Warranties And Representations*

(A) 2.171 Warranties and Representations

The Contractor represents and warrants that to the best of its knowledge and belief:

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

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

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

d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to such items in this Contract, Contractor shall assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.

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

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

g) Neither the Contractor nor any Affiliates, nor any employee of either, has, shall have, or shall acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.

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

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

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

k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.

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

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

(B) *2.172 Software Warranties*

(i) Performance Warranty

The Contractor represents and warrants that Deliverables will perform and operate in compliance with the requirements and other standards of performance contained in this Contract (including all descriptions, specifications and drawings made a part of the Contract) for a period of ninety (90) days following the date upon which the System becomes operational. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State. Following expiration of the ninety (90) day warranty period Contractor will correct System defects and bugs necessary to achieve federal certification.

In the event the system, any deliverable, or the system operating environment is modified, changed, altered, or improperly used by the State or any third party without consent of Contractor, the Contractor shall have no further warranty obligation with respect to correction of defective deliverables.

Contractor shall have no liability for external connectivity to the System by System-users.

(ii) No Surreptitious Code Warranty

The Contractor represents and warrants that it will not knowingly submit to the Sate any copy of licensed software containing any self-help code or any unauthorized code as defined below. This warranty is referred to in this Contract as the "No Surreptitious Code Warranty."

As used in this Contract, "Self-Help Code" means any back door, time bomb, drop dead device, or other software routine designed to disable a computer program automatically with the passage of time or under the positive control of a person other than the licensee of the software. Self-Help Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

As used in this Contract, "Unauthorized Code" means any virus, Trojan horse, spyware, worm or other Software routines or components designed to permit unauthorized access to disable, erase, or otherwise harm software, equipment, or data; or to perform any other such actions. The term Unauthorized Code does not include Self-Help Code. Unauthorized Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

In addition, Contractor will use up-to-date commercial virus detection software to detect and remove any viruses from any software prior to delivering it to the State.

(iii) Calendar Warranty

The Contractor represents and warrants that all software for which the Contractor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure calendar year rollover compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data

from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

(iv) Third-party Software Warranty

The Contractor represents and warrants that it will disclose the use or incorporation of any third-party software into the Deliverables. At the time of Delivery, the Contractor shall provide in writing the name and use of any Third-party Software, including information regarding the Contractor's authorization to include and utilize such software. The notice shall include a copy of any ownership agreement or license that authorizes the Contractor to use the Third-party Software.

(C)   2.173 Equipment Warranty

To the extent Contractor is responsible under this Contract for maintaining equipment/system(s), Contractor represents and warrants that it will maintain such equipment/system(s) in good operating condition and will undertake all repairs and preventive maintenance in accordance with the applicable manufacturer's recommendations for the period specified in this Contract.

The Contractor represents and warrants that the equipment/system(s) shall be in good operating condition and shall operate and perform to the requirements and other standards of performance contained in this Contract, when installed, at the time of Final Acceptance by the State, and for a period of one (1) year commencing upon the first day following Final Acceptance.
Contractor shall have no obligation to correct defective equipment in the event Contractor recommends but the State elects not to purchase maintenance agreements for equipment manufactured, produced, provided, or otherwise maintained by third parties.

Within thirty (30) business days of notification from the State, the Contractor shall adjust, repair or replace all equipment that is defective or not performing in compliance with the Contract. The Contractor shall assume all costs for replacing parts or units and their installation including transportation and delivery fees, if any.

The Contractor shall provide a toll-free telephone number to allow the State to report equipment failures and problems to be remedied by the Contractor.

The Contractor agrees that all warranty service it provides under this Contract shall be performed by original equipment manufacturer (OEM) trained, certified and authorized technicians.

The Contractor shall act as the sole point of contact for warranty service. The Contractor warrants that it shall pass through to the State any and all warranties obtained or available from the original equipment manufacturer, including any replacement, upgraded, or additional equipment warranties.

All warranty work shall be performed on the State of Michigan worksite(s) as applicable.

(D)   2.174 Physical Media Warranty

Contractor represents and warrants that each licensed copy of the Software provided by the Contractor is free from physical defects in the media that tangibly embodies the copy. This warranty does not apply to defects discovered more than thirty (30) days after that date of Final Acceptance of the Software by the State. This warranty does not apply to defects arising from acts of Excusable Failure. If the Contractor breaches this warranty, then the State shall be entitled to replacement of the non-compliant copy by Contractor, at Contractor's expense (including shipping and handling).

(E)   2.175a DISCLAIMER

THE FOREGOING EXPRESS WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES AND EACH PARTY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

(F)   2.175b RESERVED

(G)   2.176 Consequences for Breach

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

Section 3.18   (2.180) Insurance

(A)   2.181 Liability Insurance

(i) Liability Insurance

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

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees

and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain pursuant to this Contract.

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

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

The insurers selected by Contractor shall have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract shall be issued by companies that have been approved to do business in the State. See http://www.mi.gov/cis/0,1607,7-154-10555_22535---,00.html.

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

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

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

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

$2,000,000 General Aggregate Limit other than Products/Completed Operations
$2,000,000 Products/Completed Operations Aggregate Limit
$1,000,000 Personal & Advertising Injury Limit
$1,000,000 Each Occurrence Limit

$500,000 Fire Damage Limit (any one fire)

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

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

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

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

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

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

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

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

☐ 5.   Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars ($1,000,000.00) with a maximum deductible of fifty thousand dollars ($50,000.00).

☐ 6.   Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars ($10,000,000.00), which shall apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

☐ 7.   Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars ($3,000,000.00) each occurrence and three million dollars ($3,000,000.00) annual aggregate.

☐ 8.   Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of such office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to the replacement value thereof, where such office space and its contents are under the care, custody and control of Contractor.   Such policy shall cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State shall be endorsed on the policy as a loss payee as its interests appear.

(ii) Subcontractors

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

(iii) Certificates of Insurance and Other Requirements

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

Contractor shall maintain all required insurance coverage throughout the term of the Contract and any extensions thereto and, in the case of claims-made Commercial General Liability policies, shall secure tail coverage for at least three (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons.   Contractor

shall be responsible for all deductibles with regard to such insurance. If Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, at the State's election (but without any obligation to do so) after the State has given Contractor at least thirty (30) days written notice, the State may pay such premium or procure similar insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due Contractor, or Contractor shall pay the entire cost (or any part thereof) upon demand by the State.

Section 3.19   (2.190) Indemnification

(A)   2.191 Indemnification

(i) General Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are solely attributable to the negligence of the Contractor or any of its subcontractors, or by anyone else for whose acts any of them may be liable.
(ii) Code Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.
(iii) Employee Indemnification
In any and all claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.
(iv) Patent/Copyright Infringement Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States patent, copyright,

trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

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

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

(B)   *2.192 Continuation of Indemnification Obligations*

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

(C)   *2.193 Indemnification Procedures*
The procedures set forth below shall apply to all indemnity obligations under this Contract.
- After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify Contractor of such claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within ten (10) days following receipt of written notice from the State relating to any claim, Contractor shall notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and prior to the State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible

for any reasonable costs incurred by the State in defending against the claim during such period.

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

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

Section 3.20   (2.200) Limits of Liability and Excusable Failure

(A)   2.201 Limits of Liability

The Contractor's liability for damages to the State shall be limited to the value of the Contract or $5,000,000 which ever is higher. The foregoing limitation of liability shall not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

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

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

(B)   2.202 Excusable Failure

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

In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay and provided further that such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.

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

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

(C)   *2.203 Disaster Recovery*

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

Section 3.21   (2.210) Termination/Cancellation by the State

The State may terminate this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents and employees for any of the following reasons:

(A)   *2.211 Termination for Cause*

- In the event that Contractor breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA as defined in **117Section 3.07(F)**, which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State (such time period not to be less than thirty (30) days), or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of termination to Contractor, terminate this Contract in whole or in part, for cause, as of the date specified in the notice of termination.
- In the event that this Contract is terminated for cause, in addition to any legal remedies otherwise available to the State by law or equity, Contractor shall be responsible for all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs shall not be considered by the parties to be consequential, indirect or incidental damages, and shall not be excluded by any other terms otherwise included in this Contract, provided such costs are not in excess of fifty percent (50%) more than the prices for such Service/Deliverables provided under this Contract.

- In the event the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State shall pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.
- In the event this Contract is terminated for cause pursuant to this Section, and it is determined, for any reason, that Contractor was not in breach of contract pursuant to the provisions of this section, that termination for cause shall be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties shall be limited to that otherwise provided in this Contract for a termination for convenience.

(B)   *2.212 Termination for Convenience*

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

(C)   *2.213 Non-Appropriation*

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

State may, upon thirty (30) days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in such manner and for such periods of time as the State may elect. The charges payable under this Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of such reduction.

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

(D)   2.214 Criminal Conviction

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense incident to the application for, or performance of, a State, public or private Contract or subcontract; convicted of a criminal offense, including any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State reflects upon Contractor's business integrity.

(E)   2.215 Approvals Rescinded

The State may terminate this Contract without further liability or penalty in the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in such written notice.

(F)   2.216 Rights and Obligations Upon Termination

- If this Contract is terminated by the State for any reason, Contractor shall (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) in the event that the Contractor maintains title in Deliverables that is intended to be transferred to the State at the termination of the Contract, Contractor will transfer title in, and deliver to, the State,

unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which shall be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of such items included compensation to Contractor for the provision of warranty services in respect of such materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

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

- Upon a good faith termination, the State shall have the right to assume, at its option, any and all subcontracts and agreements for services and deliverables provided under this Contract, and may further pursue completion of the Services/Deliverables under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

(G)   2.217 Reservation of Rights

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

(H)   2.218 Contractor Transition Responsibilities

In the event this contract is terminated, for convenience or cause, dissolved, voided, rescinded, nullified, expires or is otherwise rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. In the event of termination or the expiration of this Contract, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed ninety (90) days. These efforts shall include, but are not limited to, the following:

(i) Personnel
The Contractor shall work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be

accomplished by the parties, to effect an orderly transition. The Contractor shall allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors or 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 will notify all of Contractor's subcontractors of procedures to be followed during transition.

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

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

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

(I)   *2.219 State Transition Responsibilities*
In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:
- Reconciling all accounts between the State and the Contractor;
- Completing any pending post-project reviews.

Section 3.22   (2.220) Termination by Contractor

(A)   2.221 Termination by Contractor

If the State materially breaches its obligation to pay Contractor undisputed amounts due and owing under this Contract in accordance with **Section 3.09**, or if the State breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for Contractor to perform the Services, and if the State does not cure the breach within the time period specified in a written notice of breach provided to the State by Contractor (such time period not to be less than thirty (30) days), then Contractor may terminate this Contract, in whole or in part based on Statement of Work for cause, as of the date specified in the notice of termination; provided, however, that Contractor must discharge its obligations under **Section 3.25** before any such termination.

Section 3.23   (2.230) Stop Work

(A)   2.231 Stop Work Orders

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to ninety (90) calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order shall be specifically identified as such and shall indicate that it is issued under this **Section 3.23**. Upon receipt of the stop work order, Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State shall either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in Section 2.210.

(B)   2.232 Cancellation or Expiration of Stop Work Order

If a stop work order issued under this **Section 3.23** is canceled or the period of the stop work order or any extension thereof expires, Contractor shall resume work. The parties shall agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract shall be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within thirty (30) calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment will conform to the requirements of **Section 3.10(F)**.

(C)   2.233 Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, such termination shall be deemed to be a termination for convenience under **Section 3.21(B)**, and the State shall allow reasonable costs resulting from the stop work order in arriving at the termination

settlement. For the avoidance of doubt, the State shall not be liable to Contractor for loss of profits because of a stop work order issued under this **Section 3.23**.

Section 3.24   (2.240) Reserved

Section 3.25   (2.250) Dispute Resolution

(A)   2.251 In General

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

(B)   2.252 Informal Dispute Resolution

- All operational disputes between the parties shall be resolved under the Contract Management procedures developed pursuant to **Section 3.10**. If the parties are unable to resolve any disputes after compliance with such processes, the parties shall meet with the Director of Acquisition Services, DMB, or designee, for the purpose of attempting to resolve such dispute without the need for formal legal proceedings, as follows:
  - o The representatives of Contractor and the State shall meet as often as the parties reasonably deem necessary in order to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.
  - o During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.
  - o 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.
  - o Following the completion of this process within sixty (60) calendar days, the Director of Acquisition Services, DMB, or designee, shall issue a written opinion regarding the issue(s) in dispute within thirty (30) calendar days. The opinion regarding the dispute shall be considered the State's final action and the exhaustion of administrative remedies.

- This **Section 3.25** will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or pursuant to **Section 3.25(C)**.
- The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work pursuant to the Contract.
- There will be joint development of a governance process for problem resolution and escalation of issues related to performance of this effort. The State will involve all applicable State parties, Contractor staff, and the PCO vendor with the PCO vendor assisting in facilitating the governance process. Any delays or changes to the project schedule or scope will be brought to the attention of the MMIS Executive Steering Committee.

(C)   2.253 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 3.25(B)** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is such that the damages to such party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

(D)   2.254 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment shall not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 3.21** and **Section 3.22** and, as the case may be.

Section 3.26   (2.260) Federal and State Contract Requirements

(A)   2.261 Nondiscrimination

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

(B)   2.262 Unfair Labor Practices

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

(C)   2.263 Workplace Safety and Discriminatory Harassment

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

Section 3.27   (2.270) Litigation

(A)   2.271 Disclosure of Litigation

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

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

- the ability of Contractor (or a Subcontractor hereunder) to continue to perform this Contract in accordance with its terms and conditions, or
- whether Contractor (or a Subcontractor hereunder) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in such Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then Contractor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that:
  - Contractor and/or its Subcontractors hereunder will be able to continue to perform this Contract and any Statements of Work in accordance with its terms and conditions, and
  - Contractor and/or its Subcontractors hereunder have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in such Proceeding.
- Contractor shall make the following notifications in writing:
  - Within thirty (30) days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor shall notify the Office of Acquisition Services.
  - Contractor shall also notify the Office of Acquisition Services within thirty (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.
  - Contractor shall also notify Acquisition Services within thirty (30) days whenever changes to company affiliations occur.

(B)   2.272 Governing Law

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

(C)   2.273 Compliance with Laws

Contractor shall comply with all applicable state, federal, and local laws and ordinances ("Applicable Laws") in providing the Services/Deliverables. Changes in applicable laws and ordinances may require issuance of a change order if such changes impact project scope, cost, or schedule.

(D)   2.274 Jurisdiction

Any dispute arising from the Contract shall be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in

Ingham County, Michigan, and irrevocably waives any objections it may have to such jurisdiction on the grounds of lack of personal jurisdiction of such court or the laying of venue of such court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

Section 3.28   (2.280) Environmental Provision

(A)   2.281 Environmental Provision

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

- With respect to any use by Contractor of Hazardous Materials in performance of this Contract, the Contractor shall use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material in accordance with all federal, State and local laws. The State shall provide a safe and suitable environment for performance of Contractor's Work. Prior to the commencement of Work, the State shall advise Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of such Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor shall immediately stop all affected Work, give written notice to the State of the conditions encountered, and take appropriate health and safety precautions.
- Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State shall order a suspension of Work in writing. The State shall proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State shall terminate the affected Work for the State's convenience.
- Once the Hazardous Material has been removed or rendered harmless by the State, the affected Work shall be resumed as directed in writing by the State. Any determination by the Michigan Department of Community Health and/or the Michigan Department of Environmental Quality (whichever is applicable)

that the Hazardous Material has either been removed or rendered harmless shall be binding upon the State and Contractor for the purposes of resuming the Work. If any such incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 3.07(F)** for a time as mutually agreed by the parties.

- If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor shall bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material in accordance with Applicable Laws to the condition approved by applicable regulatory agency(ies). If the Contractor fails to take appropriate action pursuant to Applicable Laws and consistent with the State requirements, then the State may take appropriate action.

Section 3.29   (2.290) General

(A)   2.291 Amendments

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

(B)   2.292 Assignment

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

(C)   2.293 Entire Contract: Order of Precedence

- The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior

agreements, whether written or oral, with respect to such subject matter and as additional terms and conditions on the purchase order shall apply as limited by **Section 3.06(A)**.

- In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of **Sections 2.11 through 2.22** of the Contract, which may be modified or amended only by a formal Contract amendment.

(D) 2.294 Headings

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

(E) 2.295 Relationship of the Parties (Independent Contractor Relationship)

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

(F) 2.296 Notices

(i) Notice
Any notice given to a party under the Contract shall be deemed effective, if addressed to such party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third (3rd) Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

State of Michigan
Office of Acquisition Services
Attention: Dale Reif (Buyer)
PO Box 30026
530 West Allegan
Lansing, Michigan 48909

with a copy to:

State of Michigan
Department of Information Technology
Attention: Sue Doby, Information Officer for DCH
111 S Capitol Avenue, 8th Floor

Lansing, Michigan 48933
and another copy to:
State of Michigan
Department of Community Health
Attention: McLaury, David
400 South Pine Street, 7th Floor
Lansing, Michigan 48933

If to CNIS:

Matthew Hoffman
Vice President and Corporate Counsel
702 King Farm Blvd, 2nd Flr
Rockville, MD 20850

With a copy to

Lynn Green
Contractor Project Manager
6465 Millennium Drive, Suite 150
Lansing, MI 48917

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

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

(G)   2.297 Media Releases and Contract Distribution

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

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

(H)   2.298 Reformation and Severability

Each provision of the Contract shall be deemed to be severable from all other provisions of the Contract and, if one or more of the provisions of the Contract shall be declared invalid, the remaining provisions of the Contract shall remain in full force and effect.

(I)   *2.299 Consents and Approvals*

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

(J)   *2.300 No Waiver of Default*

The failure of a party to insist upon strict adherence to any term of the Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Contract.

(K)   *2.301 Survival*

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

(L)   *2.302 Covenant of Good Faith*

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

(M)   *2.303 Permits*

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

(N)   *2.304 Website Incorporation*

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

(O) 2.305 Taxes

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

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

(P) 2.306 Prevailing Wage
The rates of wages and fringe benefits to be paid each class of individuals employed by the Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this Contract in privity of contract with the Contractor shall not be less than the wage rates and fringe benefits established by the Michigan Department of Labor and Economic Development, Wage and Hour Bureau, schedule of occupational classification and wage rates and fringe benefits for the local where the work is to be performed. The term Contractor shall include all general Contractors, prime Contractors, project managers, trade Contractors, and all of their Contractors or subcontractors and persons in privity of contract with them.

The Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Labor and Economic Development, the office responsible for enforcement of the wage rates and fringe benefits. You shall keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with this contract. This record shall be available to the State upon request for reasonable inspection.

If any trade is omitted from the list of wage rates and fringe benefits to be paid to each class of individuals by the Contractor, it is understood that the trades omitted shall also be paid not less than the wage rate and fringe benefits prevailing in the local where the work is to be performed.

(Q) 2.307 RESERVED

(R) 2.308 Future Bidding Preclusion

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

development, or as a Vendor offering free assistance) to gain a leading edge on the competitive RFP.

Section 3.30   (2.310) Reserved

Section 3.31   (2.320) Extended Purchasing

(A)   2.321 MiDEAL

Public Act 431 of 1984 permits DMB to provide purchasing services to any city, village, county, township, school district, intermediate school district, non-profit hospital, institution of higher education, community, or junior college. A current listing of approved program members is available at: http://www.michigan.gov/doingbusiness/0,1607,7-146-6586-16656--,00.html. Unless otherwise stated, it is the responsibility of the Contractor to ensure that the non-state agency is an authorized purchaser before extending the Contract pricing.

The Contractor will supply Contract Services and equipment at the established State of Michigan contract prices and terms to the extent applicable and where available. Inasmuch as these are non-state agencies, all invoices will be submitted to and payment remitted by the local unit of government on a direct and individual basis.

To the extent that authorized local units of government purchase quantities of Services and/or equipment under this Contract, the quantities of Services and/or equipment purchased will be included in determining the appropriate rate wherever tiered pricing based on quantity is provided.

(B)   2.322 State Employee Purchases
Reserved - Section Not applicable at this time

Section 3.32   (2.330) RESERVED