STATE OF MICHIGAN
CENTRAL PROCUREMENT SERVICES

Department of Technology, Management, and Budget

525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30026 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number **9**

to

Contract Number **071B0200024**

CONTRACTOR	STATE		
DXC TECHNOLOGY SERVICES LLC	**Program Manager**	Kim Crawford	DTMB
		517-373-4530	
6015 West St. Joseph Hwy		crawfordk5@michigan.gov	
Lansing, MI 48910	**Contract Administrator**	Jarrod Barron	DTMB
Rajaguru Ramiah		(517) 249-0406	
248-631-9253		barronj1@michigan.gov	
rramiah@dxc.com			
CV0063037			

CONTRACT SUMMARY			
MEDICAID COST SETTLEMENT			
INITIAL EFFECTIVE DATE	**INITIAL EXPIRATION DATE**	**INITIAL AVAILABLE OPTIONS**	**EXPIRATION DATE BEFORE**
October 1, 2009	September 30, 2014	5 - 1 Year	December 31, 2018
PAYMENT TERMS		**DELIVERY TIMEFRAME**	

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

MINIMUM DELIVERY REQUIREMENTS

DESCRIPTION OF CHANGE NOTICE				
OPTION	**LENGTH OF OPTION**	**EXTENSION**	**LENGTH OF EXTENSION**	**REVISED EXP. DATE**
☒	6 months	☐		June 30, 2019
CURRENT VALUE	**VALUE OF CHANGE NOTICE**	**ESTIMATED AGGREGATE CONTRACT VALUE**		
$17,779,715.52	$0.00	$17,779,715.52		

DESCRIPTION
Effective 9/14/2018, the parties exercise six of the nine option months added in Contract Change Notice 7 for the period 1/1/2019 - 6/30/2019, during which time Contractor shall provide one Expert Level Software Developer per the attached statement of work. The State will use existing contract funds to cover the costs of this Contract Change Notice. After this amendment, there remains 3 available option months on the contract. All other terms, conditions, specifications and pricing remain the same.

MICHIGAN DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
IT SERVICES
STATEMENT OF WORK

Project Title: **Cost Settlement CCN Six Month Option**	**Period of Coverage:** **1/1/19-6/30/19**
Requesting Department: **Michigan Department of Health and Human Services (MDHHS)**	**Date:** **06/13/18**
Agency Project Managers: **Pam Myers**	**Phone:** **517-241-4237**
DTMB Project Manager: **Kim Crawford**	**Phone:** **517-335-7364**

Brief Description of Services to be provided:
Per Contract, 071B0200024, Contract Change Notice (CCN) to exercise six (6) month option for the time period of 1/1/19-6/30/19 for the optional Expert Software Developer support for maintenance for the systems that support the business processes for the Hospital and Clinic Reimbursement Division (HCRD).

BACKGROUND:
The HCRD is in Phase II of a two phase project to create a CHAMPS Facility Settlement system which replaces a multitude of legacy systems that currently support the business. The scheduled implementation date for Phase II is December 2018. We need to ensure that the legacy systems remain operational for a six month period of time after implementation so that we can have a fall back solution should problems with the functionality be found after implementation, or should the system implementation date be delayed.

The need will be a reduction from the current staff of two Senior Level Developers and One Expert Level Developer to just maintaining one Expert Level Developer to cover those issues which might arise.

Technical Services:
This extension contract requires one (1) full-time Expert Level staff position dedicated solely to providing ongoing support to the multitude of legacy HCRD systems. This staff position is required by the contractor to accomplish the necessary functions of data updates, system modifications – should the need arise, and problem solving relative to application operations and data access. This Staff member will be an Expert Software Developer.

Software Licenses
- Compumax

PROJECT OBJECTIVE:
CCN to exercise a 6 month option for the time period of 1/1/19-6/30/19 for contractual service support for the Michigan Department of Health and Human Services (MDHHS) Hospital and Clinic Reimbursement Division.

SCOPE OF WORK:
Per Contract, 071B0200024, Contract Change Notice (CCN) to exercise six (6) month option for the time period of 1/1/19-6/30/19

Description	Total Cost
January 2019 - June 2019 Contractual Services	$ 88,800.00
January 2019 - June 2019 Software Licenses	$4,056.00
Grand Total	**$ 92,856.00**

TASKS:
Technical support is required to assist with the following tasks:
Per Contract, 071B0200024

DELIVERABLES:
Deliverables will not be considered complete until the DTMB and Agency Project Manager has formally accepted them. Deliverables for this project include:
Per Contract, 071B0200024 Agreement

ACCEPTANCE CRITERIA:
Per Contract, 071B0200024 Agreement

PROJECT CONTROL AND REPORTS:
Per Contract, 071B0200024 Agreement

SPECIFIC DEPARTMENT STANDARDS:
Agency standards, if any, in addition to DTMB standards.
Per Contract, 071B0200024 Agreement

PAYMENT SCHEDULE:
Per Contract, 071B0200024 Agreement

EXPENSES:
The State will not pay for any travel expenses, including hotel, mileage, meals, parking, etc.

PROJECT CONTACTS:
The designated Agency Project Managers are:

Sherri Gensterblum	Pam Myers
Hospital & Clinic Reimbursement Division	Office of Audit
Bureau of Medicaid Operations	
Cass, 4th floor	Cass, 4th floor
320- Walnut Street	320- Walnut Street
Lansing, Michigan 48933	Lansing, Michigan 48933
517-335-5345	517-241-4237
Gensterblums@michigan.gov	Myersp3@michigan.gov

The designated DTMB Project Manager is:
Kim Crawford
DTMB Agency Services for MDHHS
Chandler Plaza
300 East Michigan Ave.
Lansing, MI 48933
517-335-7364
CrawfordK5@michigan.gov

AGENCY RESPONSIBILITIES:
Per Contract, 071B0200024 Agreement

LOCATION OF WHERE THE WORK IS TO BE PERFORMED:
Per Contract, 071B0200024 Agreement

EXPECTED CONTRACTOR WORK HOURS AND CONDITIONS:
Per Contract, 071B0200024 Agreement and upcoming Contract Change Notice

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

CONTRACT CHANGE NOTICE

Change Notice Number **8**

to

Contract Number **071B0200024**

CURRENT CONTRACTOR	NEW CONTRACTOR
Enterprise Services, LLC	DXC Technology Services LLC
930 W. Holmes Rd	6015 West St. Joseph Hwy
Lansing, MI 48910	Lansing, MI 48910
Tim Robl	Tim Robl
517-993-4024	517-993-4024
tim.robl@hpe.com	tim.robl@dxc.com
*******2737	

STATE CONTACTS				
Program Manager	Kim Crawford	MDHHS	**Contract Administrator**	Jarrod Barron	DTMB
	517-373-4530			(517) 249-0406	
	crawfordk5@michigan.gov			BarronJ1@michigan.gov	

CONTRACT SUMMARY

DCH MEDICAID COST SETTLEMENT

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
October 1, 2009	September 30, 2014	3 - 1 Year	December 31, 2018

PAYMENT TERMS	DELIVERY TIMEFRAME

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

MINIMUM DELIVERY REQUIREMENTS

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
☐		☐		December 31, 2018

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$17,779,715.52	$0.00	$17,779,715.52

DESCRIPTION

Effective 1/1/2018, this contract is assigned to DXC Technology Services LLC. On April 1, 2017, HP Enterprise Services simultaneously changed its name to Enterprise Services LLC ("ES") and merged with Computer Sciences Corporation ("CSC") to form DXC Technology, a new parent company to ES and CSC. Subsequently, as of January 1, 2018, ES has assigned its obligations under the Agreement to DXC Technology Services LLC ("DXC"), a wholly-owned subsidiary of DXC Technology, with a new Tax ID and banking information. This Contract Change Notice documents this assignment. All other terms, conditions, specifications, and pricing remain the same.

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

CONTRACT CHANGE NOTICE

Change Notice Number **7**

to

Contract Number **071B0200024**

CURRENT CONTRACTOR		NEW CONTRACTOR	
HP Enterprise Services, LLC		Enterprise Services, LLC	
930 W. Holmes Rd		6015 West St. Joseph Hwy, Ste 101	
Lansing, MI 48910		Lansing, MI 48910	
Tim Robl		Tim Robl	
517-993-4024		517-993-4024	
tim.robl@hpe.com		tim.robl@hpe.com	
*******2737		*******8221	

STATE CONTACTS

Program Manager	Kim Crawford	MDHHS	Contract Administrator	Simon Baldwin	DTMB
	517-373-4530			(517) 284-6997	
	crawfordk5@michigan.gov			BaldwinS@michigan.gov	

CONTRACT SUMMARY

DCH MEDICAID COST SETTLEMENT

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
October 1, 2009	September 30, 2014	3 - 1 Year	September 30, 2017

PAYMENT TERMS	DELIVERY TIMEFRAME

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

MINIMUM DELIVERY REQUIREMENTS

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
☐		☒	1 year, 3 months	December 31, 2018

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$16,252,275.52	$1,527,440.00	$17,779,715.52

DESCRIPTION

Effective 9/25/2017, This Contract is extended one year and 3 months and increased by $1,527,440.00. Per the attached Statement of Work. This change notice also adds an additional 9 month option with pricing to this Contract. The revised Contract expiration date is 12/31/2018. This Contract is also amended to change the vendor name and Federal Tax ID.

All other terms, conditions, specifications and pricing remain the same. Per contractor and agency agreement, DTMB Procurement approval and State Administrative Board approval on 9/25/2017.

MICHIGAN DEPARTMENT OF TECHNOLOGY,

MANAGEMENT AND BUDGET

IT SERVICES STATEMENT

OF WORK

	Period of Coverage:
Enterprise Services, LLC **Project Title: Cost Settlement CCN OA and HCRD Extensions**	**LTC/OA** **10/1/17-6/15/18** **HCRD** **10/1/17-12/31/18** **HCRD Option** **1/1/19-9/30/19**
Requesting Department: **Michigan Department of Health and Human Services (MDHHS)**	Date: 9/5/17
Agency Project Managers: **Sherri Gensterblum /** **John Donaldson /** **Pam Myers**	**Phone:** **517-335-5345 /** **517-335-5356 /** **517-373-1508**
DTMB Project Manager: **Kim Crawford**	**Phone:** **517-335-7364**

I.   Description of Services

1.1   Per Contract, 071B0200024, Contract Change Notice (CCN) 7 will extend the term of this Contract for two separate components; one for HCRD 10/01/2017 through 12/31/2018 which includes the option for an additional nine (9) option months, and one for LTC/OA 10/01/2017 through 06/15/2018 for ongoing Compumax software maintenance and contractual service support for the Michigan Department of Health and Human Services (MDHHS) Hospital and Clinic Reimbursement Division (HCRD), Long Term Care Reimbursement Division (LTCRD) and the Office of Audit (OA), including the following specific enhancements:

1.2   The HCRD will be migrating their processes and supporting systems into CHAMPS. As a result of this move, the HCRD will not require enhancements to the existing systems beyond those necessary to address Policy changes and to keep the current applications working properly. DXC must provide timely and accurate information as requested and work in coordination with DTMB,   CNSI   and   HCRD   to   ensure   a   smooth   transition   to   the   new   system.

1.3   Below is a preliminary, non-exclusive list of the types of tasks the vendor will be expected to perform. Actual projects will be determined at the State's sole discretion.

A.   HCRD, LTCRD and OA

1.   System modifications necessary to address Policy and Program changes.

B.   HCRD

1.   Provide source code for all HCRD applications to CNSI.
     a.   As enhancements or modifications are completed to address current issues or Policy changes, updated source code will be provided to CNSI.
     b.   Provide assistance, as necessary, to CNSI with regards to current system logic.
2.   Provide a backup copy of the production HCRD database to CNSI.
3.   MMF Releases – standard releases, not including program enhancements beyond those necessary to address policy changes.
4.   Full Cost Clinics Reporting (FCCR) Eligibility processing
5.   Increase edits within the Cost Acceptance process as necessary.
6.   Updates to the Variance Report as necessary.
7.   Support for standard data pulls (MACI/QAAP/DSH, etc.) other data updates, and ad-hoc reports.

C.   LTCR

8.   Rate History Maintenance
9.   Development of a Settlement System
10. Audit Plan – Audit Programs
11. Home Office Cost Report (HOCR)
     a.   Encrypt xml files
12. LTC Reports
     a.   Download and process FD950 F report data.
13. Home Office Audit Plan
     a.   Add function to retrieve prior year comments.
14. File Management
15. Update the LTCA knowledge base (Help functionality).

D.   OA

16. Audit Management System (AMS)
     a.   Build interface between AMS and SIGMA.
17. Subrecipient Audit Report Monitoring System (SARMS)
     a.   Update and automate as much as possible, the Annual data load process.
     b.   Modifications necessary to work with SIGMA.
18. Corrective Action Tracking System (CATS) system maintenance and enhancements
19. Load cost savings data to Audit Management System
20. Medicaid Fiscal Review (MFR) Net Portal – OA applications help

1.4   MDHHS requires DXC to estimate all projects and process them in accordance with MDHHS priorities. MDHHS understands that it may not be possible to complete all aforementioned projects in the extension period given the stated staff requirements below. Due to this, MDHHS will prioritize projects and expects DXC to assign appropriate staff to the prioritized projects to ensure as many projects as possible can be accomplished within the given extension year. MDHHS requires project plans to be developed for any project approaching an estimated 90 calendar day duration.

II.   Technical Services

2.1   The vendor will provide thirteen (13) full-time staff positions at the State's discretion, dedicated solely to providing ongoing support to the Hospital and Clinic Reimbursement Division, as well as ongoing support and enhancements to the Long Term Care Reimbursement Division, and Office of Audit computer systems. These staff positions will perform applications programming, system enhancements, database maintenance, web maintenance, network maintenance, and problem solving relative to application operations and data access.

III. Software Licenses Per Original Contract

3.1 Compumax

IV. PROJECT OBJECTIVE

4.1 CCN to extend the term of this Contract for two separate components; one for HCRD from 10/01/2017 through 12/31/2018 which includes the option for an additional nine (9) option months, and one for LTC/OA from 10/01/2017 through 06/15/2018 for ongoing Compumax software maintenance and contractual service support for the Michigan Department of Health and Human Services (MDHHS) Hospital and Clinic Reimbursement Division (HCRD), Long Term Care Reimbursement Division (LTCRD) and the Office of Audit (OA).

V. SCOPE OF WORK

5.1 Per Contract 071B0200024.

5.2 The HCRD is migrating their processes and supporting systems into CHAMPS and therefore, will be reducing support staff as necessary throughout this new extension period. The HCRD will notify DXC thirty (30) days prior to a required staff reduction. The expectation is that the monthly cost will be reduced by the rate associated with the specified IT Classification(s) found below in Table 5.3. This monthly reduction will apply for all months following the notification, and will not require another Contract Change Notice.

5.3 IT Classifications Table

Category	FTE/Quantity	Monthly Rate	Monthly Total	Months	Option or Base Period	Total
Technical Delivery/Project Manager	1	$16,500.00	$16,500.00	8.5	Base	$140,250.00
Expert Software Developer	1	$14,800.00	$14,800.00	8.5	Base	$125,800.00
Senior System Administrator/Developer	1	$12,700.00	$12,700.00	8.5	Base	$107,950.00
Senior Database Administrator/Developer	1	$12,700.00	$12,700.00	8.5	Base	$107,950.00
Senior Wed Administrator/Developer	1	$12,700.00	$12,700.00	8.5	Base	$107,950.00
Senior Software Developer	2	$11,200.00	$22,400.00	8.5	Base	$190,400.00
Journey Software Developer	2	$8,950.00	$17,900.00	8.5	Base	$152,150.00
Expert Software Developer	1	$14,800.00	$14,800.00	15	Base	$222,000.00
Senior Software Developer	2	$11,200.00	$22,400.00	15	Base	$336,000.00
Journey Software Developer	1	$8,950.00	$8,950.00	3	Base	$26,850.00
CompuMax Software (One License)	1	$676.00	$676.00	15	Base	$10,140.00
Expert Software Developer	1	$14,800.00	$14,800.00	9	Option	$133,200.00
Senior Software Developer	2	$11,200.00	$22,400.00	9	Option	$201,600.00
CompuMax Software (One License)	1	$676.00	$676.00	9	Option	$6,084.00
Total Base					Base	$1,527,440.00
Total Optional Period					Option	$340,884.00
Total Base + Optional Period					Base + Option	$1,868,324.00

VI. TASKS

6.1 Per contract 071B0200024 Agreement.

VII. DELIVERABLES

7.1 Deliverables will not be considered complete until the DTMB and Agency Project Manager has formally accepted them.

7.2 Deliverables for this project include:

Per contract 071B0200024 Agreement.

VIII. ACCEPTANCE CRITERIA

8.1 Per contract 071B0200024 Agreement.

IX. PROJECT CONTROL AND REPORTS

9.1 Per contract 071B0200024 Agreement.

X. SPECIFIC DEPARTMENT STANDARDS

10.1 Agency standards, if any, in addition to DTMB standards.

10.2 Per contract 071B0200024 Agreement.

XI. PAYMENT SCHEDULE

11.1 Per contract 071B0200024 Agreement.

XII. EXPENSES

12.1 The State will not pay for any travel expenses, including hotel, mileage, meals, parking, etc.

XIII. PROJECT CONTACTS

13.1   The designated Agency Project Managers are:

A. Sherri Gensterblum Hospital & Clinic Reimbursement Division (HCRD) Bureau of Medicaid Operations Capital Commons Center, 5th floor 400 S. Pine Street Lansing, Michigan 48913 517-335-5345 Gensterblums@michigan.gov	B. John Donaldson Long Term Care Reimbursement Division (LTCRD) Bureau of Medicaid Operations Capital Commons Center, 5th floor 400 S. Pine Street Lansing, Michigan 48913 517-335-5356 Donaldsonj@michigan.gov	C. Pam Myers Office of Audit (OA) Capital Commons Center, 5th floor 400 S. Pine Street Lansing, Michigan 48913 517-373-1508 Myersp3@michigan.gov

13.2   The designated DTMB Project Manager is:

A.   Kim Crawford
DTMB Agency Services for MDHHS Chandler Plaza
300 East Michigan Ave.
Lansing, MI 48933
517-335-7364
CrawfordK5@michigan.gov

XIV. AGENCY RESPONSIBILITIES

14.1   Per contract 071B0200024 Agreement.

XV. LOCATION OF WHERE THE WORK IS TO BE PERFORMED

15.1   Per contract 071B0200024 Agreement.

XVI. EXPECTED CONTRACTOR WORK HOURS AND CONDITIONS

16.1   Per contract 071B0200024 Agreement and upcoming Contract Change

STATE OF MICHIGAN
ENTERPRISE PROCUREMENT

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

CONTRACT CHANGE NOTICE

Change Notice Number **6**
to
Contract Number **071B0200024**

CONTRACTOR		STATE		
	HP Enterprise Services, LLC		Kim Crawford	DTMB
	930 W. Holmes Rd	Program Manager	517-373-4530	
	Lansing, MI 48910		crawfordk5@michigan.gov	
	Tim Robl		Simon Baldwin	DTMB
	517-993-4024	Contract Administrator	(517) 284-6997	
	tim.robl@hpe.com		BaldwinS@michigan.gov	
	*******2737			

CONTRACT SUMMARY			
DESCRIPTION: DCH Medicaid Cost Settlement			
INITIAL EFFECTIVE DATE	**INITIAL EXPIRATION DATE**	**INITIAL AVAILABLE OPTIONS**	**EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW**
October 1, 2009	September 30, 2014	3 - 1 Year	September 30, 2017
PAYMENT TERMS		**DELIVERY TIMEFRAME**	
ALTERNATE PAYMENT OPTIONS		**EXTENDED PURCHASING**	
☐ P-card ☐ Direct Voucher (DV) ☐ Other		☐ Yes	☒ No
MINIMUM DELIVERY REQUIREMENTS			

DESCRIPTION OF CHANGE NOTICE				
OPTION	**LENGTH OF OPTION**	**EXTENSION**	**LENGTH OF EXTENSION**	**REVISED EXP. DATE**
☐		☐		Click here to enter a date.
CURRENT VALUE		**VALUE OF CHANGE NOTICE**	**ESTIMATED AGGREGATE CONTRACT VALUE**	
$16,252,275.52		$ 0.00	$16,252,275.52	

DESCRIPTION: Effective 10/21/2016 the following changes which have been requested by Department of Health and Human Services are hereby incorporated into the contract.
1. The removal of the annual cost for maintenance and support associated with the software licenses for two PC based Medicare Severity Diagnosis Related Grouper Software (MS-DRG/MCE). The Annual Maintenance cost per each is $540.35. The total for removal of the two licenses is $1,081.00.
2. Update buyer to Simon Baldwin.

All other terms, conditions, specifications, and pricing remain the same per Contractor and Agency agreement and DTMB Procurement approval.

Revised 5/4/2016

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

CHANGE NOTICE NO.5
to
CONTRACT NO. 071B0200024
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
HP Enterprise Services, LLC	Tim Robl	tim.robl@hp.com
930 W. Holmes Rd	**PHONE**	**VENDOR TAX ID #** **(LAST FOUR DIGITS ONLY)**
Lansing, MI 48910	(517) 993-4024	2737

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB	Kim Crawford	(517) 373-4530	crawfordk5@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Jarrod Barron	(517) 284-7045	barronj1@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: DCH Medicaid cost settlement			
INITIAL EFFECTIVE DATE	**INITIAL EXPIRATION DATE**	**INITIAL AVAILABLE OPTIONS**	**EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW**
October 1, 2009	September 30, 2014	(3) 1-Year Options	September 30, 2015
PAYMENT TERMS	**F.O.B.**	**SHIPPED TO**	
N/A	N/A	N/A	
ALTERNATE PAYMENT OPTIONS			**EXTENDED PURCHASING**
☐ P-card ☐ Direct Voucher (DV) ☐ Other			☐ Yes ☒ No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXTEND CONTRACT EXPIRATION DATE	**EXERCISE CONTRACT OPTION YEAR(S)**	**EXTENSION BEYOND CONTRACT OPTION YEARS**	**LENGTH OF EXTENSION/OPTION**	**EXPIRATION DATE AFTER CHANGE**
☐ No ☒ Yes	☒	☐	2-Year	September 30, 2017
CURRENT VALUE		**VALUE/COST OF CHANGE NOTICE**	**ESTIMATED REVISED AGGREGATE CONTRACT VALUE**	
$12,648,212.48		$3,604,063.04	$16,252,275.52	

DESCRIPTION:
Effective October 1, 2015, this Contract is hereby exercising the remaining two (2) option years and is increased by $3,604,063.04. Effective, October 1, 2015, the revised Statement of Work is also incorporated into this Contract. The revised Contract expiration date is September 30, 2017. Please note the Contract Administrator has been changed to Jarrod Barron. All other terms, conditions, specifications, and pricing remain the same. Per Contractor and Agency agreement, DTMB Procurement approval, and State Administrative Board approval on September 10, 2015.

Project Title: Cost Settlement CCN Option Yr 2 and Yr 3	Period of Coverage: 10/1/15-9/30/17
Requesting Department: Michigan Department of Health and Human Services (MDHHS)	Date: 08/10/15
Agency Project Managers: Sherri Gensterblum / John Donaldson / Pam Myers	Phone: 517-335-5345 / 517-335-5356 / 517-373-1508
DTMB Project Manager: Kim Crawford	Phone: 517-373-4530

Brief Description of Services to be provided:
Per Contract, 071B0200024, Contract Change Notice (CCN) to exercise option year two (2) and option year three (3) for the time period of 10/1/15-9/30/17 for ongoing Medicare Severity Diagnosis Related Grouper and Compumax software maintenance and contractual service support for the Michigan Department of Health and Human Services (MDHHS) Hospital and Clinic Reimbursement Division (HCRD), Long Term Care Reimbursement Division (LTCRD) and the Office of Audit (OA), including the following specific enhancements: The HCRD will be migrating their processes and supporting systems into CHAMPS. As a result of this move, the HCRD will not require enhancements to the existing systems beyond those necessary to address Policy changes and to keep the current applications working properly. Thus, there will be a reduction in the HP staff necessary to maintain the HCRD systems, and there will be more reductions to follow as this project progresses.   Therefore, the pricing provided by HP in Cost Table in Attachment A must be detailed such that the process of future staff reductions is simplified and does not require further pricing negotiations within this specific extension year.   For example, should HCRD determine that a reduction of one Sr. Software Application Developer is required, the new monthly rate will be the current rate minus the fixed monthly rate as listed below for that IT Classification. Any remaining HP staff must provide timely and accurate information as requested, and work in coordination with DTMB, CNSI, and HCRD to ensure a smooth transition. HP may also be asked to participate in transition meetings.

Below is a preliminary, non-exclusive list of the types of tasks the vendor will be expected to perform. Actual projects will be determined at the State's sole discretion.

HCRD, LTCRD and OA
- System modifications necessary to address Policy and Program changes
- Upgrade to Office
  - Currently scheduled to be completed prior to 09/30/2015, however, the potential exists that, due to the merger into Michigan Department of Health and Human Services, this project could be delayed. If so, resources will be needed to ensure applications continue to work with Office 2013.
- Upgrade to IE 11
  - Same schedule and potential as the Upgrade to Office.

HCRD
- Provide source code for all HCRD applications to CNSI.
  - As enhancements or modifications are completed to address current issues or Policy changes, updated source code will be provided to CNSI.
  - Provide assistance, as necessary, to CNSI with regards to current system logic.
- Provide a backup copy of the production HCRD database to CNSI.
- MMF Releases – standard releases, not including program enhancements beyond those necessary to address policy changes.
- FCCR Eligibility processing
  - Only required if the process has not been fully automated prior to 10/01/2015.
- System modifications necessary to address the Tribal Health Center MOA.
- Increase edits within the Cost Acceptance process.
- Updates to the Variance Report.

- Creation of stored procedure for HMP MACI Pool calculation.
- Creation of stored procedure for HMP QAAP Tax calculation.
- Support for standard data pulls (MACI/QAAP/DSH…etc), other data updates, and ad-hoc reports.
- HCS settlement system changes due to Capital processing, and inclusion of HMP MACI Pool payments.

LTCR

Each of the below changes are needed to process the new Nursing Cost Report:

- Cost Report Receive
  - ID the cost report format of the file received.
  - Determine if data meets requirement specification.
  - Log receipt of cost report.
- Cost Report Acceptance and Intake
  - Development of new application that can handle existing cost reports as well as the new Nursing Cost Report.
  - New application must resemble (from a user perspective) the existing application
  - New application must be developed using new technology.
- Cost Report Compare
  - New utility to read in Nursing Cost Report and compare to prior year, reporting differences.
- FOIA
  - New program to dump Nursing Cost report contents to universal format.
- File Manager
  - Modifications to recognize Nursing Cost Report and launch the new file.
- Provider Audit Tools
  - Minor enhancement to program to handle Nursing Cost Report file extensions.
- Workflow
  - Minor enhancement to program to launch Nursing Cost Report.
- Risk Analysis/Cost Savings
  - Minor enhancement to program to process Nursing Cost Report and generate report using new technology.
- LTCA Launcher
  - Modifications to launch the new Nursing Cost Report for field auditors disconnected from the network.
- Variance Report
  - Minor enhancement to program to process Nursing Cost Report and generate report using new technology.

The following requests are not specifically associated with the Nursing Cost Report:

- Rate History Maintenance
- Development of a Settlement System
- Audit Plan – Audit Programs
- HOCR
  - Encrypt xml files
- LTC Reports
  - Download and process FD950 F report data
- Home Office Audit Plan
  - Add function to retrieve prior year comments
- File Management
- Update the LTCA knowledge base (Help functionality

OA

- Audit Management System (AMS)
  - Build interface between AMS and SIGMA.
- SARMS
  - Update and automate as much as possible, the Annual data load process.
  - Modifications necessary to work with SIGMA.
- CATS system maintenance and enhancements
  - This will include new features required to address requirements brought about by the merger of the DCH and the DHS into the DHHS.
- Load cost savings data to Audit Management System
- MFR Net Portal – OA applications help

MDHHS requires HP to estimate all projects and process them in accordance with MDHHS priorities. MDHHS understands that it may not be possible to complete all aforementioned projects in the extension year given the stated staff requirements below. Due to this, MDHHS will prioritize projects and expects HP to assign appropriate staff to the prioritized projects to ensure as many projects as possible can be accomplished within

the given extension year. MDHHS requires project plans to be developed for any project approaching an estimated 90 calendar day duration.

Technical Services:

The vendor will provide thirteen (13) full-time staff positions at the State's discretion, dedicated solely to providing ongoing support to the Hospital and Clinic Reimbursement Division, as well as ongoing support and enhancements to the Long Term Care Reimbursement Division, and Office of Audit computer systems. These staff positions will perform applications programming, system enhancements, database maintenance, web maintenance, network maintenance, and problem solving relative to application operations and data access.

Software Licenses Per Original Contract:
- Two (2) PC based Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##).   This software is available from National Technical Information Service (NTIS).
- Compumax

PROJECT OBJECTIVE:

CCN to exercise option year 2 and option year 3 for the time period of 10/1/15-9/30/17 for annual ongoing Medicare Severity Diagnosis Related Grouper and Compumax software maintenance and contractual service support for the Michigan Department of Health and Human Services (MDHHS) Hospital and Clinic Reimbursement Division, Long Term Care Reimbursement Division and the Office of Audit.

SCOPE OF WORK:

Per Contract 071B0200024

The HCRD is migrating their processes and supporting systems into CHAMPS and therefore, will be reducing support staff as necessary throughout this new extension period. The HCRD will notify HP thirty (30) days prior to a required staff reduction. The expectation is that the monthly cost will be reduced by the rate associated with the specified IT Classification(s) found below. This monthly reduction will apply for all months following the notification, and will not require another Contract Change Notice.

Category	FTE/Quantity	Monthly Rate	Monthly Total	Year 1	Year2	Total
Technical Delivery/Project Manager	1	$16,500.00	$16,500.00	$198,000.00	$198,000.00	$396,000.00
Expert Software Developer	2	$14,800.00	$29,600.00	$355,200.00	$355,200.00	$710,400.00
Senior System Administrator/Developer	1	$12,700.00	$12,700.00	$152,400.00	$152,400.00	$304,800.00
Senior Database Administrator/Developer	1	$12,700.00	$12,700.00	$152,400.00	$152,400.00	$304,800.00
Senior Wed Administrator/Developer	1	$12,700.00	$12,700.00	$152,400.00	$152,400.00	$304,800.00
Senior Software Developer	4	$11,200.00	$44,800.00	$537,600.00	$537,600.00	$1,075,200.00
Journey Software Developer	3	$8,950.00	$26,850.00	$322,200.00	$322,200.00	$644,400.00
DRG Software (Two Licenses)	2			$1,081.00	$1,081.00	$2,162.00
CompuMax Software (One License)	1	$676.00	$676.00	$8,112.00	$8,112.00	$16,224.00
Total			$156,526.00	$1,879,393.00	$1,879,393.00	$3,758,786.00

TASKS:

Per contract 071B0200024 Agreement

DELIVERABLES:

Deliverables will not be considered complete until the DTMB and Agency Project Manager has formally accepted them. Deliverables for this project include:
Per contract 071B0200024 Agreement

ACCEPTANCE CRITERIA:

Per contract 071B0200024 Agreement

PROJECT CONTROL AND REPORTS:

Per contract 071B0200024 Agreement

SPECIFIC DEPARTMENT STANDARDS:

Agency standards, if any, in addition to DTMB standards.
Per contract 071B0200024 Agreement

PAYMENT SCHEDULE:

Per contract 071B0200024 Agreement

EXPENSES
The State will not pay for any travel expenses, including hotel, mileage, meals, parking, etc.

PROJECT CONTACTS:

The designated Agency Project Managers are:

Sherri Gensterblum	John Donaldson	Pam Myers
Hospital & Clinic Reimbursement Division	Long Term Care Reimbursement Division	Office of Audit
Bureau of Medicaid Operations	Bureau of Medicaid Operations	
Capital Commons Center, 5th floor	Capital Commons Center, 5th floor	Capital Commons Center, 5th floor
400 S. Pine Street	400 S. Pine Street	400 S. Pine Street
Lansing, Michigan 48913	Lansing, Michigan 48913	Lansing, Michigan 48913
517-335-5345	517-335-5356	517-373-1508
Gensterblums@michigan.gov	Donaldsonj@michigan.gov	Myersp3@michigan.gov

The designated DTMB Project Manager is:
Kim Crawford
DTMB Agency Services for MDHHS
Chandler Plaza
300 East Michigan Ave.
Lansing, MI 48933
517-373-4530
CrawfordK5@michigan.gov

AGENCY RESPONSIBILITIES:

Per contract 071B0200024 Agreement

LOCATION OF WHERE THE WORK IS TO BE PERFORMED:

Per contract 071B0200024 Agreement

EXPECTED CONTRACTOR WORK HOURS AND CONDITIONS:

Per contract 071B0200024 Agreement and upcoming Contract Change Notice

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

CHANGE NOTICE NO. 4

to

CONTRACT NO. 071B0200024

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
HP Enterprise Services, LLC	Tim Robl	tim.robl@hp.com
930 W. Holmes Rd	**TELEPHONE**	**CONTRACTOR #, MAIL CODE**
Lansing, MI 48910	517-993-4024	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB	Kim Crawford	517-373-4530	crawfordk5@michigan.gov
BUYER	DTMB	Barb Suska	517-284-7026	suskab2@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION:			
DCH MEDICAID COST SETTLEMENT			
INITIAL EFFECTIVE DATE	**INITIAL EXPIRATION DATE**	**INITIAL AVAILABLE OPTIONS**	**EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW**
October 1, 2009	September 30, 2014	3 one year	September 30, 2014
PAYMENT TERMS	**F.O.B**	**SHIPPED**	**SHIPPED FROM**
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:		**AVAILABLE TO MiDEAL PARTICIPANTS**	
☐ P-card ☐ Direct Voucher (DV) ☐ Other		☐ Yes ☒ No	
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	**EXERCISE CONTRACT OPTION YEAR(S)**	**EXTENSION BEYOND CONTRACT OPTION YEARS**	**LENGTH OF OPTION/EXTENSION**	**EXPIRATION DATE AFTER CHANGE**
☐ No ☐ Yes	☒	☐	1 year	September 30, 2015
VALUE/COST OF CHANGE NOTICE:		**ESTIMATED REVISED AGGREGATE CONTRACT VALUE:**		
$2,097,870.70		$12,648,212.48		

Effective June 10, 2014, this contract is increased by $2,097,870.70 and exercises the first option year for the annual Medicare Severity Diagnosis Related Grouper and Compumax software maintenance and contractual services support for 15 staff. Per the attached Statement of Work. The new contract end date is September 30, 2015.
All other terms, conditions, specification and pricing remain the same. Per vendor agreement and DTMB Procurement approval and the approval of the State Administrative Board on June 10, 2014.
.

Project Title: Cost Settlement CCN Option Yr 1	Period of Coverage: 10/1/14 -9/30/15
Requesting Department: Michigan Department of Community Health (MDCH)	Date: 04/02/14
Agency Project Manager: Sherri Gensterblum	Phone: 517-335-5345
DTMB Project Manager: Kim Crawford	Phone: 517-373-4530

Brief Description of Services to be provided:
Per Contract, 071B0200024, Contract Change Notice (CCN) to exercise option year one (1) for the time period of 10/1/14-9/30/15 for annual ongoing Medicare Severity Diagnosis Related Grouper and Compumax software maintenance and contractual service support for the Michigan Department of Community Healths (MDCH) Hospital and Health Plan Reimbursement Division, Long Term Care Reimbursement and Rate Setting Section and the Office of Audit.

BACKGROUND:
HP Enterprise Services, LLC Contract 071B0200024, provides automation services to maintain and support numerous Programs for Hospital, Clinics, long term care (nursing home) and Audit areas in the health care facility rate setting, reimbursement and audit programs within the Bureau of Medicaid Operations and the Bureau of Budget and Audit. Ongoing Medicare Severity Diagnosis Related Grouper and Compumax software maintenance and contractual technical service support for the Michigan Department of Community Health's (MDCH) is included.

Technical Services:
The current contract requires a minimum of fifteen (15) full-time staff positions dedicated solely to providing ongoing support and enhancements to the Hospital and Clinic Reimbursement Division, Long Term Care Reimbursement and Rate Setting Section, and Office of Audit computer systems. The minimum level of staff positions required by the contractor to accomplish the necessary functions of applications programming, system enhancements, database maintenance, web maintenance, network maintenance, and problem solving relative to application operations and data access include:
- One project manager
- One senior level system administrator
- One senior level database administrator/application developer
- One senior level web administrator/application developer
- Two expert level software application developers
- Four senior level software application developers
- Five journey level software application developers

Software Licenses
- Two (2) PC based Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##). This software is available from National Technical Information Service (NTIS).
- Compumax

PROJECT OBJECTIVE:
CCN to exercise option year 1 for the time period of 10/1/14-9/30/15 for annual ongoing Medicare Severity Diagnosis Related Grouper and Compumax software maintenance and contractual service support for the Michigan Department of Community Health's (MDCH) Hospital and Clinic Reimbursement Division, Long Term Care Reimbursement and Rate Setting Section and the Office of Audit.

SCOPE OF WORK:
Per Contract 071B0200024; CCN to exercise option year 1 for the time period of 10/1/14-9/30/15

Description	Total Cost
October-September Contractual Services	$ 2,088,684.00
MS-DRG/MCE Annual Maintenance	1,080.70
Compumax Annual Maintenance	8,106.00
Grand Total	**$ 2,097,870.70**

TASKS:
Technical support is required to assist with the following tasks:
Per contract 071B0200024 Agreement

DELIVERABLES:
Deliverables will not be considered complete until the DTMB and Agency Project Manager has formally accepted them. Deliverables for this project include:
Per contract 071B0200024 Agreement

ACCEPTANCE CRITERIA:
Per contract 071B0200024 Agreement

PROJECT CONTROL AND REPORTS:
Per contract 071B0200024 Agreement

SPECIFIC DEPARTMENT STANDARDS:
Agency standards, if any, in addition to DTMB standards.
Per contract 071B0200024 Agreement

PAYMENT SCHEDULE:
Per contract 071B0200024 Agreement

EXPENSES:
The State will not pay for any travel expenses, including hotel, mileage, meals, parking, etc.

PROJECT CONTACTS:
The designated Agency Project Manager is:
Sherri Gensterblum
Hospital & Clinic Reimbursement Division
Bureau of Medicaid Operations
Capital Commons Center, 5th floor
400 S. Pine Street
Lansing, Michigan 48913
517-335-5345
Gensterblums@michigan.gov

The designated DTMB Project Manager is:
Kim Crawford
DTMB Agency Services for MDCH
Chandler Plaza
300 East Michigan Ave.
Lansing, MI 48933
517-373-4530
CrawfordK5@michigan.gov

AGENCY RESPONSIBILITIES:
Per contract 071B0200024 Agreement

LOCATION OF WHERE THE WORK IS TO BE PERFORMED:
Per contract 071B0200024 Agreement

EXPECTED CONTRACTOR WORK HOURS AND CONDITIONS:
Per contract 071B0200024 Agreement and upcoming Contract Change Notice

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT   **May 6, 2014**
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 3
to
CONTRACT NO. 071B0200024
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
HP Enterprise Services, LLC	Tim Robl	tim.robl@hp.com
930 W. Holmes Rd	**TELEPHONE**	**CONTRACTOR #, MAIL CODE**
Lansing, MI 48910	517-993-4024	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB	Kim Crawford	517-373-4530	crawfordk5@michigan.gov
BUYER	DTMB	Barb Suska	517-284-7026	suskab2@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: **DCH MEDICAID COST SETTLEMENT**			
INITIAL EFFECTIVE DATE	**INITIAL EXPIRATION DATE**	**INITIAL AVAILABLE OPTIONS**	**EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW**
October 1, 2009	September 30, 2014	3 one year	September 30, 2014
PAYMENT TERMS	**F.O.B**	**SHIPPED**	**SHIPPED FROM**
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:		**AVAILABLE TO MiDEAL PARTICIPANTS**	
☐ P-card ☐ Direct Voucher (DV) ☐ Other		☐ Yes ☒ No	
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	**EXERCISE CONTRACT OPTION YEAR(S)**	**EXTENSION BEYOND CONTRACT OPTION YEARS**	**LENGTH OF OPTION/EXTENSION**	**EXPIRATION DATE AFTER CHANGE**
☐ No ☐ Yes	☐	☐		
VALUE/COST OF CHANGE NOTICE:		**ESTIMATED REVISED AGGREGATE CONTRACT VALUE:**		

Effective immediately, this request is to revise Attachment A (Cost Table). Adding Journey Level Developer for Healthy Michigan for the period 04/15/14 – 09/30/14. This will bring staffing total to 15. The revised monthly rate was determined through a blended rate. The blended rate per month is $11,604.00 ($11,604.00 x 5.5 months = $63,822.00). $11,604.00 + $162,453.00 = $174,057.00 new monthly rate. Also updating software license portion of Attachment A. Please note the buyer has been changed to Barb Suska.

All other terms, conditions, pricing and specifications remain the same. Per vendor and agency agreement and DTMB Procurement approval.

Rate table from existing contract: 071B0200024

REVISED CCN#3

Attachment A

Cost Table

Staff Fixed Monthly Rate

IT Classification	Fixed Monthly Rate
Project Manager	
Sr. System Administrator	
Sr. Database Administrator/Application Developer	
Sr. Web Administrator/Application Developer	
Expert Level Software Application Developers	
Expert Level Software Application Developer	
Sr. Software Application Developer	
Sr. Software Application Developer	
Sr. Software Application Developer	
Sr. Software Application Developer	
Journey Level Software Application Develop	
Journey Level Software Application Developer	
Journey Level Software Application Developer	
Journey Level Software Application Developer	
Journey Level Software Application Developer *"due to Healthy Michigan expansion"*	
Total Fixed Monthly Rate	*$174,057 (15 staff)*

** Per agreement between HP and DCH adding a Journey Level Developer for the Healthy Michigan expansion for the estimated period of 4/15/14 – 9/30/14 bringing the total staff 15. The revised rate was determined through a blended rate. Current monthly cost $162,453.00 (CCN#2) for 14 staff. $11604.00 per month blended rate ($11604.00 x 5.5 months = $63,822.00). $11604.00 + $162,453.00 = $174, 057.00 new monthly rate.

Breakdown of Software Licenses – including Third Party Software Costs

Software license(s) cost	Product Version	Purchase Price	Bid Price	Ongoing Annual Maintenance Cost	Comments
1. PC based Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##). This software is available from National Technical Information Service (NTIS).	Version 32 for 10/01/14	$1,080.70			Annual price is $540.35 per license. Two licenses are required.
2. Compumax	2552-10 Paid annually usually Aug/Sept	$8,106.00			Price is $675.50 per month. The State will be charged on a monthly basis.
Total Cost of Software Licenses including Third Party Software for One (1) year		**$9,186.70**			

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY MANAGEMENT AND BUDGET   March 7, 2012
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 2
TO
CONTRACT NO.   071B0200024
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	TELEPHONE
	517-272-5939
HP Enterprise Services, LLC	CONTRACTOR NUMBER/MAIL CODE
930 W. Holmes Rd	
Lansing, MI 48910	
Email: **bob.bartholomew@eds.com**	BUYER/CA (517) 373-3993
	Joe Kelly

Contract Compliance Inspector: Sara Williams
DCH MEDICAID COST SETTLEMENT

CONTRACT PERIOD: **5 yrs. + 3 one-year options** From: **October 1, 2009** To: **September 30, 2014**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

> **Effective November 1, 2012, certain business processes currently performed by HP will be transferred to and performed by State of Michigan staff. The primary intent of this change notice is for the State to take over and perform the business process related to the identified work, while HP continues to maintain, operate and enhance the corresponding software and systems related to these functions. As a result of this change, HP will reduce the minimum staffing level required by one full-time equivalent (FTE). Article 1.201 (A, 1.601 and Attachment D have been updated to a minimum of fourteen (14) full time staff positions and the monthly fixed rate has been updated to $162,453.00. Updates to the specific changes to the scope of work are listed below. All other terms, conditions and specifications remain the same.**

AUTHORITY/REASON(S):

> **Per vendor, agency and DTMB Procurement.**

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $10,550,341.78

Article 1 – Statement of Work (SOW)

1.000   Project Identification

1.001   Project Request

The purpose of this contract is for ongoing maintenance, support and enhancements of existing information technology solutions as well as software and hardware procurement required to support the Michigan Department of Community Health's Hospital and Health Plan Reimbursement Division, Long Term Care Reimbursement and Rate Setting Section and the Office of Audit.

This contract addresses work needs within the Bureau of Medicaid Financial Management and the Bureau of Budget and Audit.

- Hospital and Health Plan Reimbursement Division (HHPRD)
    - a. Settlement and Payment Processing Section
        1. Settlement Section
        2. Payment Processing Section
    - b. Hospital Rate Review Section
        1. Inpatient Hospital Rate Setting
        2. Capital Rate Setting
        3. State Psychiatric Hospital Cost Settlement
        4. Special Health Plan Cost Settlement
    - c. Special Programs Section
- Office of Audit
    - a. Long Term Care System (LTCS)
    - b. Long Term Care Appeal Tracking System
    - c. Subrecipient Audit Report Monitoring System (SARMS)
    - d. Audit Report Tracking System
- Long Term Care Reimbursement and Rate Setting Section

1.002   Background

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Settlement and Payment Processing Section

Settlement Section

The Settlement Section of the HHPRD has several areas of responsibility:

a. ECR (Electronic Cost Report) Filing –
Type: VB6, SQL, and 3rd party software (KPMG)
Hospital filed cost report data is reviewed and approved by the audit staff for 160 active hospitals annually then loaded by the contractor into the Filed Cost Information Data (FCID) base. No more than two (2) workdays should lapse between the contractor's producing a comparison output summary and the auditor's receipt of that summary. The hospital's electronic cost report should be loaded into the FCID base within ninety (90) days from the date of the original filing. This database is used for hospital rate setting, final settlements, DSH calculations, capital interim payment calculations, Freedom of Information requests, and other projects that may be requested.

b. MIP (Medicaid Interim Payments)/CIP (Capital Interim Payment) Calculations
Type: VB6, VBA, Excel, SQL
Data from the FCID is pulled by the contractor and used to calculate the MIP/CIP rate for each inpatient provider type within a hospital. MIP reconciliations are calculated both 15 months and 27 months after the hospital's fiscal year end. MIP/CIP rates should be calculated no later than thirty (30) days prior to the hospital's fiscal year begin.

c. Hospital Final Settlements - Data from the Medicare cost report, the FCID, and our internal paid data reports are used to calculate a final settlement for each Michigan hospital that participated in the Medicaid program. The final settlement should be completed no sooner than three (3) years from the end of the hospital's fiscal year. From these final settlements an Audited Cost Information Data (ACID) base will be built. Approximately 200-220 settlements per year are calculated and processed.

d. Medicaid Access to Care Initiative (MACI), Fee for Service Quality Assurance Assessment Program (QAAP), Hospital Rate Adjustment (HRA) QAAP Calculations
   Type: VB6, VBA, Excel, VB.Net, SQL
   Incorporate hospital managed care data, hospital revenues and utilization data to calculate payments and taxes.

e. Certified Public Expenditure (CPE) Calculations and Settlements
   Type: VB6, SQL
   Allow for calculation of the CPE settlements using different upper payment limit formulas.

f. CHAMPS - The hospital Medicaid (Title XIX Childrens Special Health Care Services (Title V), MOMS, Healthy Kids, etc. hospital paid claims data will be accessed from the data warehouse. It will be separated by program into inpatient and outpatient, and available for use for the final settlement and file transfer.

   Interfaces with CHAMPS must be maintained to send and receive Gross Adjustment information. (Type: VB.Net, SQL)

   Implementation of CHAMPS brings changes to the classifications of data related to provider and reimbursement information. Hospital systems should be updated for consistency with the new CHAMPS data models. (Type: All supported platforms)

   The contractor will be responsible for creation and maintenance of software and scheduling of interface file transmissions. The contractor will not be responsible for the creation, submission, or verification of production gross adjustments.

g. NPI
   (Type: All supported platforms)
   The hospital Title XIX, Title V, MOMS, Healthy Kids, etc. claims will be processed through their NPI number. Monitoring of these numbers will be handled by the HHPRD with changes to existing as well as newly enrolled providers. The electronic cardfile and HCS will be updated on a regular basis.

h. File Transfer
   DCH File transfer is an MDIT application.
   The following reports are set up electronically for the provider to file and retrieve data:
     (1) All provider reporting for filing of the ECR
     (2) Hospital quarterly financial reports
     (3) CHAMPS paid claims reports, by program
     (4) Other data, as appropriate

   The reports will be HIPAA compliant.

i. New Programs – As the federal and/or state hospital reimbursement methodology changes, new programs may arise. The HHPRD will incorporate these into our hospital MIP/CIP calculations and final settlements.

The responsibilities listed above are computerized. A contract is needed to continue the present computerization and also to enhance it so that the Settlement Section has access to the most contemporary software available in order to meet its objectives within the time constraints mentioned above.

Payment Processing Section
The Payment Processing Section currently is computerized. A contract is needed to maintain the present system and to periodically modify the system to meet our changing needs.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Hospital Rate Review Section
Inpatient Hospital Rate Setting
The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for the calculation of separate DRG prices and per diem rates for all hospitals, and the Medicaid statewide relative weights as well. The hospital rate setting function is outlined in the State Plan and issued in the Hospital Manual, Chapter VIII. Separate prices or per diem rates must be calculated for the following types of hospitals:

a. Medical Surgical DRG Hospitals (150)
b. Distinct Part Rehabilitation Units of Hospitals (49)
c. Freestanding Rehabilitation Hospitals (5)
d. Out-state Rates for each of the above types
e. Outpatient Hospital Cost to Charge Ratios

The Section's rate setting coordinator presently completes the calculations for each of the above rates. Data is entered into a formula, which computes the price, per diem, and relative weights. The Hospital Rate Review Section for accuracy and formula applications verifies all data used. The rates currently are not stored in a database system. All of the rates must be calculated and mailed out to the hospitals at least thirty (30) days prior to their implementation, which is April 1, of each year. These same rates must also be transferred to the Provider Enrollment table files.

Capital Rate Setting
The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for the calculation of separate capital costs per discharge for DRG hospitals (150) and capital costs per diem for Rehab hospitals and units (54).

The calculations of capital rates are presently completed by the Section's rate setting coordinator. Data is entered into a formula, which computes the capital rates. The Rate Review Section for accuracy and formula applications verifies all data used. The rates currently are not stored in a database system. These capital rates are to be updated on an annual basis.

State Psychiatric Hospital Settlement
The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for the calculation of cost settlement for the State psychiatric hospitals (4). The cost settlement is dictated in the <u>Michigan Medicaid Manual</u> (See Hospital Chapter, Hospital Reimbursement Appendix).

Computerization of the State Psychiatric Hospitals requires the creation of forms (Medicare 2552 forms) that are necessary to complete the Medicaid initial and final settlements. These settlements require spreadsheets to accumulate charges, days, discharges and payments. Other spreadsheets are needed to calculate the inpatient routine costs, inpatient ancillary costs, inpatient routine and ancillary capital and other pass through costs, cost limits, and the calculation of the Medicaid programs share of

reimbursable direct graduate medical education cost. The system should also create a summary sheet to determine the amount due to or owed by each institution. The initial settlements should be completed after 18 months cut off after the hospital's fiscal year-end. The final settlement should be completed no later than twelve (12) months from the receipt of the Medicare audited cost report.

Hospital Final Settlement - Data from the Medicare cost report, the FCID, and our internal paid data reports are used to calculate a final settlement for each Michigan hospital that participated in the Medicaid program. To calculate a hospital final settlement we pull data from the electronic Medicare cost report file; the FCID base (this file contains the filed data needed to generate the Medicaid audit adjustment report and the Notice of Amount of Program Reimbursement); and our internal paid data reports that are electronically loaded into our this settlement system. The system creates the forms (hard copy and electronic) that are necessary to complete the Medicaid settlement. This includes, but not is limited to, certain Medicare 2552 forms, Medicaid settlement forms, and the Notice of Amount of Program Reimbursement (NAPR).

The Medicaid final settlements, once completed and approved, are loaded into an Audited Cost Information Data (ACID) base. This ACID base is easily accessible and retained on line as long as the Settlement Section deems necessary. At that time, data may be moved to some kind of off-line storage.

Special Health Plan Cost Settlement

The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for the cost settlement of special health plans (2) under the Children's Special Health Care Services Programs based on the contract signed by the Department of Community Health and the special health plans. Computerization of Children's Special Health Care Services (CSHCS) Special Health Plans (SHP's) requires the support of forms (electronic) that are necessary to complete the Medicaid, CSHCS and MI Child initial and final settlements. These settlements require an Excel spreadsheet to accumulate payments, medical and administrative expenses to determine the amount due to owed by the special health plans. An initial settlement should be completed 6 months after the end of plan's fiscal year. A final settlement should be completed 18 months after the end of a plan's fiscal year.

Enhancements and Regulatory Updates

The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for insuring the successful implementation of regulatory changes effecting inpatient acute care, rehabilitation, outpatient, ambulance, and specialties affecting institutional reimbursement. Many of the changes mandated by Federal Regulations have direct effect upon all functions of the Hospital and Health Plan Reimbursement Division.

a. Medicare Grouper Software is updated annually and utilized by the Rate Setting Coordinator and other staff in routine duties. The software is reaching a complexity level where maintenance needs to be addressed by on-site staff. Furthermore, the software and associated programming must be implemented on strict deadlines with short notice of availability. Hospital Rate Review staff will supply the claims data to be applied to the software and review the results. Currently the "CMS Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ##" (MS-DRG/MCE v ##) is available from National Technical Information Service (NTIS). The vendor needs to procure two copies of PC based Medicare Secverity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##). This software is available from National Technical Information Service (NTIS).

b. ICD 10 Implementation is coming during fiscal year 2011 according to Federal Regulations. This implementation will require analysis of all computerized systems at all levels of the Hospital and Health Plan Reimbursement Division as well as all levels of the State of Michigan.

c. A psychiatric per diem rate will be developed to reimburse State of Michigan owned psychiatric facilities (4). This implementation will effect all systems from claims processing to and gross adjustments. A System analysis and requirements study of the implementation and assistance in successfully completing the per diem rates will also be required. The rate setting process will include cost report data, claim data as well as other yet-to-be determined elements.

d. A capital prospective payment system (CPPS) analysis and requirement study will be completed for viability and if appropriate implementation will effect all levels from claims processing to gross adjustments. The rate setting process will include cost report data, claim data from DRG rate setting process as well as other yet-to-be determined elements.

e. Hospital Acquired Conditions (HAC) analysis and requirement document will need to be completed and claim recoveries initiated in compliance with Federal Regulations and State Plan/Legislation. Current regulations apply to inpatient acute care settings, with future proposals for outpatient setting as well. Anticipate targeted claim review and recoveries through an automated system (user initiated).

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Special Programs Section
The Special Programs Section is responsible for the settlement of numerous types of entities. There are currently over 350 clinic sites that are processed throughout the year and these include Federally Qualified Health Centers (FQHC), Rural Health Clinics (RHC), Tribal Health Centers (THC), Local Public Health Departments (LPHD), Intermediate School Districts (ISD), Health Maintenance Organizations (HMOs) and County Health Plans (CHP).

Medicaid policy requires participating providers to file annual reports. This filed report in combination with MDCH database information provides enough data to calculate settlements and various reports. The Special Programs Section monitors annual reporting requirements, maintains cost reporting data, completes a review of the reports, and calculates an interim, initial, and final settlement

In conjunction with the settlement, the Special Programs Section must coordinate, process, and monitor payments to each individual clinic. These clinics may receive interim payments, initial settlements, final settlements, and occasionally special payments. During a recent 12-month period the Special Programs Section processed 1,333 interim payments, 113 initial settlements, 369 final settlements and 15 special payments (transfers and recoveries). The payment system has been automated and enhancements to the system must continue.

The settlement and payment process involves the following procedures:

a. Send out letters, blank cost reports, and information 2-3 months after their fiscal year end (FYE) to notify facilities to file a reconciliation report due within five months after their FYE.

b. Monitoring late reconciliation reports not received by the due date and sending out follow-up letters.

c. Recording and reviewing filed reports.

d. Entering the report information into a settlement format (currently an Excel spreadsheet).

e. Electronically downloading Health Plan detail submitted by the facility to determine encounter count, acceptable visits or any duplicates.

f. Requesting paid claims data (encounters, payments, charges and other information) from the state paid claims database. These claims are then downloaded and processed to determine the visits and payments or any duplicates to calculate the settlement.

g. Entering information into the spreadsheet to calculate a settlement. Initial settlements are processed approximately 9 months after the FYE. Final settlements are processed approximately 18 months after the FYE.

h. Notices of the final settlements are sent to the clinics allowing a 30-day review before processing the adjustment.

i. The auditor may follow-up by providing any supporting information such as audit adjustments, paid claims detail and or policy references.

j. Process the settlement (payment or recovery of money) to the Clinic.

The current computerized settlement system provides for the input, manipulation, automated calculation and reporting of information required to determine Medicaid reimbursement. The system consists of a main front-end application, a database, and several subsystems. The main application is the user-interface used for such things as accessing the database, working with the reimbursement reports, settlements, and updating gross adjustment data. The database holds all of the data. There is a provider reimbursement report, which is a spreadsheet application, used for data entry, calculation, and reporting. Providers complete a blank reimbursement report and mail it back to the Special Programs Section. This becomes the filed cost report. The auditor enters the report information into a template that calculates a settlement and saves the information in a database. The following computer systems and applications are utilized in the settlement process:

Name: Cardfile system
Type: Client/Server (VB6, SQL, ASP, Active Reports, JavaScript, VB Script)
Description: This system provides access to information on every provider that HHPRD deals with. This system is the center of operations and the information is used in many ways: the Address/Contact information is used to send out form letters. The payment information is downloaded into the settlement database. The cardfile keeps track of Provider Enrollment information for all certified sites. The filed and audited report information is used to determine filed/accepted reports, reports that have not been received, or any revisions. Information is automatically entered into the cardfile from the gross adjustment system. There are many reports available through the cardfile system the ones used by the Special Programs Section include but are not limited to the following: NPI numbers, addresses, fiscal year ends, a report that identifies outstanding settlements, facilities that failed to file a reconciliation report and affiliated locations.

Name: FQHC Settlement system
Type: Excel, VBA, SQL
Description: The information for all settlement types are input by audit staff in a spreadsheet or retrieved from the database. The spreadsheet calculates the settlement displays it in a report form and stores the information in the database for use in future settlements and reports.

Name: Full Cost Clinic Reporting System (FCCR)

Type: Web Based Application (ASP, Active Reports, JavaScript, VB Script, SQL)
Description: This is a web-based application that counts and sorts claims. The input is from the MSA paid claims database. The application sorts and counts the claims, and generates a report that is sent to the clinic as supporting information for the settlement. A detailed claim information report is also available.

Name: HHPRD Database
Type: Database, SQL
Description: This database system is used to store all information for all of the Hospital and Health Plan Reimbursement Division systems.

Name: Gross adjustment system
Type: Interface, VB.Net, SQL
Description: This system is use to record payments and adjustments into the database system from the state payment system. Interfaces with the Gross Adjustment system supported by MDIT.

Name: FQHC Reporter
Type: Excel, VBA, SQL
Description: Allows the auditor to pull in data off the reimbursement reports for any FYE range.

Name: QHP Claims File Converter
Type: Excel, VBA, SQL
Description: This system converts health plan detail submitted electronically into a standard format that can be loaded into the FCCR system to count visits and payments.

Name: Accrual Reporter
Type : Excel, VBA, SQL
Description: The system calculates a year end report for budget estimates and determines any outstanding settlements and the estimated liability that needs to be carried forward.

Name: FQHC Letters
Type: Web Based (ASP, Active Reports, JavaScript, VB Script, SQL)
Description: This is the system that generates all letters for our Special Programs Section.

Name: Medicaid Allowable Expenditure Report (MAER)
Type: Excel, VBA, SQL
Description: A system that collects and calculates local education agency (LEA) financial information for input to School Based Services reimbursement processing.

Name: Michigan Medicaid Forms (MMF)
Type: Visual Basic, VB6, SQL
Description: Portion of the School Based Services system to be used by the Intermediate School Districts (ISD) and Special Programs Section to calculate, display, maintain, report, track and load reimbursement information. Contractor will produce and support MMF software but not load or process MMF cost reports.

Name: Eligibility Match process
Type: Excel, SQL
This system is also used for School Based Services to collect, calculate and distribute eligibility match/partial match information so the Medicaid Eligibility rate may be determined for each ISD to calculate reimbursement.

These systems (individually or together) are used to:
a. Create settlements

b. Maintain a database
c. Send notices to providers (mailings and correspondence)
d. Create reports (providers, settlements, payments, and recoveries) and statistics on encounters, costs and efficiency
e. Process and record payments

The Special Programs Section also has other responsibilities such as: settlements for county health plans, School Based Services, financial reporting of HMOs, Provider Enrollment approvals, year end filing of accruals and periodic budget/financial reports. These responsibilities utilize many of the same programs/applications noted above.

There is also a new Tribal Health Center Outreach program that may require a settlement process and this may be the responsibility of the Special Programs Section. There is a new Community Health Automated Medicaid Processing System (CHAMPS) that may require some system changes. The National Provider Identifier (NPI) has also required changes to all of our systems and we continue to monitor this new requirement to make sure settlements correspond with the federal regulations. The Hospital and Health Plan Reimbursement Division is working towards Direct Data Entry through a Web system already in place at the State and system support is coordinating these efforts.

The Special Programs Section has new policy effective 07/01/2008 that allowed Schools to be reimbursed for beneficiaries that received any medical services. No settlements have been processed at this time and we are currently setting up "new" systems to accommodate this new policy. The contractor shall be required to program this new settlement system based on the policy or maintain the system if completed. This falls into the changes in program enhancements on an ongoing basis. The contractor will not be required to load cost reports, paid claims or other data needed to compute settlements. The contractor will not be required to calculate rates associated with the School Based Services program.

OFFICE OF AUDIT

The Office of Audit is responsible for performing the audit functions for MDCH, which includes audits of long-term care providers (nursing homes), compliance exams for community mental health service providers, Public Health Departments, and other agencies that receive funding from MDCH. The Office of Audit coordinates and tracks all external audits on department programs and operations. The Office of Audit also works with the various program areas within the department to assist in developing the necessary corrective action plans/audit responses to external (e.g. Office of the Auditor General) audit findings. The Office of Audit also monitors subrecipient audit reports.

The Office of Audit office, located in Lansing, oversees the operation of five sections, three of which are regionally located. The Office of Audit, Quality Assurance and Review Section monitors subrecipients of federal and state grants for compliance with audit requirements, follows up on audit report issues, and issues management decisions on audit findings. Contracts and federal law require the audits. The remaining four sections are responsible for auditing long-term care or other health care providers assigned to that geographic region. Regional offices are located in Fenton, Grayling, and Grand Rapids. The Central Section, also located in Lansing, administers a contract with an accounting firm that performs and conducts audits of providers located primarily in the Southeast portion of the state.

Under the Medicaid long-term care program, participating providers are required to file annual cost reports from which data is used to calculate facility specific prospective reimbursement rates. The LTC Reimbursement and Rate Setting Section has primary administrative responsibility for the reimbursement program. The Office of Audit performs the federally required monitoring of these cost reports through in-house or on-

site expenditure audits of the cost reports. The cost report information is used to calculate per diem reimbursement rates and determine annual reimbursement settlements for long term care providers. Although the Medicaid Long Term Care System (LTCS) has largely been automated, enhancements to the system must continue. This project has made the administration of the program much more accurate and efficient. A new contract is needed not only to carry on with the automation that has already been implemented, but also to upgrade, enhance, and refine the present system to achieve maximum potential.

Field auditors housed outside of Lansing in regional offices have particular requirements that are fulfilled through the cooperation of DIT and the contractor personnel. DIT maintains the remote connections, hardware and software. The contractor must insure that applications are capable of working at remote locations in a networked environment. This requires remote updating of all system applications. In addition, the ability of the field auditors to remotely log in via secure connection and report time and activities or access files must be maintained.

OFFICE OF AUDIT
Long Term Care System (LTCS)
The current computerized Long Term Care System (LTCS) provides for the coordination of effort and reporting of information required to determine Medicaid reimbursement for long term care facilities. Reimbursement rates are facility specific and calculated prospectively based on the allowable costs reported on each facility's cost report. The cost reports are subject to audit to ensure that the costs used to calculate reimbursement rates comply with the established cost principles. The main application (LTCA) is the user-interface used for such things as accessing the database, working with the cost reports, writing audit plans, coordinating staff assignments and logging activities. The database (LTCDB) holds all of the data. There is a provider electronic cost report (ECR) in the form of a workbook, which is used for field audits, data entry and reporting.

1. **LTCS Application (LTCA)**
   Type: VB.Net, VB6, SQL
   The LTCS Application is a constantly evolving application developed to allow users to select and electronically perform the various long term care related business functions and system administration activities. On-going technical and operational support must be provided to maintain and enhance these applications in order to achieve maximum efficiencies from the system. Application users must be able to select and perform various LTC business related functions, such as file/directory creating, naming, deleting, retrieving, and storing for all standard documents and functions of the LTCS.

2. **LTCS Database (LTCDB)** Central to the LTCS is a database which includes the following information: filed and audited cost reports, general provider information, tracking logs, rate setting, settlement payment data, gross adjustment, and Medicaid Interim Payment (MIP). Tracking of various information and events relating to a particular provider, cost report, etc., will be maintained in the database. New information or events must be added to the database as necessary.

3. **Electronic Cost Report (ECR)**
   Type: VBA, SQL, Excel
   The LTCS must continue to provide the long-term care providers with the ability to electronically file cost reports. The cost report application will handle all calculations and printing through its own functions. The underlying applications used to program the cost report are flexible and allow for timely revisions in order to address program policy changes and any changes in reporting requirements.

a. Access to the ECR and related provider data files are available electronically through the LTCA to the Office of Audit Central and Regional Offices. A process is maintained to track and record the movement of these files between the two divisions as well as the status of any assignments. Acceptable ECRs are released to the Office of Audit for audit. After the audit has been completed, the audited version of the ECR is electronically returned to the LTC Reimbursement and Rate Setting Section to be processed.

b. The LTCA provides an automated system for accepting and processing of audited ECRs. The audited ECR is electronically checked for acceptance and uploaded into the central database. Technical support and maintenance of the electronic verification process is performed. DCH staff will determine procedural changes to the acceptance process and the contractor shall perform the changes to the automation process.

4. **Nursing Facility Audit Plans**
   Type: ASP, Active Reports, JavaScript, VB Script, SQL
   For each nursing facility cost report accepted by LTC Reimbursement and Rate Setting, an audit plan is generated, outlining the scope of the review to be performed. In determining the scope of the audit, several different analytic tools are used to assess risk and determine the areas and extent of the review. The audit plan summarizes the results of this analysis. The analytic tools used to determine and assess risk consist of variance reports, comparing various elements of a current year to the previous year's cost report, and a report comparing the current cost structure against the applicable reimbursement limits. In the process of completing this plan, various electronic signatures are required. As these steps are completed or signed, appropriated information is secured or locked.

   a. These reports, as well as the audit plan, are generated electronically by selecting the appropriate application from the LTCA. The audit plan and the supporting reports are dynamic, changing as applicable rules and regulations and reporting requirements change.

   b. In addition to being able to create and generate a variance report comparing elements from a current year to the previous year's cost report, the capabilities must be enhanced in order to generate and calculate statistical information by geographic region and provider type. These additional capabilities are needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards.

5. **Auditing ECRs**
   Type: VBA, Excel, SQL
   Once the audit plan has been completed and an ECR is assigned for audit, the auditors use the cost report workbook on notebook PCs. Elements of the cost report are initially stored as text files. When working on a cost report, the auditors download those files into a spreadsheet template. This process occurs electronically via the LTCA discussed earlier. In this format, the auditors are able to view, perform analyses, edit, and save any changes made to the workbook based cost report data. The auditors generate work papers to review the reported cost and the audit adjustments are determined. The auditor then enters the audit adjustments into the cost report for automatic cost report updating/revision. A report worksheet in the form of a "Summary of Audit Adjustments" is printed. Individual adjustments may be added or deleted until the audit is finalized. The completed audited cost report is validated and transmitted to the Lansing Office electronically, uploaded and stored in the LTCDB and released to the LTC Reimbursement and Rate Setting Section where the results are implemented for rate setting and settlement.

Various forms and standard correspondence generated through the audit process is maintained, developed, and made accessible through the LTCA. The LTCS has the capability to store and retrieve this information. Audit workpapers, letters to providers generated in Microsoft Word, scanned provider documents and workpapers are just some examples of the type of information that needs to be retained.

6. **Audit Management**
   Type: ASP, Active Reports, JavaScript, VB Script, SQL
   This web application is used by auditors and managers to manage the audit process involving over 1600 in-progress audits at any given time in an efficient and organized manner. Long-Term Care Audits are added to the database utilizing the LTC Audit Wizard. This Web Wizard steps the auditors through the process, automatically creating consistent and complete records. The appropriate manager individually creates other audits, including home office audits. Home office audits have sub-audits attached to them. While some systems are for long term care use only, this system covers all Office of Audit audits: Long term care, mental health compliance exams, public health, and subrecipients. Every audit that is open or having time tracked to it has to exist in the Audit Management system.

   Managers have the ability to automatically generate reports to track individual audits or a regional office's status, progress and resources with precision. The Audit Management system interacts with the Time Tracking application described below.

7. **Time Tracking**
   Type: ASP, Active Reports, JavaScript, VB Script, SQL
   Auditors and managers in Lansing, in regional offices, at remote locations across the State of Michigan and on occasion in other states, must be able to access and input daily time keeping information. When at remote locations, access may require the use of a VPN connection. Using the web application, daily time is entered by specific provider, cost report year-end, index and PCA, task performed, date and time unit. Time can be automatically allocated between subaudits and home office audits as desired by management through selections in the Audit Management system. Resources and time allocated to different audits is tracked enabling optimum utilization, keeping audits on time and within budget.

   Various reports are produced. The time sheets and Federal time summaries produced are compliant with the State's regulations and are used to interface with the States payroll processing systems. Other reports include Annual Audit Plan, Audit Time Summary and Monthly Activity reports.

8. **Reporting** - The LTCS provides the capability for various reporting activities as detailed in the following Tasks section. System reporting outputs that can be created are pre-defined reports and available to users via functions within the LTCA or ad-hoc reports, produced by the user with the functions of Microsoft Query. Contractor technical support must be available to users to assist in the creation and design of ad hoc reporting/querying.

9. **File Management** – A system to track the location of paper files, mainly audit files and permanent files, is currently maintained individually by a regional office. This system is currently a combination of an access database and paper reports with manual notations. A new central electronic tracking system is desired, indicating when files were sent where, arrived, were stored, etc.

10. Home Office Cost Reports

Type: VB.Net, Crystal Reports, SQL

Many long-term care facilities are operated as a unit of a chain organization. Chain organizations consist of a group of two or more health care facilities or at least one health care facility and any other business or entity which are owned, leased, or through any other organization structure, controlled by one organization. Home offices of chain organizations are not certified providers; therefore, its costs are not directly reimbursed. Home offices usually furnish central management and administrative services to units of the chain. Since home offices are related to the provider, the actual allowable costs to provide those services are included as allowable costs of the provider. The LTCS must continue to provide the home office entities with the ability to electronically file cost reports. The cost report application will handle all calculations and printing through its own functions. The underlying applications used to program the cost report must be flexible and allow for timely revisions in order to address program policy changes and any changes in reporting requirements.

a. Home office cost reports contain financial information that is allocated to individual long term care facilities. The method of allocation varies from gross receipts or costs to available beds. The allocated amounts are included in the long-term care cost reports and are subject to audit.

b. Access to the HOCR and related home office data files must be available electronically through the LTCA to the Office of Audit Central and Regional Offices. A process must be maintained to track and record the movement of these files between the two divisions as well as the status of any assignments. Acceptable HOCRs are released to the Office of Audit for audit. After the audit has been completed, the audited version of the HOCR is electronically returned to the LTC Reimbursement and Rate Setting Section to be processed.

c. The LTCA provides an automated system for accepting and processing of audited HOCRs. The audited HOCR is electronically checked for acceptance and uploaded into the central database. Technical support and maintenance of the electronic verification process is performed. DCH staff will determine procedural changes to the acceptance process and the contractor shall perform the changes to the automation process.

11. Home Office Audit Plans

Type: VB.Net, Crystal Reports, SQL

For each home office entity cost report accepted by LTC Reimbursement and Rate. Setting, an audit plan is generated, outlining the scope of the review to be performed. In determining the scope of the audit, several different analytic tools are used to assess risk and determine the areas and extent of the review. The audit plan summarizes the results of this analysis. The analytic tools used to determine and assess risk consist of variance reports, comparing various elements of a current year to the previous year's cost report, and a report comparing the current cost structure of each individual related nursing facility against the individual nursing facility's applicable reimbursement limits. In the process of completing this plan, various electronic signatures are required. As these steps are completed or signed, appropriate information is secured or locked.

a. These reports, as well as the audit plan, are generated electronically by selecting the appropriate application from the LTCA. The audit plan and the supporting reports are dynamic, changing as applicable rules and regulations and reporting requirements change.

b. In addition to being able to create and generate a variance report comparing elements from a current year to the previous year's cost report, the capabilities must be enhanced in order to generate and calculate statistical information by geographic region. These additional capabilities are needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards.

12. Auditing HOCRs

Type: VB.Net, Crystal Reports, SQL

Once the audit plan has been completed and an HOCR is assigned for audit, the auditors use the electronic cost report on notebook PCs. Elements of the cost report are initially stored as text files. When working on a cost report, the auditors must download those files into a template. This process occurs electronically via the LTCA discussed earlier. In this format, the auditors are able to view, perform analyses, edit, and save any changes made to the workbook based cost report data. The auditors generate work papers to review the reported cost and the audit adjustments are determined. The auditor then enters the audit adjustments into the cost report for automatic cost report updating/revision. A report worksheet in the form of a "Summary of Audit Adjustments" must be able to be printed. Individual adjustments may be added or deleted until the audit is finalized. The completed audited cost report is validated and transmitted to the Lansing Office electronically, uploaded and stored in the LTCDB and released to the LTC Reimbursement and Rate Setting Section.

Various forms and standard correspondence generated through the audit process must be maintained, developed, and made accessible through the LTCA. The LTCS must have the capability to store and retrieve this information. Audit workpapers, letters to providers generated in Microsoft Word, scanned provider documents and workpapers are just some examples of the type of information that needs to be retained.

13. Audit Programs – At present the audit programs are generally all inclusive. A new electronic application keyed to the Audit Plan is desired. This application would pull together an audit program based on the selections in the audit scope section of the audit plan. This would eliminate excess paper and verbiage, allowing the auditor to focus on what is actually requested in the audit plan.

OFFICE OF AUDIT
Subrecipient Audit Report Monitoring System

The Office of Audit, Quality Assurance and Review Section (QAR) monitors subrecipients of federal and state grants for compliance with audit requirements, follows up on audit report issues, and issues management decisions on audit findings. Contracts and federal law require the audits. Also, the Office of Management and Budget (OMB) Circular A-133 requires the Michigan Department of Community Health (MDCH), as a pass-through entity of federal funding, to monitor the activities of subrecipients, to ensure subrecipients meet the audit requirements of OMB Circular A-133, and to issue a management decision on audit findings. MDCH provides Federal and State funds to nearly 600 agencies in a fiscal year. Of those nearly 600 agencies, approximately half are required to submit a Single Audit or a Financial Statement Audit each fiscal year.

Additionally, the Office of Audit, Central Regional Section monitors Community Mental Health Service Providers (CMHSPs) and Prepaid Inpatient Health Plans (PIHPs) for compliance with contractually required Compliance Examinations, follows up on Compliance Examination report issues, and issues management decisions on findings. Nearly 50 agencies submit Compliance Examinations each fiscal year.

The audit and compliance examination report submissions, reviews, and follow-up actions must be performed within specific time frames. To effectively and efficiently monitor the multi-program state and federal contracts, grants, and agreements administered by MDCH, an electronic collection, tracking, and reporting system is needed.

Prior to fiscal year 03/04, the Office of Audit continued to use a Microsoft Access 2000 Database for the collection, tracking and reporting of their audit report monitoring. This Database contained numerous weaknesses and inefficiencies. In fiscal year 03/04, the Quality Assurance and Review Section implemented a project to create a new automated system to more effectively and efficiently monitor and track audit reports and follow-up actions. The new automated system, called the Subrecipient Audit Report Monitoring System (SARMS), made the administration of the program much more accurate and efficient. SARMS primarily uses both SQL Server and Microsoft Access. However, a recent enhancement to SARMS includes the use of .Net technology. Further enhancements to SARMS are needed to more effectively and efficiently monitor and track audit and compliance examination reports and follow-up actions. Additionally, a migration away from Microsoft Access is desired since new applications being built using Microsoft Access do not adhere to the client/server architecture as stated in the Department of Information Technology Policy 1310.34. An upgrade to newer technology is needed to ensure the maintenance of and access to data and information in the future (as currently used software may become obsolete), to ensure data and information can be successfully and easily transferred in a multi-user environment (that could expand dramatically with proposed enhancements), and to allow for efficient upgrades and modifications.

A new contract is needed to upgrade, enhance, and refine the system to achieve maximum potential. On-going technical and operational support must be provided to maintain and enhance the Subrecipient Audit Report Monitoring System.

LTC REIMBURSEMENT AND RATE SETTING SECTION
The LTC Reimbursement and Rate Setting Section, Bureau of Medicaid Financial Management, Medical Services Administration is responsible for administering the long term care provider reimbursement program under Title XIX of the Social Security Act (Medicaid). These functions or responsibilities rest primarily with the LTC Reimbursement and Rate Setting Section.

Under the Medicaid long term care program, participating providers are required to file annual cost reports from which data is used to calculate facility specific prospective reimbursement rates. The LTC Reimbursement and Rate Setting Section monitors provider and home office annual cost reporting requirements, maintain cost reporting data, complete a limited number of in-house expenditure audits of the provider cost reports, calculate the Medicaid reimbursement rates, and calculate annual reimbursement settlement on the provider cost reports. The cost report information is used to calculate per diem reimbursement rates and determine annual reimbursement settlements for long term care providers. The requirements include payment processing coordination, procedure rate table file revisions and provider payment processing and monitoring. Although the Medicaid Long Term Care System (LTCS) has been automated, enhancements to the system must continue. This project has made the administration of the program much more accurate and efficient. The current contract expires on September 30, 2009. A new contract is needed not only to carry on with the automation that has already been implemented, but also to upgrade, enhance, and refine the present system to achieve maximum potential. A new contract is also needed to address the additional responsibilities assigned to the Section as a result of the reorganization of the Department and a reduction in staffing due to retirements. The Section consists of the following staff and work area:

- LTC Reimbursement and Rate Setting Section – The Section office located in Lansing is responsible for the development, analysis, and implementation of reimbursement and rate setting policies/procedures for nursing homes, county medical care facilities, hospital long term care facilities, and hospital swing beds. Audit and clerical support staff are located in the Lansing office.

LONG TERM CARE REIMBURSEMENT AND RATE SETTING SECTION
Long Term Care System (LTCS)

The current computerized Long Term Care System (LTCS) provides for the electronic collection, manipulation, automated calculation and reporting of information required to determine Medicaid reimbursement for long term care facilities. The LTCS consists of a main front-end application, a database, and several subsystems. The main application (LTCA) is the user-interface used for such things as accessing the database, working with the cost reports, completion of audit plans, setting reimbursement rates and settlements, coordinating staff assignments, logging staff work activity, and updating gross adjustment data. The database (LTCDB) holds all of the data. There is a provider electronic cost report (ECR), which is a number of spreadsheets linked together and used for data entry and reporting which is calculated and validated. The cost report drives the entire system. The cost report template is currently mailed to the providers on a CD. Providers complete data entry into the cost report template, save the cost report as a data "text" file, and mail the cost report text file back to the Section offices. This becomes the filed cost report. The cost report template versions will be available on the Bureau's Web Page for providers to access. It is also anticipated that providers will be able to complete, and file the ECR over the Internet. An electronic workbook is used for field audits, settlements and rate settings. Examples of LTCS functions are rate setting, file maintenance, and ad hoc reporting.

1. **LTCS Application (LTCA)** - Same application as used by Office of Audit. As described earlier in section 1.002, Office of Audit, Long Term Care System.

2. **LTCS Database (LTCDB)** – Same database as utilized by Office of Audit. . As described earlier in section 1.002, Office of Audit, Long Term Care System.

3. **Electronic Cost Report (ECR)**
   Same ECR utilized by Office of Audit. As described earlier in section 1.002, Office of Audit, Electronic Cost Report. .

   In addition, the practice of filing cost reports electronically must continue and improvements made to the built-in validation process, which identifies preparation errors. The LTCA must provide procedures for creating approximately 425 ECR CD annually, or for providing access through the Internet.

   The LTCA provides an automated system for accepting and processing of ECRs filed by the providers either by diskette or through the Internet. The ECR is electronically checked for acceptance and uploaded into the central database. Technical support and maintenance of the electronic verification process is performed. Procedural changes to the acceptance process will be determined by the Section staff and the automation process performed by the contractor. The acceptance process includes an evaluation of the cost reporting information to determine whether it satisfies initial settlement eligibility requirements, requires some type of special handling or treatment, or whether it should be rejected and returned to the provider for correction.

   The LTC Reimbursement and Rate Setting Section conduct the initial evaluation and acceptance process for the ECRs. Acceptable ECRs are scoped to determine the amount and type of audit is necessary, and then released to Office of Audit. An audit of the ECR may be performed by the Office of Audit's Regional Offices, or moved electronically back to LTC Reimbursement and Rate Setting Section for a limited in-house audit. After the audited ECR is loaded into the LTCDB, by the Office of Audit, the file is then forwarded to the LTC Reimbursement and Rate Setting Section for finalization of reimbursement rates, settlement completion and processing. The information flows between the two areas and to the Regional Field Offices through a client/server network. Regional Offices have access to the database server via

leased lines, which the State provides and maintains. The LTCS Network provides for the electronic sharing of information between the Lansing Office and the Regional Offices.

4. **Nursing Facility Audit Plan Completion**
Same Audit Plan utilized by Office of Audit. As described earlier in section 1.002, Office of Audit, Nursing Facility Audit Plans. For each cost report released for audit, the LTC Reimbursement and Rate Setting Section generates an audit plan for completing the audit. This plan outlines the scope of the review to be performed. The audit plan, accessed through the LTCA, consists of series of checkboxes, comment boxes, and signature boxes, which is saved and maintained in the LTCDB. In determining the scope of the audit, several different analytic tools are used to assess the audit risk, which is used to determine the areas and extent of the review. The audit plan summarizes the results of this analysis.

The analytic tools used to determine and assess risk consist of the risk analysis, which compares the current cost structure against the applicable reimbursement limits; the variance report, which compare various elements of a current year to the previous year's cost report or to the last audited cost report period; and a statistical cost analysis report, which compare various statistics from the current year to the previous year's cost report or to the last audited cost report period. These reports are generated electronically by selecting the appropriate application from the LTCA. The reports are saved to the LTCA and available for the Office of Audit's Regional Office staff.

In addition to being able to create and generate a variance report comparing elements from a current year to the previous year's cost report, the capabilities must be enhanced in order to generate and calculate statistical information by geographic region and provider type. These additional capabilities are needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards. The reports must be flexible and allow for timely revisions in order to address program policy changes and any changes in reporting requirements

5. **Auditing ECRs** –
Same ECR utilized by Office of Audit. As described earlier in section 1.002, Office of Audit, Auditing ECRs.
Once the audit plan has been completed and an ECR is assigned for audit to the LTC Reimbursement and Setting Section, the auditors use the spreadsheet cost report on desktop PCs. A cost savings report is run utilizing the audited cost report data to determine the cost impact on the Medicaid program. An acceptance review is completed by the LTC Application on the audited cost report text file, and then the text file is transmitted to the Office of Audit Director's Office electronically where the data is then uploaded and stored in the LTCDB and released to the LTC Reimbursement and Rate Setting Section where the results are implemented for rate setting and settlement.

6. **Home Office Cost Reports (HOCR)**
Same HOCR utilized by Office of Audit. As described earlier in section 1.002, Office of Audit, Home Office Cost Reports. The practice of filing home office cost reports electronically must continue, and improvements made to the built-in validation process, which identifies preparation errors. The LTCA must provide procedures for creating approximately 60 HOCR CD annually, or for providing access through the Internet.

The LTCA provides an automated system for accepting and processing of HOCRs filed by the home office entities either by diskette or through the Internet. The HOCR

is electronically checked for acceptance and uploaded into the central database. Technical support and maintenance of the electronic verification process is performed. Procedural changes to the acceptance process will be determined by the Section staff and the automation process performed by the contractor. The acceptance process must include an evaluation of the cost reporting information to determine whether it requires some type of special handling or treatment, or whether it should be rejected and returned to the home office for correction.

The LTC Reimbursement and Rate Setting Section conduct the initial evaluation and acceptance process for the HOCRs. Acceptable HOCRs are scoped to determine the amount and type of audit is necessary, and then released to Office of Audit. An audit of the HOCR is then performed by the Office of Audit's Regional Offices. After the audited HOCR is loaded into the LTCDB, by the Office of Audit, the file is then forwarded to LTC Reimbursement and Rate Setting Section. The information flows between the two areas and to the Regional Field Offices through a client/server network. Regional Offices have access to the database server via leased lines, which the State provides and maintains. The LTCS Network must provide for the electronic sharing of information between the Lansing Office and the Regional Offices.

7. **Home Office Audit Plan Completion**
As described earlier in section 1.002, Office of Audit, Home Office Audit Plans.
For each cost report released for audit, the LTC Reimbursement and Rate Setting Section generates an audit plan for completing the audit. This plan outlines the scope of the review to be performed. The audit plan, accessed through the LTCA, consists of series of radio buttons, checkboxes, comment boxes, and signature boxes, which must saved to and maintained in the LTCDB. In determining the scope of the audit, several different analytic tools are used to assess the audit risk, which is used to determine the areas and extent of the review. The audit plan summarizes the results of this analysis.

The analytic tools used to determine and assess risk consist of the risk analysis, which compares the current cost structure of the individual nursing facility against the individual facility's applicable reimbursement limits; the variance report, which compare various elements of a current year to the previous year's cost report or to the last audited cost report period; and a statistical cost analysis report, which compare various statistics from the current year to the previous year's cost report or to the last audited cost report period. These reports are generated electronically by selecting the appropriate application from the LTCA. The reports must be saved to the LTCA and available for the Office of Audit's Regional Office staff.

In addition to being able to create and generate a variance report comparing elements from a current year to the previous year's cost report, the capabilities must be enhanced in order to generate and calculate statistical information by geographic region. These additional capabilities are needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards. The reports must be flexible and allow for timely revisions in order to address program policy changes and any changes in reporting requirements.

8. **Quality Assurance Assessment Program (QAAP)**
Type: MS Office, SQL
The LTCDB contains information on the different provider assessment levels, the address data and various census data to generate approximately 450 annual non–medicare day confirmation letters. The LTCS will need to provide for approximately 400 automated gross adjustment notification letters. Data necessary for completion of the letter is retrieved from the LTCDB. Provider information, rate components,

and Medicaid day information are automatically populated in the letter. An annual QAAP reconciliation report will be needed to generate the QAAP reconciliation gross adjustment. LTCS provides for collection and tracking of gross adjustment data in the LTCDB. Reporting of QAAP gross adjustment data is done through the reporting function of the LTCA.

9. **Freedom of Information**
Type: VB.Net, SQL
The LTCA is able to copy the cost report data text file(s) onto diskette(s) or CD(s). The data files are accessible on an individual cost report file basis, or all cost report files loaded into the database on a quarterly basis. Rate information is accessible, either as individual rate(s), or an electronic file that summarizes all rates by county for specific time periods.

10. **Rate Setting**
Type: VBA, Excel, SQL
The LTCS provides for an automated rate calculation process. The process is accessed through the LTCA through a series of drop down menus for the selection of an appropriate rate workbook to complete the rate calculation. The rate setting application is in the form of a series of linked spreadsheets.

The LTCS allows for automatic calculation and storage of selected rate setting data from the spreadsheets in the LTCDB upon completion of the data entry. Data necessary for completion of the rate setting spreadsheets are retrieved from the LTCDB. Provider information, cost report data, and various table files data are automatically populated in the rate setting spreadsheet. The provider rate notification letter is automatically generated upon completion of the rate setting spreadsheet.

11. **Gross Adjustment**
    Type: VB.Net, Interface
    Weekly gross adjustment data, applicable to the LTC Reimbursement and Rate Setting Section is received electronically from the Department of Information Technology (during this contract period, the data will be received from the Department's new CHAMPS system) and loaded into the LTCDB by the contractor. Data necessary for completion of the gross adjustment record is retrieved from the LTCDB information resulting from settlement and miscellaneous gross adjustment calculation actions. LTCS provides for collection and tracking of gross adjustment data in the LTCDB. Reporting of gross adjustment data is done through the reporting function of the LTCA.

12. **Cost Report Settlement** - The LTCS needs to be enhanced (new development) to provide for an automated settlement process for calculating initial, final and revised final settlements. The process must be accessed through the LTCA through a series of drop down menus for the selection of an appropriate settlement workbook to complete the settlement. The settlement automation is in the form of a series of spreadsheet calculations.

    The LTCS allows for automatic calculation and storage of settlement data in the worksheet and LTCDB upon completion of data entry. Data necessary for completion of the settlement workbook is retrieved from the LTCDB. Provider information, cost report data and program payment data retrieved from database are automatically populated in the settlement spreadsheets. The provider notice of program reimbursement letter is automatically generated upon completion of the settlement spreadsheet.

13. **Medicaid Interim Payments (MIP)** - The LTCS needs to be enhanced (new development) to provide for an automated MIP calculation process based upon a combination of manually entered data and LTCDB information. The MIP calculation process would be accessed through the LTCA. The MIP calculation application should be in the form of a spreadsheet. Provider MIP enrollments, MIP calculated amounts and MIP payments are stored in the LTCDB for use in the gross adjustment process and annual MIP reconciliation. The MIP amount provider notification letter should be automatically generated upon completion of the MIP calculation. An annual MIP reconciliation report will be needed to generate the MIP reconciliation gross adjustment.

14. **Reporting** - The LTCS must provide the capability for various reporting activities. The LTCDB contains sufficient data for extended data analysis of provider information. At this point there is capability to create reports that can be generated from the data in the LTCDB for use by LTC Reimbursement and Rate Setting Section staff. System reporting outputs that can be created fall into four categories: Miscellaneous, Summary, Status and Ad-hoc. The Miscellaneous, Summary and Status reports are pre-defined reports created and available to users via functions within the LTCA. Ad-hoc reports are produced by the user with the functions of database query. Contractor technical support must be available to users to assist in the creation and design of ad hoc reporting/querying. Freedom of Information Act (FOIA) reporting is necessary to produce printed or electronic medium documents for external distribution. The LTCS file library must provide appropriate naming and cataloging of files necessary for retrieval. FOIA reporting must be available on a need basis.

    Miscellaneous reports are reports that may be required on a yearly, quarterly, monthly or weekly basis. Summary reports generate averages and/or totals for a variety of data elements. Status reports are more often daily or weekly reports detailing cost reports, rates settlements and audit activity.

15. Web Page – The Bureau has a Web page on the MDCH Web site. The Department will be responsible for the Web site administration. The Bureau page allows access by long term care providers to commonly used forms, instructions, and other commonly requested information. An Internet address will be provided to permit providers and other interested parties a method to send in their cost reports, ask questions, and receive responses. Bureau staff will determine commonly used forms and information to be included on the Web page. The contractor shall be responsible for providing the updated versions of the cost report templates and other files as determined by Section staff to Section staff for updating the Bureau's Web page.

1.100   Scope of Work and Deliverables
1.101 In Scope
The scope of this contract is to provide a variety of IT professional services on an as needed basis to provide ongoing support, maintenance and enhancement of existing systems and development of new systems as described in this section. Eight IT classifications have been defined to accommodate the agency needs across a wide spectrum of experience and skill levels and are listed in Attachment D.

The following covers current contractual software, hardware, support and operational responsibilities.

- Production Environment: Contractor shall maintain and administrate a state-owned server integrated with the MDCH/MDIT Novell and Windows networks and accessible over the state's network to approximately one hundred users at sites in Lansing, Grand Rapids, Grayling, and Fenton.
- Development Environment: Contractor shall maintain, configure, support, and administrate a vendor-owned development environment consisting of at least one Windows server sufficiently equipped to serve as an emergency replacement for the production Windows server described above, a sufficient number of Windows PC workstations for contract staff usage and testing purposes, and development tool software licenses sufficient to support the current application environment.
- Disaster Recovery Plan: Contractor shall provide and maintain a comprehensive written disaster recovery plan. Test the plan periodically and report on test results.
- Source Code Storage and Maintenance: Contractor shall provide and maintain a version-controlled source code library for software provided under the contract.
- Application Support: Contractor shall provide application related desktop and laptop support in cooperation with MDIT for approximately one hundred local and remote bureau users of applications provided under the contract.
- Application Development and Maintenance: Contractor shall create, maintain, install, and support client/server and web application software. The system applications consist of more than 450 screens or worksheets, 200 reports, 1,700 SQL stored procedures/functions/triggers, and 2,500 program modules.
- Interfaces: Contractor shall create, maintain, install, and support interfaces to state systems as necessary, including interfaces to the legacy MMIS system and the new CHAMPS MMIS system for gross adjustment and rate information as well as interfaces to HRMN and DCDS for audit staff time tracking information. The contractor will be responsible for creation and maintenance of software and scheduling of interface file transmissions. The contractor will not be responsible for the creation, submission, or verification of production data, such as gross adjustments.
- Program Support: Contractor shall provide software tools to assist the state in calculating various fund distributions including, but not limited to, the Medicaid Access to Care Initiative (MACI), Disproportionate Share Hospitals (DSH), Graduate Medical Education (GME), and Quality Assurance Supplement (QAS).

- Software Licensing - All software procured must be procured on behalf of the State of MI:
    - o The contractor shall procure and utilize software certified by the Centers for Medicare and Medicaid Services (CMS) to edit and process CMS 2552-96 Hospital Cost Reports. The software licensing agreement must include rights to process cost reports from all hospitals seeking Medicaid reimbursement from the State of Michigan for the past fifteen years. The software licensing agreement must also include rights for the MDCH Mental Health and Substance Abuse Administration to create CMS 2552-96 Hospital Cost Reports for state owned psychiatric hospitals for submission to CMS and to HHPRD.
    - o Currently the "CMS Medicare Severity Diagnosis Related Grouper Software with Medicare Code. Editor Version ##" (MS-DRG/MCE v ##) is available from National Technical Information Service (NTIS). The contractor shall procure two copies of PC based Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##). This software is available from National Technical Information Service (NTIS).
- Hardware: The contractor shall procure servers as described in Attachment C Detailed Section 1.104 Work & Deliverables

Each of the work areas will discuss in detail their own objectives. These objectives need to be met in order to maintain, upgrade and enhance the current computerized system or develop new systems. See Attachment B for further details.

1.102 Out Of Scope
Contractor shall provide no services beyond those in section 1.101 and 1.104. Purchase of any hardware, software or other commodities must be identified and approved by MDCH and MDIT. The contract does not cover the rewriting of existing solutions.

1.103 Environment
The links below provide information on the State's Enterprise IT policies, standards and procedures which includes security policy and procedures, IT strategic plan, eMichigan web development and the State Unified Information Technology Environment (SUITE).

Contractors are advised that the State has methods, policies, standards and procedures that have been developed over the years. Contractors are expected to provide proposals that conform to State IT policies and standards. All services and products provided as a result of this RFP must comply with all applicable State IT policies and standards. The Contractor awarded the contract must request any exception to State IT policies and standards in accordance with MDIT processes. The State may deny the exception request or seek a policy or standards exception.

Contractor is required to review all applicable links provided below and state compliance in their response.

Enterprise IT Policies, Standards and Procedures:
http://www.michigan.gov/dit/0,1607,7-139-34305---,00.html

All software and hardware items provided by the Contractor must run on and be compatible with the MDIT Standard Information Technology Environment. Additionally, the State must be able to maintain software and other items produced as the result of the Contract. Therefore, non-standard development tools may not be used unless approved by MDIT. The Contractor must request, in writing, approval to use non-standard software development tools, providing justification for the requested change and all costs associated with any change. The State's Project Manager and MDIT must approve any tools, in writing, before use on any information technology project.

It is recognized that technology changes rapidly. The Contractor may request, in writing, a change in the standard environment, providing justification for the requested change and all costs associated with any change. The State's Project Manager must approve any changes, in writing, and MDIT, before work may proceed based on the changed environment.

Enterprise IT Security Policy and Procedures:
http://www.michigan.gov/dit/0,1607,7-139-34305-108216--,00.html

The State's security environment includes:
MDIT provided SQL security database.
Secured Socket Layers.
SecureID (State Security Standard for external network access and high risk Web systems)

IT Strategic Plan:
http://www.michigan.gov/dit/0,1607,7-139-30637-135173--,00.html

IT eMichigan Web Development Standard Tools:
http://www.michigan.gov/documents/Look_and_Feel_Standards_2006_v3_166408_7.pdf

The State Unified Information Technology Environment (SUITE):
Includes standards for project management, systems engineering, and associated forms and templates – must be followed: http://www.michigan.gov/suite

Agency Specific Technical Environment
Existing software applications were created using combinations of the following:
- Microsoft Active Server Pages (ASP .NET & ASP),
- Visual Basic (VB .NET & VB 6.0),
- Visual Basic for Applications 6.0,
- Microsoft Office 2000 (Excel, Word, Access),
- Java Script 1.3,
- Visual Basic Script 5.6,
- Microsoft Component Object Model (COM+),
- Extensible Markup Language (XML),
- Hypertext Markup Language (HTML),
- Extensible Stylesheet Language Transformations (XSLT),
- Data Transformation Services (DTS),
- Data Dynamics Active Reports,
- True DB Grid,
- Adobe Acrobat,
- Microsoft IIS,
- Microsoft SQL Server,
- Visual InterDev and
- Visual Studio.

1.104 Work and Deliverable
Contractor shall provide services, staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below.

1) **Production Environment**: Contractor shall maintain and administrate a state-owned Windows 2000 server integrated with the MDCH/MDIT Novell and Windows networks and accessible over the state's network to approximately one hundred users at sites in Lansing, Grand Rapids, Grayling, and Fenton.
   a) Establish and maintain user login IDs and permissions.
   b) Apply critical software upgrades and fixes in a timely manner.
   c) Migrate to newer software versions as prioritized by the state to maintain and improve performance and to adhere to MDIT requirements.

d) Configure and administrate Microsoft SQL Server database activities.
  i) The production databases consist of approximately 850 user tables and views containing around 6.5 gigabytes of data.
  ii) Maintain, administrate, monitor, and tune the production databases to provide optimal performance. Perform SQL backups according to state and industry standard practices.
  iii) Perform SQL restores as requested by the user community.
e) Configure and administrate Web Intranet services using Microsoft Internet Information Services (IIS).
  i) Maintain, administrate, monitor, and tune the web-based application software to provide optimal performance.
  ii) Maintain, configure, support, and administrate IIS software services.
f) Create and maintain documentation of server, SQL, and IIS configuration and support processes according to state standards.
g) Assist MDIT in administering a state-owned production Novell 6.5 file server.
h) Verify and authenticate with Novell user login IDs and permissions.

2) **Development Environment**: Contractor shall maintain, configure, support, and administrate a vendor-owned development environment consisting of at least one Windows server sufficiently equipped to serve as an emergency replacement for the production Windows server described above, a sufficient number of Windows PC workstations for contract staff usage and testing purposes, and development tool software licenses sufficient to support the current application environment described below.
a) Establish and maintain user login IDs and permissions.
b) Apply critical software upgrades and fixes in a timely manner.
c) Migrate to newer software versions as prioritized by the state to maintain and improve performance and to adhere to MDIT requirements.
d) Maintain and administrate separate Model Office and development environments for database and web services.
  i) The current development and model databases consist of approximately 1,700 user tables and views containing around 10 gigabytes of data.
  ii) The Model Office environment must be accessible over the state's network to users at sites in Lansing, Grand Rapids, Grayling, and Fenton.

3) **Disaster Recovery Plan:** Contractor shall provide and maintain a comprehensive written disaster recovery plan. Test the plan periodically and report on test results.
4) **Source Code Storage and Maintenance**: Contractor shall provide and maintain a version-controlled source code library for software provided under the contract.
5) **Application Support**: Contractor shall provide application related desktop and laptop support in cooperation with MDIT for approximately one hundred local and remote bureau users of applications provided under the contract.
a) Maintain and administrate network and application level user security based upon work group and individual access requirements.
b) Integrate application security with network security.
c) Minimize the number of system log-ins a user must complete to gain application access.
6) **Application Development and Maintenance**: Contractor shall create, maintain, install, and support client/server and web application software. The system applications consist of more than 450 screens or worksheets, 200 reports, 1,700 SQL stored procedures/functions/triggers, and 2,500 program modules.
a) Create and maintain application documentation according to state standards.
b) Migrate software platforms to newer versions according to MDIT guidelines, industry direction, user needs and state prioritization.
c) Update and enhance all existing applications as necessary to support and be consistent with continuing federal and state initiatives such as the National Provider Identifier and the Community Health Automated Medicaid Processing System (CHAMPS).

7) **Interfaces:** Contractor shall create, maintain, install, and support interfaces to state systems as necessary, including interfaces to the legacy MMIS system and the new CHAMPS MMIS system for gross adjustment and rate information as well as interfaces to HRMN and DCDS for audit staff time tracking information. The contractor will be responsible for creation and maintenance of software and scheduling of interface file transmissions. The contractor will not be responsible for the creation, submission, or verification of production gross adjustments.

8) **Program Support:** Contractor shall provide software tools and staff support to assist the state in calculating various fund distributions including, but not limited to, the Medicaid Access to Care Initiative (MACI), Disproportionate Share Hospitals (DSH), Graduate Medical Education (GME), and Quality Assurance Supplement (QAS).
   a) Provide software tools to assist the state in calculating various assessments including, but not limited to, the Quality Assurance Assessment Program (QAAP).
   b) Provide software tools to assist the state in converting QAAP invoices to a format that is easily distributed to medical providers.
   c) Provide software tools to receive and load cost reports submitted by hospitals, clinics, schools and other entities for processing by the state.
   d) Provide software tools and to assist the state in pulling and integrating MDCH data warehouse data with applications and data supplied under the contract.
   e) Provide software tools and to assist the state in integrating available tools including but not limited to DCH File Transfer with applications and data supplied under the contract.

9) **Software Licensing** - All software procured must be procured on behalf of the State of MI:
   a) The contractor must procure and utilize software certified by the Centers for Medicare and Medicaid Services (CMS) to edit and process CMS 2552-96 Hospital Cost Reports. The software licensing agreement must include rights to process cost reports from all hospitals seeking Medicaid reimbursement from the State of Michigan for the past fifteen years. The software licensing agreement must also include rights for the MDCH Mental Health and Substance Abuse Administration to create CMS 2552-96 Hospital Cost Reports for state owned psychiatric hospitals for submission to CMS and to HHPRD.
   b) Currently the "CMS Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ##" (MS-DRG/MCE v ##) is available from National Technical Information Service (NTIS). The vendor needs to procure two copies of PC based Medicare Secverity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##). This software is available from National Technical Information Service (NTIS).

10) **Hardware:** The contractor must procure servers as described in Attachment C Detailed Section 1.104 Work & Deliverables

Each of the work areas will discuss in detail a preliminary analysis of the specific tasks involved in maintaining the objectives. The contractor is not, however, constrained from supplementing this listing with additional steps, or sub-tasks necessary to complete the tasks requested. The contractor shall also be responsible for supplying the appropriate system software and support staff. See Attachment C for further details.

1.200   Roles and Responsibilities
1.201 Contractor Staff, Roles, and Responsibilities
A. Contractor Staff
Contract must have prior and recent experience (within the last two years) developing, maintaining and operating computer systems and business processes for cost settlement, rate setting and audits for long-term care and hospital facilities for a State Medicaid program. It is important the contractor maintains a level of expertise in Health Care.

Staffing Placements

The Contract shall have a minimum of fourteen (14) full-time staff positions dedicated solely to providing ongoing support and enhancements to the Hospital and Health Plan Reimbursement Division, Long Term Care Reimbursement and Rate Setting Section, and

Office of Audit computer systems. See **Attachment D** for the detail descriptions of each staff member supporting the current contract and the minimum qualifications required for this Contract.

The Department reserves the option to reduce staff in the event of Department work fluctuation or work assignments. The Department will provide the contractor a minimum 30-day notice prior to enacting a work force reduction.

B. On Site Work Requirements
1. Location of Work
Contractor staff and support must be located onsite at State facilities in Lansing, Michigan and periodic visits to field offices. Contractor staff must be located in an adjacent area to the State staff they support.
2. Hours of Operation:
   a. Normal State working hours are 8:00 a.m. to 5:00 p.m. EST, Monday through Friday, with work performed as necessary after those hours to meet project deadlines. No overtime will be authorized or paid.
   b. The State is not obligated to provide State management of assigned work outside of normal State working hours. The State reserves the right to modify the work hours in the best interest of the project.
   c. Contractor shall observe the same standard holidays as State employees. The State does not compensate for holiday pay.

3. Travel
Occasional travel to the regional offices may be required. If travel is necessary all travel reimbursement will be paid according to the State of Michigan's Standardized Travel Rates and Regulations. This information may be found at:
http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html

All original receipts must be included with your travel voucher and invoices, which must include the purchase order number. Failure to follow this policy will result in reduced reimbursement.

4. Additional Security and Background Check Requirements:
Contractor must present certifications evidencing satisfactory Michigan State Police Background checks ICHAT and drug tests for all new staff identified for assignment to this project.

Contractor shall pay for all costs associated with ensuring their staff meets all requirements.

1.202 State Staff, Roles, and Responsibilities
Agency should specify State personnel dedicated to project, and identify their associated roles and responsibilities.

The State will provide the following resources for the Contractor's use on this project:
   Work space
   Minimal clerical support
   Desk
   Telephone
   Printer
   Access to copiers and fax machine

The State project team will consist of Executive Subject Matter Experts (SME's), project support, and a MDIT and Agency project manager:

Executive Subject Matter Experts

The Executive Subject Matter Experts representing the business units involved will provide the vision for the business design and how the application shall provide for that vision. They shall be available on an as needed basis. The Executive SME's will be empowered to:

Resolve project issues in a timely manner

Review project plan, status, and issues

Resolve deviations from project plan

Provide acceptance sign-off

Utilize change control procedures

Ensure timely availability of State resources

Make key implementation decisions, as identified by the Contractor's project manager, within 48-hours of their expected decision date.

Name	Agency/Division	Title	Phone/e-mail
Sherri Gensterblum	Hospital and Health Plan Reimbursement Division	Director	517-335-5330 Gensterblums@Michigan.gov
John Donaldson	Long Term Care Reimbursement and Rate Setting Section	Manager	517-335-5363 DonaldsonJ@Michigan.gov
Pam Myers	Office of Audit	Director	517-373-1508 MyersPa@Michigan.gov

State Project Manager- (MDIT and Agency)

MDIT will provide a Project Manager who will be responsible for the State's infrastructure and coordinate with the Contractor in determining the system configuration.

The State's Project Manager will provide the following services:

Provide State facilities, as needed

Coordinate the State resources necessary for the project

Facilitate coordination between various external contractors

Facilitate communication between different State departments/divisions

Provide acceptance and sign-off of deliverable/milestone

Review and sign-off of timesheets and invoices

Resolve project issues

Escalate outstanding/high priority issues

Utilize change control procedures

Conduct regular and ongoing review of the project to confirm that it meets original objectives and requirements

Document and archive all important project decisions

Arrange, schedule and facilitate State staff attendance at all project meetings.

Name	Agency/Division	Title
Brian Gallup	MDIT/Agency Services	Project Manager
Sherri Gensterblum	MDCH/Hospital and Health Plan Reimbursement Division	Project Manager

MDIT shall provide a Contract Administrator whose duties shall include, but not be limited to, supporting the management of the Contract.

Name	Agency/Division	Title
Sara Williams	MDIT/Bureau of Strategic Policy	Contract Administrator

1.203 Other Roles and Responsibilities

N/A

RESERVED

1.300 Project Plan
1.301 Project Plan Management
Performance Review Meetings

The State requires the Contractor to attend meetings on a regular schedule defined by MDCH to review the Contractor's performance under the Contract. The meetings will be held in Lansing, Michigan, or by teleconference, as mutually agreed by the State and the Contractor. The State shall bear no cost for the time and travel of the Contractor for attendance at the meeting.

Project Control

1. The Contractor shall carry out this project under the direction and control of MDIT and the Department of Community
2. Within 5 working days of the execution of the Contract, the Contractor shall submit to the State project manager(s) for final approval of the project plan. This project plan must be in agreement with Article 1, Section 1.104 Work and Deliverables.
3. The Contractor shall manage the project in accordance with the State Unified Information Technology Environment (SUITE) methodology, which includes standards for project management, systems engineering, and associated forms and templates which is available at http://www.michigan.gov/suite
    a. Contractor shall use an automated tool for planning, monitoring, and tracking the -- Contract's progress and the level of effort of any Contractor personnel spent performing Services under the Contract. The tool shall have the capability to produce:
        *   Staffing tables with names of personnel assigned to Contract tasks.
        *   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 30 calendar days, updated semi-monthly).
        *   Updates must include actual time spent on each task and a revised   estimate to complete.
        *   Graphs showing critical events, dependencies and decision points during the course of the Contract.
    b. 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 standards.

    c. The Contractor shall carry out this project under the direction and control of the Department of Community Health, Bureau of Budget and Audit, and Bureau of Medicaid Financial Management.

    d. Although there will be continuous liaison with the Contractor team, the client agency's project director shall on a scheduled defined by MDCH with the Contractor's respective work area project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.

    e. The Contractor shall, on a schedule determined by MDCH, submit brief written summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the client agency's respective work area project director; and notification of any significant deviation from previously agreed-upon work plans. A copy of this report will be forwarded to the named buyer in Acquisition Services.

    f. Within five (5) working days of the award of the Contract, the Contractor shall submit a work plan for approval to each of the following:

- Director, Bureau of Medicaid Financial Management, Medical Services Administration, Department of Community Health
- Director, Bureau of Budget and Audit, Department of Community Health

1.302 Reports

Contractor shall provide reports as identified in sections 1.101 and 1.104.

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

Reporting formats must be submitted to the State's Project Manager for approval within 30 business days after the execution of the contract resulting from this Contract. Once both parties have agreed to the format of the report, it shall become the standard to follow for the duration of the contract.

1.400   Project Management

1.401 Issue Management

An issue is an identified event that if not addressed may affect schedule, scope, quality, or budget.

The Contractor shall maintain an issue log for issues relating to the provision of services under this Contract. The issue management log must be communicated to the State's Project Manager on an agreed upon schedule, with email notifications and updates. The issue log must be updated and must contain the following minimum elements:

Description of issue
Issue identification date
Responsibility for resolving issue.
Priority for issue resolution (to be mutually agreed upon by the State and the Contractor)
Resources assigned responsibility for resolution
Resolution date
Resolution description

Issues shall be escalated for resolution from level 1 through level 3, as defined below:

Level 1 – Business leads
Level 2 – Project Managers
Level 3 – Executive Subject Matter Experts (SME's)

If there are disagreements during the Contract during the Contractual period, the State's project manager will bring the matter to the attention of the contractor's project manager. If resolution cannot be agreed upon, the Contract Administrator, with final resolution to be determined by the Director of Acquisition Services, will then address the issue. The Contractor agrees to keep a problem resolution log that he/she will provide to the State's project manager/contract administrator on a monthly basis.

1.402 Risk Management
A risk is an unknown circumstance or event that, if it occurs, may have a positive or negative impact on the project.

The Contractor is responsible for establishing a risk management plan and process, including the identification and recording of risk items, prioritization of risks, definition of mitigation strategies, monitoring of risk items, and periodic risk assessment reviews with the State.

A risk management plan format shall be submitted to the State for approval within twenty (20) business days after the effective date of the contract resulting from the upcoming RFP. The risk management plan will be developed during the initial planning phase of the project, and be in accordance with the State's PMM methodology. Once both parties have agreed to the format of the plan, it shall become the standard to follow for the duration of the contract. The plan must be updated bi-weekly, or as agreed upon.

The Contractor shall provide the tool to track risks. The Contractor shall work with the State and allow input into the prioritization of risks.

The Contractor is responsible for identification of risks for each phase of the project. Mitigating and/or eliminating assigned risks will be the responsibility of the Contractor. The State shall assume the same responsibility for risks assigned to them.

1.403 Change Management
Change management is defined as the process to communicate, assess, monitor, and control all changes to system resources and processes. The State also employs change management in its administration of the Contract.

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

The Contractor must employ change management procedures to handle such things as "out-of-scope" requests or changing business needs of the State while the migration is underway.

The Contractor shall employ the change control methodologies to justify changes in the processing environment, and to ensure those changes will not adversely affect performance or availability.

This Contract may be modified, provided that any changes proposed by either party are requested in writing and mutually agreed to by the official representative of the contractor's

shown in the contract(s) and DIT/DCH contract administrator. The request is not valid until all parties sign it, and the Issuing Office issues a Contract Change Notice.

1.500   Acceptance
1.501   Criteria
The following is standard acceptance criteria for document and software deliverables. Any specific criteria, processes and/or procedures required by your agency for each deliverable/milestone should be identified in Section 1.104 Work and Deliverables.

Document Deliverables
1. Documents are dated and in electronic format, compatible with State of Michigan software in accordance with Article 1.302.
2. Requirements documents are reviewed and updated throughout the development process to assure requirements are delivered in the final product.
3. Draft documents are not accepted as final deliverables.
4. The documents will be reviewed and accepted in accordance with the requirements of the Contract and Appendices.
5. MDIT will review documents within a mutually agreed upon timeframe.
   a. Approvals will be written and signed by MDIT Project Manager.
   b. Issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor shall resubmit documents for approval within 30 days of receipt.

Software Deliverables - Software includes, but is not limited to, software product, development tools, support tools, data migration software, integration software, and installation software.
1. Beta software is not accepted as final deliverable.
2. The software will be reviewed and accepted in accordance with the requirements of the contract.
3. MDIT will review software within a mutually agreed upon timeframe for acceptance of functionality, usability, installation, performance, security, standards compliance, backup/recovery, and operation.
   a. Approvals will be written and signed by MDIT Project Manager.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor shall resubmit software for approval within 30 days of receipt.
4. Software is installed and configured, with assistance from MDIT, in an appropriate environment (e.g. development, conversion, QA testing, UAT testing, production, and training).
5. Contingency plans, de- installation procedures, and software are provided by the Contractor and approved by MDIT Project Manager.
6. Final acceptance of the software will depend on the successful completion of User Acceptance Testing (UAT).
7. Testing will demonstrate the system's compliance with the requirements of the RFP. At a minimum, the testing will confirm the following:
   a. Functional - the capabilities of the system with respect to the functions and features described in the RFP.
   b. Performance - the ability of the system to perform the workload throughput requirements. All problems should be completed satisfactorily within the allotted time frame.
8. MDIT will review test software, data, and results within a mutually agreed upon timeframe.
   a. Approvals will be written and signed by MDIT Project Manager.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor shall resubmit test software, data and results for approval within 30 days of receipt.
9. MDIT will review software license agreements within a mutually agreed upon timeframe.

a. Approvals will be written and signed by MDIT Project Manager.
b. Unacceptable issues will be documented and submitted to the Contractor.
c. After issues are resolved or waived, the Contractor shall resubmit the license agreement for approval and final signature by the authorized State signatory within 30 days of receipt

10. Software source code, where applicable, is reviewed by MDIT within a mutually agreed upon timeframe for readability, structure, and configuration management.
a. Approvals will be written and signed by MDIT Project Manager.
b. Unacceptable issues will be documented and submitted to the Contractor.
c. After issues are resolved or waived, the Contractor shall resubmit source code for approval.

Sherri Gensterblum Director of Hospital and Health Plan Reimbursement Division, Pam Myers Director Office of Audit, and John Donaldson Manager of Long Term Care Reimbursement and Rate Setting Section within the Michigan Department of Community Health will provide direct oversight and direction to the contractor, which will include evaluating work performed.

1.502 Final Acceptance

Final Acceptance is when the project is completed and functions according to the requirements. Deliverables will not be considered complete until the Division and Section managers have formally accepted them.

1.600 Compensation and Payment

1.601 Compensation and Payment

The rates quoted in this Contract will be firm for the duration of this Contract.

Total Monthly Fixed Rate $162,453.00

Project Director/Technical Consultant	$178.00
Project Manager	$150.00
Senior System Administrator	$115.00
Senior Database Administrator/Application Developer	$135.00
Senior Web Administrator/Application Developer	$135.00
Expert Software Application Developer	$150.00
Senior Software Application Developer	$125.00
Journey Software Application Developer	$100.00
Junior Software Application Developer/Data Analyst	$75.00

See Attachment A for detailed pricing and hardware and software costs.

Method of Payment

The project will be paid monthly.

Statements of Work and Issuance of Purchase Orders

Unless otherwise agreed by the parties, each Statement of Work will include:
1. Background
2. Project Objective
3. Scope of Work
4. Deliverables
5. Acceptance Criteria
6. Project Control and Reports
7. Specific Department Standards
8. Payment Schedule
9. Travel and Expenses
10. Project Contacts
11. Agency Responsibilities and Assumptions

12. Location of Where the Work is to be performed
13. Expected Contractor Work Hours and Conditions

The parties agree that the Services/Deliverables to be rendered by Contractor pursuant to this Contract (and any future amendments of it) will be defined and described in detail in Statements of Work or Purchase Orders (PO) executed under this Contract. Contractor shall not be obliged or authorized to commence any work to implement a Statement of Work until authorized via a PO issued against this Contract. Contractor shall perform in accordance with this Contract, including the Statements of Work/Purchase Orders executed under it.

Invoicing
Contractor shall submit properly itemized invoices to "Bill To" Address on Purchase Order. Invoices must provide and itemize, as applicable:
Contract number;
Purchase Order number
Contractor name, address, phone number
Description of any commodities/hardware, including quantity ordered;
Date(s) of delivery and/or date(s) of installation and set up;
Price for each item, or Contractor's list price for each item and applicable discounts;
Maintenance charges;
Net invoice price for each item;
Shipping costs;
Other applicable charges;
Total invoice price; and
Payment terms, including any available prompt payment discount.

The State may pay maintenance and support charges on a monthly basis, in arrears. Payment of maintenance service/support of less than one (1) month's duration shall be prorated at 1/30th of the basic monthly maintenance charges for each calendar day.

Incorrect or incomplete invoices will be returned to Contractor for correction and reissue.

1.602 Holdback
RESERVED

Staff Fixed Monthly Rate

IT Classification	Fixed Monthly Rate
Project Manager – Dave Hemingway	
Sr. System Administrator – Tom Sigelko	
Sr. Database Administrator/Application Developer – David Rood	
Sr. Web Administrator/Application Developer – Les Palmateer	
Expert Level Software Application Developers - David Willhite	
Expert Level Software Application Developer – Miguel Bigott	
Sr. Software Application Developer – Jake Kranz	
Sr. Software Application Developer – Mark Fulton	
Sr. Software Application Developer – Alan Emmons	
Sr. Software Application Developer – John Lupina	
Journey Level Software Application Develop - Cynthia Webb	
Journey Level Software Application Developer – Dan Sowa	
Journey Level Software Application Developer – Kevin Faulkner	
Journey Level Software Application Developer – Gerald Sutterfield	
Total Fixed Monthly Rate	$162,453.00

1. Blended monthly rate for 14 staff members
2. The costs for the EDS team development software and hardware is included in the above price and assumes the commodities are functional for the base contract term.
3. Rates are valid for the base term of the contract.

In addition, EDS proposes the following supplemental staffing rates to be used during the term of the contract:

Staffing Category	Hourly Price
Project Director/Technical Consultant	$178
Project Manager	$150
Senior System Administrator	$115
Senior Database Administrator/Application Developer	$135
Senior Web Administrator/Application Developer	$135
Expert Software Application Developer	$150
Senior Software Application Developer	$125
Journey Software Application Developer	$100
Junior Software Application Developer/Data Analyst	$75

The foregoing rates are not-to-exceed hourly rates based on Time and Material hourly usage for part-time or short-term assignments. These supplemental hourly rates may be reduced for full-time staff resources with long-term assignments.

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Breakdown of Software Licenses – including Third Party Software Costs

Software license(s) cost	Product Version	Purchase Price	Bid Price	Ongoing Annual Maintenance Cost	Comments
1. PC based Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##). This software is available from National Technical Information Service (NTIS).	Version 26	$5,403.50			Annual price is $540.35 per license. Two licenses are required. Total purchase price is for the five year base contract. The State will be charged on an annual basis.
2. Compumax	2552-96	40,530.00			Price is $675.50 per month. Total purchase price is for the five year base contract. The State will be charged on a monthly basis.
Total Cost of Software Licenses including Third Party Software for Five (5) years		$45,933.50			

Pricing Detail, Equipment Purchase

Note: Use this table to itemize the purchase cost of the server, software and software licenses. Include all hardware/software required for the production environment as detailed in **Attachment C Detailed Section 1.104 Work & Deliverables.** Please describe the model, if applicable, and other relevant information for each equipment item. List software licenses individually. Show the purchase price, bid price, if different, and ongoing annual maintenance costs for all items.

The State, at its option, may decide to purchase the equipment from the vendor or use State Purchasing contracts.

Item #	Line Item Description	Purchase Price	Bid Price	Ongoing Annual Maintenance
P73-04241	Windows Server Standard 2008 Sngl Microsoft Volume License	$490.69		
R18-02804	Windows Server CAL 2008 Sngl Microsoft Volume License User CAL User CAL	$1,973.00	Qty of 100	
P73-02703	Microsoft Windows Server 2003 R2 Standard x32 and x64 Edition w/SP2 - Media - volume - CD - English	$21.77		
P73-03830	Microsoft Windows Server 2008 Standard - Media - volume - DVD - 32/64-bit - English	$21.77		
228-08720	SQL Server Standard Edition 2008 Sngl Microsoft Volume License	$606.92		
359-05101	SQL CAL 2008 Sngl Microsoft Volume License User CAL User CAL	$11,083.00	Qty of 100	
228-05236	Microsoft SQL Server 2005 Standard Edition - Media - volume - CD, DVD - Win - English	$21.77		
228-08442	Microsoft SQL Server 2008 Standard - Media - volume - DVD - Win - English	$21.77		
TJA-00542	Windows Terminal Svcs CAL 2008 Single Microsoft Volume License Device CAL Device CAL	$163.20	Qty of 3	
	Total MS Software	$14,403.89		

Item #	Line Item Description	Purchase Price	Bid Price	Ongoing Annual Maintenance
Server Hardware				
391835-B21	HP DL380G5 CTO Chassis	$982.75		
458583-L21	HP E5450 DL380G5 FIO Kit	$897.74		
458583-B21	HP E5450 DL380G5 Kit	$897.74		
397411-B21	HP 2GB FBD PC2-5300 2x1GB Kit	$192.12	Qty of 2	
504062-B21	HP 146GB 15K 2.5 SAS DP HDD	$731.18	Qty of 2	
264007-B21	HP Slim 8X/24X DVD-ROM Drive	$82.24		
405160-B21	HP Smart Array P400/256 DL38x LP FIO Ctr	$310.30		
A8002A	HP FC2142SR 4GB PCI-e HBA 40.00% see PA# A21N2 - (12/31/2010)	$594.24		
399771-B21	HP 1000W IEC C14 Cord RPS Kit	$172.08		
	Total Server	$4,860.39		
	GRAND TOTAL	$19,264.28	$	$

1. Due to the uncertainty of the timing for the purchase of commodities and the contract length, EDS is not able to provide a price for ongoing maintenance. Upon issuance of a PO to purchase the commodities, EDS will provide an exact quote including maintenance.

2. EDS assumes that any hardware will be procured under the terms of EDS' Michigan Master Computer Contract between the parties, and not under the terms of this contract..

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Settlement and Payment Processing Section

Settlement Section

This contract shall provide the most contemporary software available for the operation of the Settlement Section's applications in the following areas:

a. ECR (Electronic Cost Report) Filing - Computerization in this area allows for the Settlement Section to provide the hospitals with an avenue of filing the Medicare 2552 cost report as an ECR file. We also have the ability to allow for the electronic filing of Medicaid forms with Medicaid specific data. Once these electronic files are received from the hospital, we have the ability to electronically generate a report that compares certain data on the Medicare ECR file and the Medicaid forms and denotes areas where there are differences. Once the data from the Medicare ECR file and the Medicaid forms have been accepted and approved by the audit staff in the Settlement Section. Data in the FCID is retained on line with easy access until the Settlement Section approves moving the data to some other form of storage.

b. MIP (Medicaid Interim Payment)/CIP (Capital Interim Payment) Calculations - Computerization must allow the audit staff in the Settlement Section to set MIP/CIP rates for each inpatient type within a hospital. The data needed to set MIP/CIP should be pulled from the FCID base. There also needs to be flexibility that allows the audit staff to make entries for changing or overriding data in the report. The electronic report must be stored for easy access (on line) until the Settlement Section approves some other disposition.

c. Hospital Final Settlement - To calculate a hospital final settlement we must be able to pull data from the electronic Medicare cost report file (this file contains the audited cost report and the audit adjustment report which the contractor must obtain from the appropriate Medicare Intermediary or the Medicare filed cost report from the FCID); the FCID base (this file contains the filed data needed to generate the Medicaid audit adjustment report and the Notice of Amount of Program Reimbursement); and our internal paid data reports that are electronically loaded into our Hospital Cost Settlement (HCS) system. The HCS must create the forms (hard copy and electronic) that are necessary to complete the Medicaid settlement. This would include, but not be limited to, certain Medicare 2552 forms, Medicaid settlement forms, and the Notice of Amount of Program Reimbursement (NAPR). The Medicaid final settlements, once completed and approved, must be loaded into an Audited Cost Information Data (ACID) base. This ACID base must be easily accessible and retained on line as long as the Settlement Section deems necessary. At that time, data may be moved to some kind of off-line storage.

d. Medicaid Access to Care Initiative (MACI), Fee for Service Quality Assurance Assessment Program (QAAP), Hospital Rate Adjustment (HRA) QAAP Calculations – Incorporate hospital managed care data, hospital revenues and utilization data to calculate payments and taxes.

e. Certified Public Expenditure (CPE) Calculations and Settlements – Allow for calculation of the CPE settlements using different upper payment limit formulas.

f. CHAMPS - The hospital Medicaid (Title XIX), Crippled Children (Title V), MOMS, Healthy Kids, etc. hospital paid claims data will be accessed from the data warehouse. it will need to be separated by program into inpatient and outpatient. The contractor will be required to produce and maintain software, not load or process claims data.

Interfaces with CHAMPS must be maintained to send and receive Gross Adjustment information. The contractor will be responsible for creation and maintenance of software and scheduling of interface file transmissions. The contractor will not be responsible for the creation, submission, or verification of production gross adjustments.

Implementation of CHAMPS bring changes to the classifications of data related to provider and reimbursement information. Hospital systems should be updated for consistency with the new CHAMPS data models.

g. NPI – The hospital Title XIX, Title V, MOMS, Healthy Kids, etc. claims will be processed through their NPI number. Monitoring of these numbers will be handled by the HHPRD with changes to existing as well as newly enrolled providers. The electronic cardfile and HCS will be updated as claims, MIP/CIP payments and final settlements will be affected. The contractor will be required to produce and maintain software, not load or process claims data.

h. File Transfer – The following reports will be set up electronically:
(1) All provider reporting for filing of the ECR. The hospital will enter the data for use in the acceptance of the filed Medicaid cost report (MMF) and the final settlement process.
(2) Hospital quarterly financial reports for MIP/CIP calculations. Entered on this file will be quarterly hospital financial data, which will be used for the MIP/CIP calculations.
(3) CHAMPS paid claims reports. This paid claims data will be separated between inpatient and outpatient, by program (Title XIX, Title V, MOMS, Healthy Kids, etc..). The provider will have access to this data after the final settlement has been sent.
(4) Other data, as appropriate and as needed.
(5) The contract will produce software as needed to assist in the file transfer process, but the contract will not be required to actually move files into or out of the file transfer area or administrate the file transfer application

The reports/files will be HIPAA compliant.

i. New Programs – As the federal and/or state hospital reimbursement methodology changes, new programs may arise. The HHPRD will incorporate these into our hospital MIP/CIP calculations and final settlements. This could result in a change to the HCS as well as new payment systems, which will have to be calculated and set up in the file transfer.

Payment Processing Section
The objective is to continue with the current system in place. This would include, but not be limited to, the following areas:

a. Medicaid Interim Payment (MIP) and Capital Interim Payment (CIP) Logs - These logs must be formatted using the Excel spreadsheet in the format that is now being used.

b. Accrual of the Year-End-Liability - This spreadsheet must be formatted using the same format now in use. Support must be available, from the contractor, during this time to assist the Settlement staff in acquiring the data necessary to arrive at the year-end accrual liability. This data includes, but is not limited to, MIP system, price information, ECR files, etc. The contractor will produce software to assist in the calculations, but the contractor will not be required to produce the calculations.

c. MIP Reconciliation - This is a spreadsheet, which compares the amount paid throughout the year in MIP to the amount approved by the MARS system throughout

the year for each hospital. The difference is the amount due to or from the hospital. This amount is then transferred to a letter, which notifies the hospital of the amount owing. Both documents are sent to the hospital.

d. MIP/CIP Calculations - The MIP/CIP calculations are formatted on a spreadsheet and compute the budgeted cost for the next fiscal year. This is done using numbers that are pulled from the filed cost report, Medical Services Administration (MSA) internal reports and other sources.

e.

Gross Adjustment Control Transaction Record - This record is used to enter gross adjustments into the claims processing system or used to enter payment information on the card file. Gross adjustments are used in the settlement process and other reports. The contractor will be responsible for creation and maintenance of software and scheduling of interface file transmissions. The contractor will not be responsible for the creation, submission, or verification of production gross adjustments.

f. QR-1 Quarterly Report - Electronic Filing - This database is used to adjust MIP and CIP rates on a quarterly basis.

g. Case Mix - Derived from paid claims data and used to compute the MIP rates and the accrual year-end-liability. The contractor will produce software to assist in Case Mix calculation, but the contractor will not be required to calculate the Case Mix data.

h. Outliers - Low day outliers, percentage of charge transfers, high day outliers and cost outliers are derived from paid claims and updated with the most current price and cost to charge ratio. It is used to compute the MIP rates and the accrual year-end-liability. The contractor will produce software to assist in the calculations, but the contractor will not be required to produce the calculations.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Hospital Rate Review Section

Inpatient Hospital Rate Setting
The primary objective is to provide support for a complete rate setting system capable of calculating the DRG prices, per diem rates, and relative weights, and creating a database system.

The DRG and per diem rate calculations require data from the filed ECRs, Medicaid paid claims, and data from the state specific forms. The data used to calculate each hospital's rate must remain accessible for future retrieval, reference, changes, modification or simulation. Current policy dictates that the cost data is updated every three (3) years for DRG hospitals, and every two (2) years for per diem hospitals. Inflation, wage and IME (Indirect Medical Education) adjustors are updated every year.

Capital Rate Setting
The primary objective is to provide support for the capital cost rate setting system including data pulling and formula application. The capital rates require data from the filed ECRs, and data from the state specific forms. The data used to calculate each hospital's capital rate must remain accessible for future retrieval, reference, changes, modification or simulation. Current policy dictates that the capital rates are updated annually.

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State Psychiatric Hospital Settlement
The objective is to maintain the current computerization that is in place, and add enhancement or update as necessary. The cost settlement system includes, but not is limited to, producing the following schedules. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a. Data Accumulation Worksheets

b. Audit Adjustment Reports

c. All settlement schedules including the following HCFA 2552 forms:
   i)   Worksheet D - Parts I - II - III & IV
   ii) Worksheet D - 4
   iii) Worksheet D - 1; Parts I & II
   iv) Worksheet E - 3

d. Calculation of Medicaid's Share of Direct Graduate Medical Education Costs

e. Notice of Amount of Program Reimbursement (NAPRs)

f. Reimbursement Letters

g. Payment & Inventory Logs

h. Quarterly Payment Calculation Worksheets

i. TEFRA Rate Calculation Worksheets

j. The settlement data must be stored in a database, which allows for view, revisions, comparisons between years, and be available for internal and external purposes.

k. There should be a written operating policy on the procedures used detailing the computerized system.

l. The system should be linked to the card file system for changes in plan status such as name changes, mergers, closures, changes in provider numbers, etc.

m. The cost settlement system must also be capable of accommodating new policy changes for future settlement purposes.

n. The system must be capable of providing FOI (Freedom of Information) requests when requested.

Special Health Plan Cost Settlement
The objective is to design, develop and implement a complete cost settlement system for the special health plans. In addition to the settlement a database must be built to track all filed cost report information, payment schedules, reimbursement letters, etc. Ad hoc management reports can be produced from this system as well.

Enhancements and Regulatory Updates
The primary objective is to provide support and expertise to implement regulatory updates and enhancements.

a. Medicare Grouper Software requires equipment and/or personnel access and software availability and support. The division requests that the vendor license one copy of the grouper software annually upon release from the Centers for Medicare & Medicaid Services (CMS). CMS will submit final Federal Regulations approximately

45 days prior to the start of the Federal fiscal year and the software is available typically within 7-10 days afterwards.

b. The upcoming ICD 10 implementation involves supporting the redesign of all systems interacting with claim data. Expectations would be to extend assistance to systems with interaction – through the Hospital and Health Plan Reimbursement Division.

c. Psychiatric per diem rate setting requires support for and access to data elements from cost reports, claims, and other elements. The contract will produce software to assist in the calculations, but the contractor will not be required to produce the calculations.

d. Capital prospective payment system requires support for and access to data elements from cost reports, claims, and other elements. The contract will produce software to assist in the calculations, but the contractor will not be required to produce the calculations.

e. Hospital Acquired Conditions payment recovery system requires support for and access to data elements from claims and the Medicare Grouper Software. The contract will produce software to assist in the calculations, but the contractor will not be required to produce the calculations.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Special Programs Sections
The objective is to award a service contract for technical oversight, management, maintenance, and enhancement of any systems and programs used by the Special Program Section. It is the goal to develop and enhance the current system so that staff can operate and achieve the maximum potential from the system in terms of accuracy, timelines, efficiency, and in providing access to good reliable cost and statistical information to enhance decision-making capabilities.

a. System support needed for the processing of all settlements assigned to special programs section

b. The contractor needs to support a database system that is flexible for special request on comparisons or pulling of data as requested from other divisions or departments

c. Enhancing all systems that may be effected due to regulation changes

d. System support for quarterly financials for HMOs

e. Providing any other technology support that may be needed for programs not yet in place for example but not inclusive are Tribal Health Center Outreach program or School based services reimbursement.

f. The contractor will not be required to operate these systems in production or produce data used by these systems.

A new contract is needed not only to carry on with the automation that has already been implemented, but also to upgrade, enhance, and refine the present system to achieve maximum potential.

OFFICE OF AUDIT
Long Term Care System (LTCS)

It is the goal of the Bureau to develop and enhance the systems so that Bureau staff operate and achieve the maximum potential from the systems in terms of accuracy, timelines, efficiency, and in providing access to good reliable cost and statistical information to enhance decision-making capabilities. Access to this type of information is invaluable for purposes of determining the type and scope of audits to be performed. State policy as prescribed in Administrative Manual Procedure 10.02.06, November 1, 1979, must be followed.

1. The LTCS must continue to provide and improve upon the procedures used by the auditors to post audit adjustments to the filed cost reports.

2. The LTCS must continue to provide and improve the automated system used to accept and process the audited ECRs and audited HOCRs between the Office of Audit and the LTC Reimbursement and Rate Setting Section.

3. The LTCS must continue to provide electronic access to the ECR, related provider data files, the HOCR, related home office data files, the network, and LTCS Database (LTCDB) through the LTCA, to all Lansing based LTCS users and Office of Audit staff in the Central and Regional Offices.

4. The Time Management system must continue to provide electronic access to the time keeping process to all Office of Audit staff in the Central and Regional Offices, remotely as necessary, and to any other users designated by the Office of Audit.

5. The Audit Management system must continue to provider electronic access to the related data files to all Office of Audit staff in the Central and Regional Offices, remotely as necessary, and to any other users designated by the Office of Audit.

6. The Audit Management system must be enhanced to provide for home office audits being added to the database utilizing the LTC Audit Wizard. This Web Wizard leads the auditors through the process, automatically creating consistent and complete records.

7. The LTCS must maintain and improve upon a tracking system to record the movement of the data files between the two Divisions as well as document the status of assignments.

8. The LTCS, Audit Management system and Time Tracking system must continue to maintain and enhance the existing data bases, providing access in a user friendly environment to filed and audited cost reports, general provider information, tracking logs, and/or other information maintained in the system.

9. The LTCS must continue to develop and improve the analytical tools used to assess and evaluate risk in determining the type and scope of audits to be performed.

10. The LTCS capabilities must be enhanced in order to generate and calculate statistical information by geographic region and provider allowed code. This additional capability is needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards.

11. The LTCS, Audit Management system and Time Tracking system must be enhanced to store, access, and generate various forms and standard correspondence generated through the audit and time keeping process.

12. The LTCS, Audit Management system and Time Tracking system must continue to perfect, utilize, and maintain system capabilities for various reporting activities.

13. The LTCS, Audit Management system and Time Tracking system must continue to perfect, utilize, maintain, and review the built-in security of the network operating system and the database server applications to insure that proper internal controls are in place and functioning.

14. The LTCS, Time Tracking system must continue to perfect, utilize, and maintain system capabilities for electronically transferring payroll information to the State's payroll processing system.

15. The LTCS must continue to provide and improve upon the procedures used by the auditors to post audit adjustments to the filed home office cost reports.

16. The LTCS must continue to provide and improve the automated system used to accept and process the audited HOCRs between the Office of Audit and the LTC Reimbursement and Rate Setting Section.

17. The LTCS must continue to provide electronic access to the HOCR, related home office data files, the network, and LTCS Database (LTCDB) through the LTCA, to all Lansing based LTCS users and Office of Audit staff in the Central and Regional Offices.

18. The LTCS must be expanded to provide for the electronic tracking of paper records and permanent files, from office to office or storage.

19. The LTCS must be expanded to provide for an electronic audit program attached to the Audit Plan Scope, including only those sections selected in the scope.

20. The LTCS must be expanded to provide for an electronic means of tracking all necessary aspects of long term care audit appeals. A database needs to be developed to include, store, and provide access to all relevant appeal information for all regional offices.

OFFICE OF AUDIT (OOA)
Subrecipient Audit Report Monitoring System

1. The SARMS must allow for the storage and file management of audit reports and compliance examinations received electronically

2. The SARMS must automatically generate a late notice two weeks after an audit report or compliance examination due date is missed.

3. The SARMS must automatically generate a reminder notice two weeks prior to audit report and compliance examination due dates.

4. The SARMS must track audit findings and compliance examination findings for each agency that have, or could have, an impact on any Department-funded program, and the status of the finding.

5. The SARMS must allow for a date in which the initial CMH Compliance Examination is received and a date for which a CMH Compliance Examination was deemed acceptable. The received date for an acceptable CMH Compliance Examination should be the date used to determine time computations for OOA review and issuance of management decisions.

6. The SARMS must produce a report showing agencies with findings and the status of each finding.

7. The SARMS must be made available (in read only) to all Department staff for subrecipient monitoring purposes.

8. The SARMS must track questioned cost recoveries (amounts pursued, and amounts recovered).

9. The SARMS technology must be upgraded to ensure the maintenance of and access to data and information in the future, to ensure data and information can be successfully and easily transferred in a multi-user environment (that could expand dramatically with proposed enhancements), and to allow for efficient upgrades and modifications

10. The Subrecipient Audit Report Monitoring System (SARMS) must continue to provide and improve upon the following:

   a. Include a central database containing agency general and specific fiscal year information, workflow and activity tracking information.
   b. Provide appropriate access to general and specific agency information.
   c. Allow staff to input and update agency general information.
   d. Store agency general information that can be accessed and used in subsequent fiscal years.
   e. Allow staff to input funding types and levels, or allow for a download of MDCH contract and payment information to populate the system for each fiscal year.
   f. Determine audit report, compliance examination report, or exemption notice requirements of all contracted agencies.
   g. Report various agency information, annual dollar amounts awarded, departmental programs providing the funding, and report requirements in various formats requested by management.
   h. Track audit report, compliance examination report, or exemption notice due dates, and create late reports to trigger Office of Audit staff follow-up.
   i. Track follow-up actions on late reports.
   j. Report follow-up dates and actions taken on late reports.
   k. Allow staff to record receipts of audit reports, compliance examination reports and exemption notices.
   l. Assign subrecipient audit reports to a QAR staff member based on the most prevalent type of funding.
   m. Track audit reports received and waiting for QAR staff review to set work priorities.
   n. Automatically generate the review checklist(s) that need to be completed.
   o. Allow Office of Audit staff to complete and store review checklist(s) on SARMS.
   p. Allow QAR staff to input actual grant payment information, or allow for a download of MDCH grant payment information to populate the system for each fiscal year.
   q. Allow QAR staff to access MDCH FSRs and Contracts that are stored on-line.
   r. Track Office of Audit work activity completed on the audit reports and compliance examinations (staff must be able to input if the audit was deemed acceptable or if follow-up actions are needed, input a summary of issues that need to be followed-up on, and input all follow-up actions taken and applicable due dates).
   s. Track due dates on follow-up activities, and create late reports to trigger staff follow-up.
   t. Identify reports not reviewed within the required time frame.
   u. Create summaries for each report reviewed that include general agency information, and reviewer conclusions and follow-up actions.
   v. Allow supervisors to review completed checklist(s) and summaries on line, and approve them.
   w. Produce a Review Status Report that includes agencies that have submitted reports that Office of Audit staff has reviewed, and the status of each (acceptable

as filed, follow-up action complete, or follow-up action in process with a list of actions taken).

x. Include a capability to track programs tested and not tested as a major program for each Single Audit of an agency.

y. Allow users to create standard and ad hoc reports/queries within the system.

OFFICE OF AUDIT
External Audit Report/Corrective Action Tracking System (CATS)

The Office of Audit is responsible for audit coordination duties resulting from OAG, federal, or other external audits/reviews of department activities. This includes serving as the liaison between external auditors and department staff, coordinating responses to audit memos/draft findings, and other related duties. This also encompasses coordination of corrective action plans resulting from audit findings, as well as, following up with program staff to ensure corrective action is occurring. The Office is also responsible for preparing and submitting the 60-day follow-up action required by Michigan Compiled Laws Section 18.1462.

1. The CATS must allow for the storage and file management of audit report findings and all associated corrective action.

2. The CATS must allow for tracking of audit source, ie federal, OAG, other.

3. The CATS must automatically generate a late notice five days after corrective action information is due.

4. The CATS must automatically generate a reminder notice two weeks prior to response/corrective action due dates.

5. The CATS must track audit findings and corrective action for each program/agency that have, or could have, an impact on any Department-funded program, and the status of the finding.

6. The CATS must produce a report showing programs, administration, or agencies with findings and the status of each finding.

7. The CATS must track questioned cost recoveries (amounts pursued, and amounts recovered).

8. The CATS must allow for expanded tracking capabilities for the DCH Single Audit.

9. The CATS must allow users to create standard and ad hoc reports/queries within the system.

LTC REIMBURSEMENT AND RATE SETTING SECTION
Long Term Care System (LTCS)

The following additional elements are specific to the LTC Reimbursement and Rate Setting Section.

1. The LTCS must continue to provide the long-term care providers with the ability to electronically file cost reports in an acceptable spreadsheet version determined by the Department. The spreadsheet application needs to be enhanced to utilize current technologies.

2. The LTCS must continue to provide an automated system for accepting and processing the ECRs which providers can file either or through the Internet.

3. The LTCS must continue to maintain and enhance the existing LTCDB, providing access in a user friendly environment to filed and audited cost reports, audit plans,

general provider information, tracking logs, rate setting, gross adjustment, and/or other information maintained in the system.

4. The LTCS must continue to provide the home office entities with the ability to electronically file cost reports in an acceptable spreadsheet version determined by the Department.

5. The LTCS must continue to provide an automated system for accepting and processing the HOCRs which the home office entities can file either or through the Internet.

6. The LTCS must continue to maintain and enhance the existing LTCDB, providing access in a user friendly environment to filed and audited home office cost reports, audit plans, general home office entity information, tracking logs, and/or other information maintained in the system.

7. The LTCS capabilities must be enhanced in order to generate and calculate statistical information by geographic region and provider type. This additional capability is needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards.

8. The LTCS must develop and maintain an automated settlement process for calculating initial, final and revised final settlements

9. The LTCS must continue to perfect, utilize, and maintain the automated rate calculation process. The rate calculation process needs to be enhanced to incorporate case mix reimbursement methodology into the calculation. The rate calculation technology needs to be enhanced to utilize current technologies.

10. The LTCS must continue to perfect, utilize, and maintain the automated process to electronically receive gross adjustment data from CHAMPS/DIT and load into the LTCDB.

11. The LTCS must be flexible to be installed on desktop PCs of Department staff outside the LTC Reimbursement and Rate Setting Section and Office of Audit staff.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Settlement and Payment Processing Section

The following is a preliminary analysis of the specific tasks involved in maintaining a system capable of meeting the objectives of the Settlement and Payment Processing Section.

a. Cost Report Information - Data from the audited/filed Medicare cost report, and all revisions thereof, are needed to calculate a complete CMS-2552. This data must begin with the provider's fiscal years ended 2/28/85, and must be provided on an ongoing basis within a period not to exceed 60 days of receipt from the Medicare intermediary. The contractor is responsible for any data manipulations required to produce a cost report. The HHPRD receives the ECR filed data from the hospitals within 150 days of their fiscal year end. This information must be available within 60 days of the time the HHPRD deems the filed report to be complete. Within 90 days of the beginning of the contract, the filed cost reports for the most recent fiscal years not yet completed, must be input into the system and available for data collection or settlement.

b. Program Data Accumulation Worksheets - These worksheets should be in the same format as those currently being used. There should be macros for ease of transferring headings, cost centers, and printing.

c. Audit Adjustment Report - The audit adjustment report must be created from the data entered in the program data accumulation worksheets. This should be done automatically and should require no further work by the auditor. The cost centers should be arrayed down the left side of the report. The provider filed data and the audited data should transfer from the accumulation sheets and the difference computed.

d. CMS-2552 - CMS-2552 worksheets must be prepared incorporating Title XIX, Title V, and any other applicable program costs, charges, days, and payments to produce a completed cost report. This will require that many of the schedules be modified to accommodate the needed information. The revisions of the HCFA-2552 which must be accommodated are:
   i) HCFA-2552-84
   ii) HCFA-2552-85
   iii) HCFA-2552-89
   iv) HCFA-2552-92
   v) CMS/HCFA-2552-96
   vi) Any future modifications of the HCFA/CMS-2552 or any forms, which may replace it.

e. Outpatient Settlement Form - The program costs will be computed in the CMS-2552 and will be brought over to the Outpatient settlement form, which is used to compare costs to charges and payments and compute an amount due to or owed by the hospital.

f. Outpatient Education Settlement – The CMS-2552 schedules must be modified to calculate the outpatient education costs by cost center. These costs must then be transferred to an Outpatient Education settlement form and the payment made must be transferred to the Outpatient settlement form.

g. Notice of Amount of Program Reimbursement (NAPR) - Using the program costs and payments from the inpatient, outpatient and outpatient education calculation of

reimbursement forms, perform a comparison of this data to the provider's filed cost report data. Calculate the difference and foot the totals.

h. Settlement Under Diagnosis Related Group (DRG) - The settlement under DRG includes inpatient capital, other direct medical education, and graduate medical education costs which must be calculated using the audited/filed HCFA/CMS-2552. These costs must then be transferred to a summary sheet, added to a correct DRG amount, and compared to charges. The lesser of charges or cost must be selected and the payments deducted. This will result in an amount owed by or due to the provider.

i. Database - Separate databases are used for the following areas with the data that is maintained to be determined by each area:
   i) Settlement and Payment Processing Section
   ii) Hospital Rate Review Section
   iii) Special Programs Section

   The information stored in the database allows for ad hoc reports to be generated. This database permits for the comparison of data between different fiscal year ends, different hospitals, or different programs. Also existing is the ability to extract subsets of the information stored in these databases for analysis. The contractor at the request of the HHPRD generates the reports. Data is also available to read, by authorized personnel, with clearance obtained through the HHPRD.

j. Formula Payments to Hospitals for Health Professions Education - Filed Cost Report and Special Report Data is used to establish the distribution of the General Funds Pool, Primary Care Pool, and the Dental and Podiatry Pool. All three pools use information from the filed cost report to distribute the funds. Other reports may be required for hospitals to report certain statistics that will be used in the distribution of the pools. Hospitals report this information annually. The GME reporting does analysis on the FTE data as well as splitting up the GME pools.

k. Medicaid Access to Care Initiative (MACI), Fee for Service Quality Assurance Assessment Program (QAAP), Hospital Rate Adjustment (HRA) QAAP Calculations – Incorporate hospital managed care data, hospital revenues and utilization data to calculate payments and taxes.

l. Certified Public Expenditure (CPE) Calculations and Settlements – Allow for calculation of the CPE settlements using different upper payment limit formulas.

m. MIP/CIP Calculations - The MIP/CIP calculations involve three connected worksheets. The first worksheet is general information concerning paid data, quarterly report data, and DRG price and case mix. The second page calculates the MIP payment. The third page calculates the CIP payment. A letter to the provider notifying them of the amount of the MIP/CIP payment has to be produced. The contractor will produce software to assist in the calculations, but the contractor will not be required to produce the calculations.

n. Management Reports - The following management reports as well as others to be determined as needed will be required. The contractor will produce software to assist in the calculations, but the contractor will not be required to produce the calculations.

   i) Current Facility List of Cost Reports Received - These are alphabetical lists of cost reports received and completed by auditor, hospital and fiscal year end.
   ii) Status Reports - This report is used to determine for management the number of settlements processed during a specified time period.

iii) <u>Record of Settlements Completed</u> - This is a record by hospital and Mental Institution of the provider's address, contact person, phone number, provider numbers, and the amounts and dates of all settlements processed, by program. This record also shows cost reports received and the date, audited Medicare cost reports received and the date, and miscellaneous information about closings, year-end changes, affiliations, etc. This information needs to cover a period of 20 years and about six different types of settlements. This information should be available to everyone to read, but changed only by authorized personnel.

iv)

<u>Hospital Industry Financial Analysis Reports</u> - The contractor will produce software to assist in the calculations, but the contractor will not be required to produce the calculations associated with these reports.
- Accrual Reports
- Case Mix and Outlier Calculation
- Disproportionate Share Hospital (DSH) Payment Reports
- Fiscal Status Report
- Hospital Fact Report
- Medicaid Fee For Service Inpatient Profit/Loss Report
- Medicaid Fee For Service Outpatient Profit/Loss Report
- Outpatient Education Reports
- Quality Assurance Assessment Program (QAAP) Reports

<u>Miscellaneous Reports</u> - The contractor will produce software to assist in the calculations, but the contractor will not be required to produce the calculations.

v)
- Audited Cost Reports
- Auditor Inventory Reports (Group of two reports)
  -- Auditor Completion Report
  -- Paid Settlements Report
- Capital Cost Per Discharge
- Cost to Charge Ratio
- Change History Report
- Clinic Facility Report
- Clinic Paid Claims Summary Report (Group of three reports)
  -- Approved Claims Payment Data
  -- Provider Output Request
  -- Enrolled Provider Report
- Comparison Output Summary Report
- Cost Report Status Report
- Facility Address Contact Listing
- Facility Rate History Report
- Facility Status Report
- Transaction Audit Trail Report
- Active Cost Report Listing with Affiliations
- Settlements Completed but not Reviewed
- Settlements Completed and Reviewed
- Settlements Completed by Auditor
- Upper Limits Test
- Auditor Monthly Status Report
- Filed Cost Report by State Fiscal Year End
- Delinquent Cost Report by State Fiscal Year End

vi.) <u>Other Capabilities</u>
- Security protection levels so that an auditor has the ability to update his/her own files, each staff member has the ability to inquire against all section files, and all other persons are prevented from accessing any files.

- Ability to update all data elements within the HCFA/CMS-2552 file.
- Ability to print any information stored in the database and all forms generated that are related to the HHPRD.
- Ability to use the input file, for each hospital, obtained by the contractor from the Medicare intermediary or another approved source to run and store complete Medicare audited HCFA/CMS-2552.
- Ability to access any data required in the filed cost report or generate and print a completed cost report.
- The ability to view settlement worksheets on the screen before printing the data.
- All data, regardless of source, must be available for on-line access during the agency's normal working hours.
- Process any other ad hoc reports or calculations as necessary for an example QAAP reports, profit/loss reports etc.

o. <u>CHAMPS</u> – The hospital Medicaid (Title XIX), Crippled Children (Title V), MOMS, Healthy Kids, etc. hospital paid claims data will be accessed from the data warehouse. When it is loaded into the HCS the data is reported only by the NPI number. It must then be separated by program as well as between inpatient and outpatient. It will then be available for use for the final settlement and file transfer. Contractor will produce software to assist with these process, but will not be required to operate the processes.

Interfaces with CHAMPS must be maintained to send and receive Gross Adjustment information. The contractor will be responsible for creation and maintenance of software and scheduling of interface file transmissions. The contractor will not be responsible for the creation, submission, or verification of production gross adjustments.

Implementation of CHAMPS bring changes to the classification of data related to provider and reimbursement information. Hospital systems should be updated for consistency with the new CHAMPS data models.

p. <u>NPI</u> – The hospital Title XIX, Title V, MOMS, Healthy Kids, etc. claims will be processed through their NPI number. Monitoring of these numbers will be handled by the HHPRD with changes to existing as well as newly enrolled providers. The electronic cardfile and HCS will be updated as claims, MIP/CIP payments and final settlements will be affected.

Contractor will produce software to assist with these process, but will not be required to operate the processes.

q. <u>File Transfer</u> – The following reports will be set up electronically for the provider to file and retrieve data:
   i) All provider reporting for filing of the ECR
   ii) Hospital quarterly financial reports
   iii) CHAMPS paid claims reports, by program
   iv) Other data, as appropriate

The provider will file information in the ECR for calculation of the MIP/CIP rates, final settlements, DSH and GME rates. This data will be used for various reports within this and other sections. It will also be available for the providers to access claims data once the final settlement has been sent.

It should be noted that these reports will be in accordance with HIPAA.

Contractor will produce software to assist with these process, but will not be required to operate the processes.

p. New Programs – As the federal and/or state hospital reimbursement methodology changes, new programs may arise. The HHPRD will incorporate these into our hospital MIP/CIP calculations and final settlements. This could result in a change to the HCS as well as new payment systems.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Hospital Rate Review Section

Inpatient Hospital Rate Setting
The following is a preliminary analysis of the specific tasks involved in supporting a complete rate setting system. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a. The system should be linked to the card file system for changes in hospital status such as name changes, mergers, closures, new hospitals or units within existing hospitals, changes in provider numbers, etc.

b. There should be a written operating policy on the procedures used to set the rates detailing the rate setting computerization.

c. The rate setting system must also be capable of accommodating new policy changes for future rate setting purposes.

d. The rate setting system should also store all rates for every price period in the database by creating a rate history file, which is accessible via a windows front end and usable by other windows applications.

e. The system must be capable of providing FOI (Freedom of Information) requests when requested.

f. The system must be capable of producing ad hoc management reports.

g. The system should be capable of identifying all provider numbers and types.

h. The system should be capable of insuring the reliability of the data used, its source, e.g., its completeness, accuracy, consistency, validity, and timeliness of receipt.

i. Some of the major steps that are involved in the rate setting process include the following:
   i) data gathering (cost reports, CMS website)
   ii) paid claims data
   iii) calculating the rates and relative weights
   iv) verifying the appropriateness and correctness of the rates
   v) data must be easily accessible and retained on line as long as the Division deems necessary, at which time the data may be moved to some kind of off-line storage.
   vi) system must be able to produce the rates and any supporting documentation that is sent to the providers, including but not limited to, the cover letter, rate calculations, supporting documentation as required, etc.
   vii) system must have the capability for the comparison of data between different fiscal year ends, different hospitals, or different programs.
   viii) also needed is the ability to abstract subsets of the information stored in the database for analysis.

ix) DRG Prices, Per Diem Rates, I/P and O/P ratios, O/P adjustors, etc. need to be automatically sent to the table files, and the Division's Card File System.

Capital Rate Setting

The following is the specific tasks involved in capital rate setting system. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a. The system should be linked to the card file system for changes in hospital status such as name changes, mergers, closures, new hospitals or units within existing hospitals, changes in provider numbers, etc.

b. There should be a written operating policy on the procedures used detailing the capital rate computerization – data gathering and calculations.

c. The capital rate system must also be capable of accommodating new policy changes for future rate setting purposes.

d. The capital rate system should also store all capital rates for every price period in the database by creating a rate history file, which is accessible via a windows front end and usable by other windows applications.

e. The system must be capable of providing FOI (Freedom of Information) requests when requested.

f. The system should be capable of identifying all provider numbers and types.

g. The system should be capable of insuring the reliability of the data used, its source, e.g., its completeness, accuracy, and consistency.

State Psychiatric Hospital Settlement

The cost settlement system includes, but not is limited to, producing the following schedules. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a. Data Accumulation Worksheets

b. Audit Adjustment Reports

c. All settlement schedules including the following HCFA 2552 forms:
   i) Worksheet D - Parts I - II - III & IV
   ii) Worksheet D - 4
   iii) Worksheet D - 1; Parts I & II
   iv) Worksheet E - 3

d. Calculation of Medicaid's Share of Direct Graduate Medical Education Costs

e. Notice of Amount of Program Reimbursement (NAPRs)

f. Reimbursement Letters

g. Payment & Inventory Logs

h. Quarterly Payment Calculation Worksheets

i. TEFRA Rate Calculation Worksheets

j. The settlement data must be stored in a database, which allows for view, revisions, comparisons between years, and be available for internal and external purposes.

k. There should be a written operating policy on the procedures used detailing the computerized system.

l. The system should be linked to the card file system for changes in plan status such as name changes, mergers, closures, changes in provider numbers, etc.

m. The cost settlement system must also be capable of accommodating new policy changes for future settlement purposes.

   n. The system must be capable of providing FOI (Freedom of Information) requests when requested.

   o. The contractor is responsible to produce and maintain this software, but not to operate the software. The contractor is not responsible to perform the loading of cost reports or claims data used by this system.

Special Health Plan Cost Settlement

The following is a preliminary analysis of the specific tasks involved. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, or tasks deemed necessary.

a. The system should be linked to the card file system for changes in plan status such as name changes, mergers, closures, changes in provider numbers, etc.

b. There should be a written operating policy on the procedures detailing the cost settlement computerization.

c. The cost settlement system must also be capable of accommodating new policy changes for future settlement purposes.

d. The settlement data must be stored in a database, which allows for view, comparisons between years and for producing ad hoc reports as needed for management purposes.

e. The system must be capable of providing FOI (Freedom of Information) requests when requested.

f. The system should be capable of identifying all provider numbers and types.

g. The system must be able to produce the settlement and any supporting documentation that is sent to the providers, including but not limited to, the cover letter, rate calculations, supporting documentation as required, etc.

h. The system must have the capability for the comparison of data between different fiscal year ends, different hospitals, or different programs.

i. The system needs to be automatically link settlement information to the Division's Card File System.

j. Some of the major steps that are involved in the rate setting process include the following:
   i) Data accumulation worksheets.
   ii) The settlement schedules.
   iii) The reimbursement letters.
   iv) The payment logs.

Enhancements and Regulatory Updates

The following is a preliminary analysis of the specific tasks involved in supporting the enhancements and regulatory updates. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a. Any system should be linked to (or information provided from) the CardFile system for changes in hospital status such as name changes, mergers, closures, new hospitals or units within existing hospitals, changes in provider numbers, etc.

b. There should be a written operating policy on the procedures used detailing any update or enhancement – data gathering and calculations.

c. Any system should also store all rates or adjustments for every period in the database by creating a history file, which is accessible via a windows front end and usable by other windows applications.

d. Each system must be readily accessible by all rate setting staff.

e. The system must be capable of providing FOI (Freedom of Information) requests when requested.

f. The system should be capable of identifying all provider numbers and groups.

g. The system should be capable of insuring the reliability of the data used, its source, e.g., its completeness, accuracy, and consistency.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Special Program Section

On-site technical support must be provided to maintain network connections, continually develop and/or improve automation, modify the systems and programs, implement new technology, handle day-to-day system support, maintain the database and provide assistance and consultation to staff that access the systems for data and information requests.

The system consists of many applications or pieces. These pieces must be maintained individually and yet still remains a part of the whole system. This includes being attached to the application server and having full access to the database. Minor changes to any of these system components will require knowledge of the whole system and applications.

In addition to system development/applications programming, there is a need for database administration. There may be a need to provide external access to the network to Department staff in other Bureaus/Administrations.

The following is a preliminary analysis of the specific tasks involved for continuing and enhancing the automated system already in place:

a. Backup, upgrade, and monitor the central database.

b. Backup, upgrade, and monitor the servers.

c. Modify the database as necessary to reflect policy changes.

d. Install/maintain application software on staff hardware.

e. Provide application systems network security for staff.

f. Work with Department network personnel to deal with and resolve common network issues and problems (GroupWise, CD-ROM access, access to other servers as authorized).

g. Develop and implement new programs or applications into the existing system to account for changes in program policy, procedures, and/or simply to improve the present system.

h. Ad hoc reporting and related database table file information.

i. Develop a system to complete and file cost reports over the web directly to the division.

j. Provide training to staff on the use of the applications designed for the system.

k. Continue to develop and maintain documentation of the system functioning at the technical level.

l. Develop various management reports as well as others when needed.

m. Provide support and maintain applications that interface with external systems and groups such as CHAMPS, Intermediate School Districts, Center for Educational Performance and Information (CEPI), Michigan Department of Education (MDE), Department of Information Technology (DIT), etc.

o. Update and enhance applications as appropriate to achieve consistency with the new CHAMPS data model.

p. Upgrade and enhance systems as appropriate to make use of newer technology platforms such as .NET.

OFFICE OF AUDIT
Long Term Care System (LTCS)

Lansing Central Office on-site technical support must be provided to maintain network connections, continually develop and/or improve LTCS automation, modify the LTCS to implement new technology, and handle day-to-day system support, maintain the database and provide assistance and consultation to Bureau staff who access the LTCS system for data and information requests.

The LTCS system will utilize audited data or the input of filed cost reports, accept additional input of program specific data, generate a program settlement, prices, etc., and maintain data history. The Audit Management and Time Tracking systems will accept and utilize all staff time input or the input on audit forms, accept the input of application specific data, generate state required time sheets and summaries, and maintain data history.

The LTCS, Audit Management and Time Tracking systems consist of many applications or pieces. These pieces must be maintained individually and yet still remain parts of the whole system. Minor changes to system components will require knowledge of all of the code and/or cells. The smaller components are equally complex because they deal with all of applicable business rules and policy. Modifications to the Cost Report, Audit Plan and Risk Analysis report are required periodically to address business changes.

The following is a preliminary analysis of the specific tasks involved for continuing and enhancing the automated system already in place for the LTCS, Audit Management and Time Tracking.

1. Maintain the LTCS application system, Audit Management system, Time Tracking system and newly developed application systems for a minimum of fifty-five (55) workstations/laptops in the Office of Audit with the possibility of more stations being added. The laptops must be able to access the Time Tracking system through remote dial-in access from sites other than the regional offices dial up procedures. The workstations must be available during the hours of 7:00 a.m. to 6:00 p.m., Monday through Friday, and other times by special arrangement. Remote dial-in must be accessible for evening and early morning log in. All must be able to initiate printing of reports by printer.

2. The LTCS, Time Tracking system must continue to perfect, utilize, and maintain system capabilities for electronically transferring payroll information to the State's payroll processing system.

3. Modify the database as necessary to reflect policy changes to applicable processes.

4. Develop and implement new programs or applications into the existing systems to account for changes in program policy, procedures, and/or simply to improve the present system.

5. Perform ad hoc reporting of database table file information as requested.

6. Develop new and improve upon the cost report validation process to make sure nursing facility cost reports are accurate, mathematically correct, and complete when audited by Office of Audit staff.

7. Develop new and improve upon home office cost report validation process to make sure home office cost reports are accurate, mathematically correct, and complete when audited by Office of Audit staff.

8. Develop, improve, and simplify the tracking log component of the system to allow users to monitor the progress of a filed nursing facility cost report through the audit, rate setting, and settlement processes.

9. Develop, improve, and simplify the tracking log component of the system to allow users to monitor the progress of a filed home office cost report through the audit processes.

10. Develop, improve, and enhance the tracking log component of the Audit Management system that stores pertinent statistical information pertaining to individual assignments such as audit type, auditor(s) assigned, number of hours - both budgeted and actual, cost savings, travel expense, etc. The system should be enhanced to track the flow of audit workpapers and/or related files between offices, to any appropriate review/appeals section, and eventually to record storage.

11. Develop, improve, and enhance the reporting capabilities of the Audit Management system, enabling management to evaluate the performance of the regional offices and the individual auditors assigned to those offices, to quantify results in terms of actual cost savings, and/or to identify problem areas that may need special attention.

12. Develop, improve, and enhance applications designed to assess risk in determining the type and scope of audits to be performed. Variance reports must not only be designed to do year to year comparisons between two cost reports, but have the capability to compare a cost report against geographic regional average or norm indicators for particular elements of cost or statistics.

13. Develop, improve, and enhance the audit plan in terms of the conclusions reached by relating it more closely to the risk analysis applications.

14. Develop, improve, and modify the ECR and the database to include additional and more specific statistical information such as salaries for all key personnel and not just owners or administrators.

15. Provide initial and continuous formal training to Central Office and Field Office staff on the use of the applications designed for the systems (audit plan creation, variance report generation, settlement process, ad-hoc query and report generation, network administration for field offices, etc.).

16. Develop user-friendly guides or manuals describing the functions of each component of the system and how to use those functions or applications.

17. Continue to develop and maintain documentation of the system functioning at the technical level.

18. Develop, improve, and enhance an electronic home office cost reports and enhance the existing central relational database to store home office cost information. The home office cost report is an extension of the long term care facility cost report so the two must be compatible and capable of verifying that the information on both reports are consistent with each other.

19. Develop, improve, and enhance applications designed to assess risk in determining the type and scope of audits that needs to be performed at the home office level. Variance reports must be developed and designed not only to do year to year comparisons between two cost reports, but must have the capability to compare a cost report against geographic regional average or norm indicators for particular elements of cost or statistics.

20. Develop, improve, and enhance the existing home office audit plan to include risk or other analysis of the home office cost report.

21. The LTCS must be expanded to provide for an electronic means of tracking all necessary aspects of long term care audit appeals. A database needs to be developed to include, store, and provide access to all relevant appeal information for all regional offices.

22. The following management reports as well as others to be determined as needed will be required:
    a. Acceptance Report for Audited Nursing Facility Cost Reports
    b. Acceptance Report for Audited Home Office Cost Reports
    c. Annual Audit Plan Report
    d. Audit Plan Assessment and Scope Reports for individual nursing facilities
    e. Audit Plan Assessment and Scope Reports for home office entities
    f. Audit Log Report
    g. Nursing Facility Audit Status Events
    h. Home Office Audit Status Events
    i. Audit Time Summary Report
    j. Audit Tool Report
    k. Nursing Facility Cost Reporting Status Events – Detail and Summary
    l. Home Office Cost Reporting Status Events – Detail and Summary
    m. Employee Monthly Activity Report
    n. Facility Reports
    o. Federal Time Summary Report
    p. Intake Report for Audited Nursing Facility Cost Reports
    q. Intake Report for Audited Home Office Cost Reports
    r. Organization Owner Reports
    s. Professional Services Report
    t. Risk and Cost Savings Report for individual nursing facilities
    u. Risk and Cost Savings Report for home office entities
    v. Time Sheet Report
    w. Nursing Facility Tracking Log Status Reports
    x. Home Office Tracking Log Status Reports
    y. Variance Report for individual nursing facilities
    z. Variance Report for home office entities

OFFICE OF AUDIT
External Audit Report/Corrective Action Tracking System (CATS)

The following is a preliminary analysis of the specific tasks required for the External Audit Report/Corrective Action Tracking System:

1. The CATS must allow for the storage and file management of audit report findings and all associated corrective action.

2. The CATS must allow for tracking of audit source, ie federal, OAG, other.

3. The CATS must automatically generate a late notice five days after corrective action information is due.

4. The CATS must automatically generate a reminder notice two weeks prior to response/corrective action due dates.

5. The CATS must track audit findings and corrective action for each program/agency that have, or could have, an impact on any Department-funded program, and the status of the finding.

6. The CATS must produce a report showing programs, administration, or agencies with findings and the status of each finding.

7. The CATS must track questioned cost recoveries (amounts pursued, and amounts recovered).

8. The CATS must allow for expanded tracking capabilities for the DCH Single Audit.

9. The CATS must allow users to create standard and ad hoc reports/queries within the system.

10. Provide assistance and consultation to Office of Audit staff who access the system for data and information requests.

OFFICE OF AUDIT
Subrecipient Audit Report Monitoring System
The following is a preliminary analysis of the specific tasks required for the Subrecipient Audit Report Monitoring System (SARMS):

1. Maintain the Subrecipient Audit Report Monitoring System to allow for recording and storing agency information, recording review results, recording follow-up actions, tracking information, and generating management reports as detailed in the Scope of Work 1.101 Section, items 10a. thru 10y.

2. Enhance SARMS to allow for the following as detailed in the Scope of Work 1.101 Section, items 1 thru 8:
   a. storage and file management of audit reports and compliance examinations received electronically;
   b. automatic generation of late notices two weeks after an audit report or compliance examination due date is missed;
   c. automatic generation of reminder notices two weeks prior to audit report and compliance examination due dates;
   d. tracking of audit findings and compliance examination findings for each agency that have, or could have, an impact on any Department-funded program, and the status of the finding;
   e. the SARMS must allow for a date in which the initial CMH Compliance Examination is received and a date for which a CMH Compliance Examination was deemed acceptable. The received date for an acceptable CMH Compliance Examination should be the date used to determine time computations for OOA review and issuance of management decisions;
   f. production of a report showing agencies with findings and the status of each finding;
   g. making SARMS available (in read only) to all Department staff for subrecipient monitoring purposes; and
   h. tracking questioned cost recoveries (amounts pursued, and amounts recovered).

3. Upgrade SARMS technology to ensure the maintenance of and access to data and information in the future, to ensure data and information can be successfully and easily transferred in a multi-user environment (that could expand dramatically with proposed enhancements), and to allow for efficient upgrades and modifications

4. Modify SARMS as needed to implement policy changes and new technology.

5. Provide assistance and consultation to Office of Audit staff who access the system for data and information requests.

LTC REIMBURSEMENT AND RATE SETTING SECTION
Long Term Care System (LTCS)

The LTCS system consists of many applications or pieces. These pieces must be maintained individually and yet still remains a part of the whole system. This includes being attached to the application server and having full access to the database. Several pieces of the system contain hundreds or thousands of lines of code and/or cells of programming. The ECR contains over a thousand (1,000) lines of code and well over ten thousand (10,000) cells in thirty (30) worksheets. The LTCS contains over a thousand (1,000) lines of code. Minor changes to either of these system components will require knowledge of all of the code and/or cells. The smaller components are equally complex because they deal with all of LTC's business rules and policy. Modifications to the Audit Plan, Rate Setting, Settlement, MIP, and Gross Adjustment processes are required periodically to address business changes.

In addition to system development/applications programming, there is a need for database administration. The central database contains approximately three hundred (300) relational tables with a majority having full referential integrity. The database will be collecting at least two to four (2-4) gigabytes of data each year. Also, there will be a need in the near future to provide external access to the network to Department staff in other Bureaus/Administrations. Other State agencies, providers, provider associations, could also require external access to the network, perhaps through the Internet.

The following is a preliminary analysis of the specific tasks involved for continuing the automated system already in place for the LTCS.

1. Backup, upgrade, and monitor the LTCS central database.

2. Backup, upgrade, and monitor the servers in the Lansing.

3. Modify the database as necessary to reflect policy changes to LTC processes.

4. Install/maintain application software on LTC hardware.

5. Handle LTCS application systems network security for LTC personnel.

6. Work with Department network personnel to deal with and resolve common network issues and problems (GroupWise, CD-ROM access, access to other servers as authorized).

7. Provide initial and continuous formal training to LTC Reimbursement and Rate Setting Section staff on the use of the applications designed for the system.

8. Improve, and enhance the ECR templates, HOCR template, and related information to be submitted for inclusion on the Department Web page.

9. **Miscellaneous Reports** - The following management reports as well as others to be determined as needed will be required:
   a. Variable Cost Limit - annually by provider allowed code
   b. Support To Base Cost Limit - annually for six bed size groupings
   c. DRI Index Factor - annually by provider allowed code
   d. County Bed Utilization
   e. Regional Bed Utilization
   f. Quality Assessment Assurance Beds
   g. Quality Assessment Assurance Non – Medicare Day Confirmation – mail merge letter
   h. Annual Quality Assessment Assurance Payment
   i. Annual MIP Reconciliation Payment History
   j. Annual MIP Reconciliation Summary
   k. Provider Procedure Code Rate Data Match
   l. Bed Day Utilization

m. Medicaid Patient Day Utilization
n. Nursing Facility Cost Reporting Status Events - Detail and Summary
o. Home Office Cost Reporting Status Events – Detail and Summary
p. Nursing Facility Cost Report Status Report
q. Home Office Cost Report Status Report
r. Rate Status - Detail and Summary
s. Settlement Status - Detail and Summary
t. Summary Data - Cost Data Elements
u. Summary Data - Rate Data Elements
v. Various Provider and/or Organization Owner Summary
w. Rate History, by county
x. Gross Adjustment History Report
y. MIP Payment History Report
z. QA Supplemental Payment History Report
aa. Gross Adjustment Monthly Report
bb. Acceptance Report for filed nursing facility cost reports
cc. Acceptance Report for home office cost reports
dd. Intake Report for filed nursing facility cost reports
ee. Intake Report for home office cost reports
ff. Freedom of Information Act file summary report

The following is a preliminary analysis of the new tasks to be developed in the automated system already in place for the LTCS.

1. Develop a system to automatically integrate invoice processing payments data into the LTCDB.

2. Develop an automated system to calculate the unreimbursed care provided by county owned medical care facilities. The process will determine the quarterly gross adjustment amount, and include an automated annual period end reconciliation process.

3. Develop an automated settlement process for calculating initial, final, and revised settlements. The process will include rate and payment data stored in the LTCDB.

4. Develop an automated MIP calculation process for calculating the bi–monthly MIP payments. The process would include an automated annual period end MIP reconciliation process.

5. Develop an automated FOIA process for the home office cost reports. The LTCA must be able to copy the cost report data text file(s) onto diskette(s) or CD(s). The data files must be accessible on an individual cost report file, or all cost report files loaded into the database on a quarterly basis. The LTCA must be able to remove personal or individual information from the file before copying onto diskette(s) or CD(s).

6. LTCS, reports generated from the system, and all processes will need to become compliant with the National Provider Identifier (NPI) numeration and with the Department's CHAMPS system.

7. Develop an automated process that will electronically submit provider rate updates and data to create gross adjustment to CHAMPS.

8. Gross Adjustment Monthly Report must be enhanced to properly report the various LTC special financing payments and related extended recovery payments.

Personnel Requirements:
General knowledge of the Medicaid program and hospital and long term care industries are required for all contractor personnel proposed. The contractor and proposed staff must have prior and recent experience (within the last few years) developing, maintaining and operating computer systems and business processes for cost settlement, rate setting and audits for long-term care and hospital facilities for a state Medicaid program. It is desired that the contractor and proposed staff have a general understanding of the Hospital and Health Plan Reimbursement Division, the Long Term Care Reimbursement and Rate Setting Section, the Audit Division and the information used by each organization.

Contractor shall provide onsite staff and support at State facilities in Lansing Michigan.

Contractor staff shall be employed by the contractor at the time of proposal submission and available for work on day one of the new contract period.

Minimum Staffing Requirements:
The contract requires a minimum of fourteen (14) full-time staff positions dedicated solely to providing ongoing support and enhancements to the Hospital and Health Plan Reimbursement Division, Long Term Care Reimbursement and Rate Setting Section, and Audit Division computer systems. The minimum level of staff positions required by the contractor to accomplish the necessary functions of applications programming, system enhancements, database maintenance, web maintenance, network maintenance, and problem solving relative to application operations and data access include:

- One project manager
- One senior level system administrator
- One senior level database administrator/application developer
- One senior level web administrator/application developer
- Two expert level software application developers
- Four senior level software application developers
- Four journey level software application developers

The Department reserves the option for possible future staffing reductions in the event of Department work fluctuation or work assignments. The Department will provide the contractor a minimum 30-day notice prior to enacting a work force reduction.

Staff proposed by the contractor for this contract must meet the following minimum requirements:

1. The Project Manager must have ten (10) years of work experience and qualifications in computer information systems, data communications, networking, system analysis, computer programming, or equivalent background. It is desired that the project manager have five (5) years of management/supervisory experience for information technology projects. The proposed project manager must have excellent communication skills and a strong background in application design and development in Microsoft Windows based client/server and web application environments. The project manager must be proficient in the application software required by this contract.
2. The Senior Level System Administrator/Developer must have work experience in administration and maintenance of Novell and Microsoft local area networks, Windows server configuration, client desktop and laptop support, and must have excellent communication skills. The system administrator must be proficient in the application software required by this contract.
3. The Senior Level Database Administrator/Developer must have work experience in configuration, administration and maintenance of Microsoft SQL Server databases. Experience with other database platforms would also be beneficial. The Database Administrator must also meet the requirements described below for software application

Rev 8/20/2012

developer. The Database Administrator must be proficient in the application software required by this contract.

4. The Senior Level Web Administrator/Developer must have work experience in configuration, administration and maintenance of the Microsoft Internet Information Services platform. Experience with other web platforms would also be beneficial. The Web Administrator must also meet the requirements described below for software application developer. The Web Administrator must be proficient in the application software required by this contract.

5. All Software Application Developers must have work experience in client/server and web-based application development, spreadsheet design, relational data base systems development, system documentation creation, and general knowledge of Novell and Microsoft local area network design, implementation, and maintenance. Personnel must have programming experience with several of the following software development tools: Microsoft Active Server Pages (ASP), Java Script, Visual Basic Script, Visual Basic, Visual Basic for Applications, Microsoft Office (Excel, Word, Access), Microsoft Component Object Model (COM+), Microsoft Distributed Component Object Model (DCOM), Extensible Markup Language (XML), Hypertext Markup Language (HTML), Extensible Stylesheet Language Transformations (XSLT), Data Transformation Services (DTS), Data Dynamics Active Reports, True DB Grid, Adobe Acrobat, Microsoft IIS, and Microsoft SQL Server.

6. The Expert Level Developers will serve as contact focal points and subject matter experts for the software applications supported under this contract. As such, the Expert Level Developers must have excellent communication skills and a solid understanding of the business practices and software needs of the user departments. One Expert Level Developer will be the contact focal point and subject matter expert for the Hospital and Health Plan Reimbursement Division. The other Expert Level Developer will be the contact focal point and subject matter expert for the Long Term Care Reimbursement and Rate Setting Section and the Audit Division.

7. The Junior Level Developer/Data Analyst must have experience with the Microsoft Windows environment, spreadsheets, and database management systems on microcomputers. The Data Analyst will be required to interact with and provide technical support for members of the medical community regarding the use of software distributed under this contract and should have excellent communication and customer service skills. Knowledge of the Centers for Medicare and Medicaid Services (CMS) Hospital Cost Report Form CMS-2552-96 is preferred.

Personnel Skill Levels Defined:
Defined below are the requirements for proposed candidates from the contractor to meet the classification skill levels defined in the personnel requirements section.

Junior Skill Level
Qualifications: Possession of a bachelor's degree with 21 semester (32 term) credits hours in an information technology related major. Alternatively, possession of an associate's degree with 16 semester (24 term) credit hours in an information technology related major and 2 years of recent IT experience on IT projects.

Typical work as a junior level developer:
- Writes, compiles, modifies, debugs and tests simple application programs for computerized systems on the specified platform, in the specified language and for the specified database technology.

- Uses program specifications to prepare the logic sequence of program source statements in the development, modification, documentation and maintenance of simple computer programs on the specified platform in the specified language and for the specified database technology.

Journey-Person Skill Level

Qualifications: These individuals must have a minimum of three (3) years of recent experience and have demonstrated journey-level/considerable knowledge skills and abilities in the specific Category of Service. The candidates must have demonstrated, through the quality of their work, an above average aptitude and thorough knowledge of specific Category of Service. They must have demonstrated their ability in systems analysis plus have a commitment to getting their work done and personal qualities that contribute to the work team environment. At this level, the candidates are expected to be able to adapt to new and unfamiliar concepts and tools with minimal assistance.

Typical work as a journey-person level software applications developer:
- Writes, compiles, modifies, debugs and tests application programs for computerized systems on the specified platform, in the specified language and for the specified database technology.
- Uses program specifications to prepare the logic sequence of program source statements in the development, modification, documentation and maintenance of computer programs on the specified platform in the specified language and for the specified database technology.
- Develops specifications/structured diagrams for the specifications to detail what new systems or enhancements to existing systems can accomplish on the specified platform in the specified language and for the specified database technology.
- Serves as a liaison with users concerning requests, usage and other developmental and production matters.

Education or Alternate Education and Experience:
- Possession of a bachelor's degree with 21 semester (32 term) credits hours in an information technology related major.
- Alternatively, possession of an associate's degree with 16 semester (24 term) credit hours in an information technology related major and 5 years of recent IT experience on IT projects.
- Alternatively 8 years of recent IT experience on IT projects.

Senior Skill Level

Qualifications: These individuals must have a minimum of five (5) years of recent experience and have demonstrated senior/above-average knowledge skills and abilities in the specific Category of Service. The candidates must have demonstrated, through the quality of their work, an excellent aptitude and knowledge of specific Category of Service. They must have demonstrated their ability in systems analysis plus have a commitment to helping others get their work done and personal qualities that exemplify work team environment. At this level, the candidates are expected to be able to help others adapt to new and unfamiliar concepts and tools.

Typical work as a senior software applications developer:
- Writes, compiles, modifies, debugs and tests complex application programs for computerized systems on the specified platform in the specified language and for the specified database technology.
- Uses program specifications to prepare complex logic sequences of program source statements in the development, modification, documentation and maintenance of computer programs on the specified platform in the specified language and for the specified database technology.
- Develops specifications/structured diagrams for the specifications to detail what new, complex systems or enhancements to existing systems can accomplish on the specified platform in the specified language and for the specified database technology.
- Serves as a liaison with users concerning requests, usage and other developmental and production matters.

Education or Alternate Education and Experience:
- Possession of a bachelor's degree with 21 semester (32 term) credits hours in an information technology related major.

- Alternatively, possession of an associate's degree with 16 semester (24 term) credit hours in an information technology related major and 7 years of recent IT experience on IT projects.
- Alternatively 12 years of recent IT experience on IT projects.

Expert Skill Level

Qualifications: These individuals must have a minimum of seven (7) years of recent experience and have demonstrated expert knowledge skills and abilities in the specific Category of Service. The candidates must have demonstrated, through the quality of their work, the highest aptitude and knowledge of specific Category of Service. They must have demonstrated their ability in systems analysis plus have a commitment to leading others to accomplish their work and personal qualities that exemplify leadership in the work team environment. At this level, the candidates are expected to be able to help others adapt to new and unfamiliar concepts and tools and solve the most difficult barriers to the completion of their assignment.

Typical work as an expert software applications developer:

- Writes, compiles, modifies, debugs and tests the most complex application programs for computerized systems on specified platform(s) – particularly those applications that cross technology platforms in the specified language and for the specified database technology.
- Uses program specifications to prepare highly complex logic sequences of program source statements in the development, modification, documentation and maintenance of computer programs on the specified platform(s) in the specified language and for the specified database technology.
- Develops specifications/structured diagrams to detail what new, highly complex systems or enhancements to existing systems can accomplish on the specified platform(s) in the specified language and for the specified database technology.
- Directs a team of IT liaisons with users concerning requests, usage and other developmental and production matters.

Education or Alternate Education and Experience:

- Possession of a bachelor's degree with 21 semester (32 term) credits hours in an information technology related major.
- Alternatively, possession of a Master's degree with 16 credit hours in an information technology related major and 4 years of recent IT experience on IT projects.
- Alternatively, possession of an associate's degree with 16 semester (24 term) credit hours in an information technology related major and 9 years of recent IT experience on IT projects.

Project Manager Skill Level

Qualifications: This individual must possess Expert Skills (see above) and a minimum of three (3) years of recent experience and have demonstrated expert knowledge skills and abilities in project management. In addition, the individual must have five (5) years of professional experience directing information technology developers. At this level, the candidates are expected to be able to help others adapt to new and unfamiliar concepts and tools and solve the most difficult barriers to the completion of their assignment.

Typical Work:

- Evaluates and recommends staff with appropriate skills for a project team.
- Coordinates the activities of a number of project team members: schedules work assignments, sets priorities, directs work, addresses deviations from plans.
- Plans and executes communication plans for the good of the project team.
- Evaluates the work product of project team members.
- Maintains adherence to the project charter and scope document. Initiates completion of change control documents and insures that disposition is made before changes are made.
- Maintains records of work completed and deliverables.
- Insures all program and system documentation is complete before approvals and payments are made.
- Is responsive to Quality Assurance staff.

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY MANAGEMENT AND BUDGET   November 4, 2010
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 1
TO
CONTRACT NO. ___071B0200024___
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	TELEPHONE **517-272-5939**
HP Enterprise Services, LLC **930 W. Holmes Rd** **Lansing, MI 48910** Email: **bob.bartholomew@eds.com**	CONTRACTOR NUMBER/MAIL CODE BUYER/CA (517) 241-0239 **Jacque Kuch**

Contract Compliance Inspector: Sara Williams
DCH MEDICAID COST SETTLEMENT

CONTRACT PERIOD: **5 yrs. + 3 one-year options** From: **October 1, 2009** To: **September 30, 2014**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

> **Effective immediately, this contract is hereby INCREASED by $137,964.00. All other terms, conditions and specifications remain the same.**

AUTHORITY/REASON(S):

> **Per vendor and DTMB Purchasing Operations agreement and the approval of the State Ad Board on November 3, 2010.**

INCREASE: $137,964.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: $10,550,341.78

071B0200024
Change Notice No. 1
Signature Block

FOR THE CONTRACTOR: FOR THE STATE:

EDS, an HP Company	
Firm Name	Signature
	Sergio Paneque, Senior Deputy Director
Authorized Agent Signature	Name/Title
	Procurement & Real Estate Services
	Administration
Authorized Agent (Print or Type)	Division
Date	Date

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET   **October 13, 2009**
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

NOTICE
OF
CONTRACT NO.   071B0200024
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	TELEPHONE
	517-272-5939
EDS, an HP Company	CONTRACTOR NUMBER/MAIL CODE
930 W. Holmes Rd	
Lansing, MI 48910	
Email: **bob.bartholomew@eds.com**	BUYER/CA (517) 241-0239 **Jacque Kuch**

Contract Compliance Inspector: Sara Williams	
DCH MEDICAID COST SETTLEMENT	

CONTRACT PERIOD: **5 yrs. + 3 one-year options**	From: **October 1, 2009**	To: **September 30, 2014**

TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**

MINIMUM DELIVERY REQUIREMENTS **N/A**
MISCELLANEOUS INFORMATION:

The terms and conditions of this Contract are those of ITB #071I9200238, this Contract Agreement and the vendor's quote dated June 20, 2009. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.

Estimated Contract Value: $10,412,377.78

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

CONTRACT NO. ___071B0200024___
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	TELEPHONE
EDS, an HP Company **930 W. Holmes Rd** **Lansing, MI 48910**	**517-272-5939**
	CONTRACTOR NUMBER/MAIL CODE
Email: bob.bartholomew@eds.com	BUYER/CA (517) 241-0239 **Jacque Kuch**

Contract Compliance Inspector: Sara Williams

DCH MEDICAID COST SETTLEMENT

CONTRACT PERIOD: **5 yrs. + 3 one-year options**   From: **October 1, 2009**   To: **September 30, 2014**

TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**

MINIMUM DELIVERY REQUIREMENTS
N/A

MISCELLANEOUS INFORMATION:
The terms and conditions of this Contract are those of ITB #071I9200238, this Contract Agreement and the vendor's quote dated June 20, 2009. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.

Estimated Contract Value: $10,412,377.78

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the ITB No. 071I9200238. Orders for delivery will be issued directly by the Department of Information Technology through the issuance of a Purchase Order Form.

All terms and conditions of the invitation to bid are made a part hereof.

FOR THE CONTRACTOR:	FOR THE STATE:
EDS, an HP Company	Signature
Firm Name	Sergio Paneque
	Name/Title
Authorized Agent Signature	Senior Deputy Director
	DMB, Business Services Administration
Authorized Agent (Print or Type)	Division
Date	Date

STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations

Contract No. 071B0200024
IT SUPPORT FOR HHPRD, OFFICE OF AUDIT AND
LTC REIMB AND RATE SETTING

Buyer Name: Jacque Kuch
Telephone Number: 517-241-0239
E-Mail Address: kuchj@michigan.gov

Table of Contents

DEFINITIONS

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).
ACID	Audited Cost Information Data of all completed and approved Medicaid final settlements
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.
ASP	Active Server Pages
Audit Period	See Section 2.110
BCBSM	Blue Cross and Blue Shield of Michigan
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.
Blanket Purchase Order	An alternate term for Contract as used in the States computer system.
Business Critical	Any function identified in any Statement of Work as Business Critical.
CEPI	Center for Educational Performance and Information
CHAMPS	Community Health Automated Medicaid Processing System
CHP	County Health Plan
Chronic Failure	Defined in any applicable Service Level Agreements.
CIP	Capital Interim Payment
CMS	Centers for Medicare and Medicaid Services (formerly called HCFA)
CPE	Certified Public Expenditure
CPPS	Capital Prospective Payment System
Deliverable	Physical goods and/or commodities as required or identified by a Statement of Work
DIT	Department of Information Technology
DMB	Michigan Department of Management and Budget
DRG	Diagnosis Related Group
DSH	Disproportionate Share Hospital
ECR	Electronic Cost Report
Environmentally preferable products	A product or service that has a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. Such products or services may include, but are not limited to, those that contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxics either disposed of or consumed.
Excusable Failure	See Section 2.244.
FCCR	Full Cost Clinic Reporting System
FCID	Filed Cost Information Database that contains filed cost report information needed to generate the Medicaid audit adjustment report and NAPR
FQHC	Federally Qualified Health Centers
GA	Gross Adjustment
GME	Graduate Medical Education
HAC	Hospital Acquired Conditions
Hazardous material	Any material defined as hazardous under the latest version of federal Emergency Planning and Community Right-to-Know Act of 1986 (including revisions adopted during the term of the Contract).
HCFA	Health Care Financing Administration (name changed to CMS)
HCS SYSTEM	Hospital Cost Settlement System
HHPRD	Hospital Health Plan and Reimbursement Division
HMO	Health Maintenance Organization

HRA	Hospital Rate Adjustment
Incident	Any interruption in Services
I/P	Inpatient
ISD	Intermediate School District
ITB	A generic term used to describe an Invitation to Bid. The ITB serves as the document for transmitting the RFP to potential bidders
Key Personnel	Any Personnel designated in Article 1 as Key Personnel.
KPMG	Vendor that supplies CMS certified software.
LPHD	Local Public Health Department
LTCA	Long Term Care System Application
LTCDB	Long Term Care System Database
LTCS	Long Term Care System
MACI	Medicaid Access to Care Initiative
MAER	Medicaid Allowable Expenditure Report
MDE	Michigan Department of Education
MMF	Michigan Medicaid Forms
MOMS	Maternal Outpatient Medical Services
MSA	Medical Services Administration
NAPR	Notice of Amount of Program Reimbursement sent to providers when the cost report is final settled
New Work	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.
NPI	National Provider Identifier
NTIS	National Technical Information Service
OAG	Office of the Auditor General
OI	Other Insurance
O/P	Outpatient
Ozone-depleting substance	Any substance the Environmental Protection Agency designates in 40 CFR part 82 as: (1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or (2) Class II, including, but not limited to, hydro chlorofluorocarbons
Post-Consumer Waste	Any product generated by a business or consumer which has served its intended end use, and which has been separated or diverted from solid waste for the purpose of recycling into a usable commodity or product, and which does not include post-industrial waste.
Post-Industrial Waste	Industrial by-products that would otherwise go to disposal and wastes generated after completion of a manufacturing process, but do not include internally generated scrap commonly returned to industrial or manufacturing processes.
QAAP	Quality Assurance Assessment Program
QHP	Qualified Health Plans
QR-1	Quarterly Report – a form used to request financial data such as; inpatient ancillary charges, inpatient routine charges, discharges and days, needed to adjust the MIP and CIP rates
Recycling	The series of activities by which materials that are no longer useful to the generator are collected, sorted, processed, and converted into raw materials and used in the production of new products. This definition excludes the use of these materials as a fuel substitute or for energy production.
Deleted – Not Applicable	Section is not applicable or included in this RFP. This is used as a placeholder to maintain consistent numbering.
Reuse	Using a product or component of municipal solid waste in its original form more than once.
RFP	Request for Proposal designed to solicit proposals for services

RHC	Rural Health Clinic
Services	Any function performed for the benefit of the State.
Source reduction	Any practice that reduces the amount of any hazardous substance, pollutant, or contaminant entering any waste stream or otherwise released into the environment prior to recycling, energy recovery, treatment, or disposal.
SQL	Structured Query Language (Unless otherwise specified all SQL= Microsoft SQL Server)
State Location	Any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
Subcontractor	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.
TEFRA	Temporary Emergency Family Relief Act
THC	Tribal Health Centers
TPL	Third Party Liability
Unauthorized Removal	Contractor's removal of Key Personnel without the prior written consent of the State.
VB.Net	Visual Basic. Net
VB6	Visual Basic Version 6
VBA	Visual Basic for Applications
Waste prevention	Source reduction and reuse, but not recycling.
Waste reduction and Pollution prevention	The practice of minimizing the generation of waste at the source and, when wastes cannot be prevented, utilizing environmentally sound on-site or off-site reuse and recycling. The term includes equipment or technology modifications, process or procedure modifications, product reformulation or redesign, and raw material substitutions. Waste treatment, control, management, and disposal are not considered pollution prevention, per the definitions under Part 143, Waste Minimization, of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, as amended.
Work in Progress	A Deliverable that has been partially prepared, but has not been presented to the State for Approval.
Work Product	Refers to any data compilations, reports, and other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of an in furtherance of performing the services required by this Contract.

Article 1 – Statement of Work (SOW)

1.000   Project Identification

1.001 Project Request

The purpose of this contract is for ongoing maintenance, support and enhancements of existing information technology solutions as well as software and hardware procurement required to support the Michigan Department of Community Health's Hospital and Health Plan Reimbursement Division, Long Term Care Reimbursement and Rate Setting Section and the Office of Audit.

This contract addresses work needs within the Bureau of Medicaid Financial Management and the Bureau of Budget and Audit.

- Hospital and Health Plan Reimbursement Division (HHPRD)
  a. Settlement and Payment Processing Section
     1. Settlement Section
     2. Payment Processing Section
  b. Hospital Rate Review Section
     1. Inpatient Hospital Rate Setting
     2. Capital Rate Setting
     3. State Psychiatric Hospital Cost Settlement
     4. Special Health Plan Cost Settlement
  c. Special Programs Section
- Office of Audit
  a. Long Term Care System (LTCS)
  b. Long Term Care Appeal Tracking System
  c. Subrecipient Audit Report Monitoring System (SARMS)
  d. Audit Report Tracking System
- Long Term Care Reimbursement and Rate Setting Section

1.002 Background
HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Settlement and Payment Processing Section

Settlement Section
The Settlement Section of the HHPRD has several areas of responsibility:
a. ECR (Electronic Cost Report) Filing –
   Type: VB6, SQL, and 3rd party software (KPMG)
   Hospital filed cost report data is reviewed and approved by the audit staff for 160 active hospitals annually then loaded by the contractor into the Filed Cost Information Data (FCID) base. No more than two (2) workdays should lapse between the contractor's producing a comparison output summary and the auditor's receipt of that summary. The hospital's electronic cost report should be loaded into the FCID base within ninety (90) days from the date of the original filing. This database is used for hospital rate setting, final settlements, DSH calculations, capital interim payment calculations, Freedom of Information requests, and other projects that may be requested.

b. MIP (Medicaid Interim Payments)/CIP (Capital Interim Payment) Calculations
   Type: VB6, VBA, Excel, SQL
   Data from the FCID is pulled by the contractor and used to calculate the MIP/CIP rate for each inpatient provider type within a hospital. MIP reconciliations are calculated both 15 months and 27 months after the hospital's fiscal year end. MIP/CIP rates should be calculated no later than thirty (30) days prior to the hospital's fiscal year begin.

c. Hospital Final Settlements - Data from the Medicare cost report, the FCID, and our internal paid data reports are used to calculate a final settlement for each Michigan hospital that participated in the Medicaid program. The final settlement should be completed no sooner than three (3) years from the end of the hospital's fiscal year. From these final settlements an Audited Cost Information

Data (ACID) base will be built. Approximately 200-220 settlements per year are calculated and processed.

d. <u>Medicaid Access to Care Initiative (MACI), Fee for Service Quality Assurance Assessment Program (QAAP), Hospital Rate Adjustment (HRA) QAAP Calculations</u>
Type: VB6, VBA, Excel, VB.Net, SQL
Incorporate hospital managed care data, hospital revenues and utilization data to calculate payments and taxes.

e. <u>Certified Public Expenditure (CPE) Calculations and Settlements</u>
Type: VB6, SQL
Allow for calculation of the CPE settlements using different upper payment limit formulas.

f. <u>CHAMPS</u> - The hospital Medicaid (Title XIX Childrens Special Health Care Services (Title V), MOMS, Healthy Kids, etc. hospital paid claims data will be accessed from the data warehouse. It will be separated by program into inpatient and outpatient, and available for use for the final settlement and file transfer.

Interfaces with CHAMPS must be maintained to send and receive Gross Adjustment information. (Type: VB.Net, SQL)

Implementation of CHAMPS brings changes to the classifications of data related to provider and reimbursement information. Hospital systems should be updated for consistency with the new CHAMPS data models. (Type: All supported platforms)

g. <u>NPI</u>
(Type: All supported platforms)
The hospital Title XIX, Title V, MOMS, Healthy Kids, etc. claims will be processed through their NPI number. Monitoring of these numbers will be handled by the HHPRD with changes to existing as well as newly enrolled providers. The electronic cardfile and HCS will be updated on a regular basis.

h. <u>File Transfer</u>
DCH File transfer is an MDIT application.
The following reports are set up electronically for the provider to file and retrieve data:
  (1) All provider reporting for filing of the ECR
  (2) Hospital quarterly financial reports
  (3) CHAMPS paid claims reports, by program
  (4) Other data, as appropriate

The reports will be HIPAA compliant.

i. <u>New Programs</u> – As the federal and/or state hospital reimbursement methodology changes, new programs may arise. The HHPRD will incorporate these into our hospital MIP/CIP calculations and final settlements.

The responsibilities listed above are computerized. A contract is needed to continue the present computerization and also to enhance it so that the Settlement Section has access to the most contemporary software available in order to meet its objectives within the time constraints mentioned above.

Payment Processing Section
The Payment Processing Section currently is computerized. A contract is needed to maintain the present system and to periodically modify the system to meet our changing needs.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Hospital Rate Review Section
Inpatient Hospital Rate Setting
The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for the calculation of separate DRG prices and per diem rates for all hospitals, and the Medicaid statewide relative weights as well. The hospital rate setting function is outlined in the State Plan and issued in the Hospital Manual, Chapter VIII. Separate prices or per diem rates must be calculated for the following types of hospitals:

a. Medical Surgical DRG Hospitals (150)
b. Distinct Part Rehabilitation Units of Hospitals (49)
c. Freestanding Rehabilitation Hospitals (5)
d. Out-state Rates for each of the above types
e. Outpatient Hospital Cost to Charge Ratios

The Section's rate setting coordinator presently completes the calculations for each of the above rates. Data is entered into a formula, which computes the price, per diem, and relative weights. The Hospital Rate Review Section for accuracy and formula applications verifies all data used. The rates currently are not stored in a database system. All of the rates must be calculated and mailed out to the hospitals at least thirty (30) days prior to their implementation, which is April 1, of each year. These same rates must also be transferred to the Provider Enrollment table files.

Capital Rate Setting
The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for the calculation of separate capital costs per discharge for DRG hospitals (150) and capital costs per diem for Rehab hospitals and units (54).

The calculations of capital rates are presently completed by the Section's rate setting coordinator. Data is entered into a formula, which computes the capital rates. The Rate Review Section for accuracy and formula applications verifies all data used. The rates currently are not stored in a database system. These capital rates are to be updated on an annual basis.

State Psychiatric Hospital Settlement
The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for the calculation of cost settlement for the State psychiatric hospitals (4). The cost settlement is dictated in the Michigan Medicaid Manual (See Hospital Chapter, Hospital Reimbursement Appendix).

Computerization of the State Psychiatric Hospitals requires the creation of forms (Medicare 2552 forms) that are necessary to complete the Medicaid initial and final settlements. These settlements require spreadsheets to accumulate charges, days, discharges and payments. Other spreadsheets are needed to calculate the inpatient routine costs, inpatient ancillary costs, inpatient routine and ancillary capital and other pass through costs, cost limits, and the calculation of the Medicaid programs share of reimbursable direct graduate medical education cost. The system should also create a summary sheet to determine the amount due to or owed by each institution. The initial settlements should be completed after 18 months cut off after the hospital's fiscal year-end. The final settlement should be completed no later than twelve (12) months from the receipt of the Medicare audited cost report.

Hospital Final Settlement - Data from the Medicare cost report, the FCID, and our internal paid data reports are used to calculate a final settlement for each Michigan hospital that participated in the Medicaid program. To calculate a hospital final settlement we pull data from the electronic Medicare cost report file; the FCID base (this file contains the filed data needed to generate the Medicaid audit adjustment report and the Notice of Amount of Program Reimbursement); and our internal paid data reports that are electronically loaded into our this settlement system. The system creates the forms (hard copy and electronic) that are necessary to complete the Medicaid settlement. This includes, but

not is limited to, certain Medicare 2552 forms, Medicaid settlement forms, and the Notice of Amount of Program Reimbursement (NAPR).

The Medicaid final settlements, once completed and approved, are loaded into an Audited Cost Information Data (ACID) base. This ACID base is easily accessible and retained on line as long as the Settlement Section deems necessary. At that time, data may be moved to some kind of off-line storage.

Special Health Plan Cost Settlement
The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for the cost settlement of special health plans (2) under the Children's Special Health Care Services Programs based on the contract signed by the Department of Community Health and the special health plans. Computerization of Children's Special Health Care Services (CSHCS) Special Health Plans (SHP's) requires the support of forms (electronic) that are necessary to complete the Medicaid, CSHCS and MI Child initial and final settlements. These settlements require an Excel spreadsheet to accumulate payments, medical and administrative expenses to determine the amount due to owed by the special health plans. An initial settlement should be completed 6 months after the end of plan's fiscal year. A final settlement should be completed 18 months after the end of a plan's fiscal year.

Enhancements and Regulatory Updates
The Hospital Rate Review Section of the Hospital and Health Plan Reimbursement Division is responsible for insuring the successful implementation of regulatory changes effecting inpatient acute care, rehabilitation, outpatient, ambulance, and specialties affecting institutional reimbursement. Many of the changes mandated by Federal Regulations have direct effect upon all functions of the Hospital and Health Plan Reimbursement Division.

a. Medicare Grouper Software is updated annually and utilized by the Rate Setting Coordinator and other staff in routine duties. The software is reaching a complexity level where maintenance needs to be addressed by on-site staff. Furthermore, the software and associated programming must be implemented on strict deadlines with short notice of availability. Hospital Rate Review staff will supply the claims data to be applied to the software and review the results. Currently the "CMS Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ##" (MS-DRG/MCE v ##) is available from National Technical Information Service (NTIS). The vendor needs to procure two copies of PC based Medicare Secverity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##). This software is available from National Technical Information Service (NTIS).

b. ICD 10 Implementation is coming during fiscal year 2011 according to Federal Regulations. This implementation will require analysis of all computerized systems at all levels of the Hospital and Health Plan Reimbursement Division as well as all levels of the State of Michigan.

c. A psychiatric per diem rate will be developed to reimburse State of Michigan owned psychiatric facilities (4). This implementation will effect all systems from claims processing to and gross adjustments. A System analysis and requirements study of the implementation and assistance in successfully completing the per diem rates will also be required. The rate setting process will include cost report data, claim data as well as other yet-to-be determined elements.

d. A capital prospective payment system (CPPS) analysis and requirement study will be completed for viability and if appropriate implementation will effect all levels from claims processing to gross adjustments. The rate setting process will include cost report data, claim data from DRG rate setting process as well as other yet-to-be determined elements.

e. Hospital Acquired Conditions (HAC) analysis and requirement document will need to be completed and claim recoveries initiated in compliance with Federal Regulations and State Plan/Legislation. Current regulations apply to inpatient acute care settings, with future proposals for outpatient setting

as well. Anticipate targeted claim review and recoveries through an automated system (user initiated).

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Special Programs Section
The Special Programs Section is responsible for the settlement of numerous types of entities. There are currently over 350 clinic sites that are processed throughout the year and these include Federally Qualified Health Centers (FQHC), Rural Health Clinics (RHC), Tribal Health Centers (THC), Local Public Health Departments (LPHD), Intermediate School Districts (ISD), Health Maintenance Organizations (HMOs) and County Health Plans (CHP).

Medicaid policy requires participating providers to file annual reports. This filed report in combination with MDCH database information provides enough data to calculate settlements and various reports. The Special Programs Section monitors annual reporting requirements, maintains cost reporting data, completes a review of the reports, and calculates an interim, initial, and final settlement

In conjunction with the settlement, the Special Programs Section must coordinate, process, and monitor payments to each individual clinic. These clinics may receive interim payments, initial settlements, final settlements, and occasionally special payments. During a recent 12-month period the Special Programs Section processed 1,333 interim payments, 113 initial settlements, 369 final settlements and 15 special payments (transfers and recoveries). The payment system has been automated and enhancements to the system must continue.

The settlement and payment process involves the following procedures:

a. Send out letters, blank cost reports, and information 2-3 months after their fiscal year end (FYE) to notify facilities to file a reconciliation report due within five months after their FYE.

b. Monitoring late reconciliation reports not received by the due date and sending out follow-up letters.

c. Recording and reviewing filed reports.

d. Entering the report information into a settlement format (currently an Excel spreadsheet).

e. Electronically downloading Health Plan detail submitted by the facility to determine encounter count, acceptable visits or any duplicates.

f. Requesting paid claims data (encounters, payments, charges and other information) from the state paid claims database. These claims are then downloaded and processed to determine the visits and payments or any duplicates to calculate the settlement.

g. Entering information into the spreadsheet to calculate a settlement. Initial settlements are processed approximately 9 months after the FYE. Final settlements are processed approximately 18 months after the FYE.

h. Notices of the final settlements are sent to the clinics allowing a 30-day review before processing the adjustment.

i. The auditor may follow-up by providing any supporting information such as audit adjustments, paid claims detail and or policy references.

j. Process the settlement (payment or recovery of money) to the Clinic.

The current computerized settlement system provides for the input, manipulation, automated calculation and reporting of information required to determine Medicaid reimbursement. The system consists of a main front-end application, a database, and several subsystems. The main application is the user-interface used for such things as accessing the database, working with the reimbursement

reports, settlements, and updating gross adjustment data. The database holds all of the data. There is a provider reimbursement report, which is a spreadsheet application, used for data entry, calculation, and reporting. Providers complete a blank reimbursement report and mail it back to the Special Programs Section. This becomes the filed cost report. The auditor enters the report information into a template that calculates a settlement and saves the information in a database. The following computer systems and applications are utilized in the settlement process:

Name: Cardfile system
Type: Client/Server (VB6, SQL, ASP, Active Reports, JavaScript, VB Script)
Description: This system provides access to information on every provider that HHPRD deals with. This system is the center of operations and the information is used in many ways: the Address/Contact information is used to send out form letters. The payment information is downloaded into the settlement database. The cardfile keeps track of Provider Enrollment information for all certified sites. The filed and audited report information is used to determine filed/accepted reports, reports that have not been received, or any revisions. Information is automatically entered into the cardfile from the gross adjustment system. There are many reports available through the cardfile system the ones used by the Special Programs Section include but are not limited to the following: NPI numbers, addresses, fiscal year ends, a report that identifies outstanding settlements, facilities that failed to file a reconciliation report and affiliated locations.

Name: FQHC Settlement system
Type: Excel, VBA, SQL
Description: The information for all settlement types are input by audit staff in a spreadsheet or retrieved from the database. The spreadsheet calculates the settlement displays it in a report form and stores the information in the database for use in future settlements and reports.

Name: Full Cost Clinic Reporting System (FCCR)
Type: Web Based Application (ASP, Active Reports, JavaScript, VB Script, SQL)
Description: This is a web-based application that counts and sorts claims. The input is from the MSA paid claims database. The application sorts and counts the claims, and generates a report that is sent to the clinic as supporting information for the settlement. A detailed claim information report is also available.

Name: HHPRD Database
Type: Database, SQL
Description: This database system is used to store all information for all of the Hospital and Health Plan Reimbursement Division systems.

Name: Gross adjustment system
Type: Interface, VB.Net, SQL
Description: This system is use to record payments and adjustments into the database system from the state payment system. Interfaces with the Gross Adjustment system supported by MDIT.

Name: FQHC Reporter
Type: Excel, VBA, SQL
Description: Allows the auditor to pull in data off the reimbursement reports for any FYE range.

Name: QHP Claims File Converter
Type: Excel, VBA, SQL
Description: This system converts health plan detail submitted electronically into a standard format that can be loaded into the FCCR system to count visits and payments.

Name: Accrual Reporter
Type : Excel, VBA, SQL
Description: The system calculates a year end report for budget estimates and determines any outstanding settlements and the estimated liability that needs to be carried forward.

Name: FQHC Letters
Type: Web Based (ASP, Active Reports, JavaScript, VB Script, SQL)
Description: This is the system that generates all letters for our Special Programs Section.

Name: Medicaid Allowable Expenditure Report (MAER)
Type: Excel, VBA, SQL
Description: A system that collects and calculates local education agency (LEA) financial information for input to School Based Services reimbursement processing.

Name: Michigan Medicaid Forms (MMF)
Type: Visual Basic, VB6, SQL
Description: Portion of the School Based Services system to be used by the Intermediate School Districts (ISD) and Special Programs Section to calculate, display, maintain, report, track and load reimbursement information.

Name: Eligibility Match process
Type: Excel, SQL
This system is also used for School Based Services to collect, calculate and distribute eligibility match/partial match information so the Medicaid Eligibility rate may be determined for each ISD to calculate reimbursement.

These systems (individually or together) are used to:
a. Create settlements
b. Maintain a database
c. Send notices to providers (mailings and correspondence)
d. Create reports (providers, settlements, payments, and recoveries) and statistics on encounters, costs and efficiency
e. Process and record payments

The Special Programs Section also has other responsibilities such as: settlements for county health plans, School Based Services, financial reporting of HMOs, Provider Enrollment approvals, year end filing of accruals and periodic budget/financial reports. These responsibilities utilize many of the same programs/applications noted above.

There is also a new Tribal Health Center Outreach program that may require a settlement process and this may be the responsibility of the Special Programs Section. There is a new Community Health Automated Medicaid Processing System (CHAMPS) that may require some system changes. The National Provider Identifier (NPI) has also required changes to all of our systems and we continue to monitor this new requirement to make sure settlements correspond with the federal regulations. The Hospital and Health Plan Reimbursement Division is working towards Direct Data Entry through a Web system already in place at the State and system support is coordinating these efforts.

The Special Programs Section has new policy effective 07/01/2008 that allowed Schools to be reimbursed for beneficiaries that received any medical services. No settlements have been processed at this time and we are currently setting up "new" systems to accommodate this new policy. The contractor shall be required to program this new settlement system based on the policy or maintain the system if completed. This falls into the changes in program enhancements on an ongoing basis.

OFFICE OF AUDIT
The Office of Audit is responsible for performing the audit functions for MDCH, which includes audits of long-term care providers (nursing homes), compliance exams for community mental health service providers, Public Health Departments, and other agencies that receive funding from MDCH. The Office of Audit coordinates and tracks all external audits on department programs and operations. The Office of Audit also works with the various program areas within the department to assist in developing the

necessary corrective action plans/audit responses to external (e.g. Office of the Auditor General) audit findings. The Office of Audit also monitors subrecipient audit reports.

The Office of Audit office, located in Lansing, oversees the operation of five sections, three of which are regionally located. The Office of Audit, Quality Assurance and Review Section monitors subrecipients of federal and state grants for compliance with audit requirements, follows up on audit report issues, and issues management decisions on audit findings. Contracts and federal law require the audits. The remaining four sections are responsible for auditing long-term care or other health care providers assigned to that geographic region. Regional offices are located in Fenton, Grayling, and Grand Rapids. The Central Section, also located in Lansing, administers a contract with an accounting firm that performs and conducts audits of providers located primarily in the Southeast portion of the state.

Under the Medicaid long-term care program, participating providers are required to file annual cost reports from which data is used to calculate facility specific prospective reimbursement rates. The LTC Reimbursement and Rate Setting Section has primary administrative responsibility for the reimbursement program. The Office of Audit performs the federally required monitoring of these cost reports through in-house or on-site expenditure audits of the cost reports. The cost report information is used to calculate per diem reimbursement rates and determine annual reimbursement settlements for long term care providers. Although the Medicaid Long Term Care System (LTCS) has largely been automated, enhancements to the system must continue. This project has made the administration of the program much more accurate and efficient. A new contract is needed not only to carry on with the automation that has already been implemented, but also to upgrade, enhance, and refine the present system to achieve maximum potential.

Field auditors housed outside of Lansing in regional offices have particular requirements that are fulfilled through the cooperation of DIT and the contractor personnel. DIT maintains the remote connections, hardware and software. The contractor must insure that applications are capable of working at remote locations in a networked environment. This requires remote updating of all system applications. In addition, the ability of the field auditors to remotely log in via secure connection and report time and activities or access files must be maintained.

OFFICE OF AUDIT
Long Term Care System (LTCS)
The current computerized Long Term Care System (LTCS) provides for the coordination of effort and reporting of information required to determine Medicaid reimbursement for long term care facilities. Reimbursement rates are facility specific and calculated prospectively based on the allowable costs reported on each facility's cost report. The cost reports are subject to audit to ensure that the costs used to calculate reimbursement rates comply with the established cost principles. The main application (LTCA) is the user-interface used for such things as accessing the database, working with the cost reports, writing audit plans, coordinating staff assignments and logging activities. The database (LTCDB) holds all of the data. There is a provider electronic cost report (ECR) in the form of a workbook, which is used for field audits, data entry and reporting.

1. **LTCS Application (LTCA)**
    Type: VB.Net, VB6, SQL
    The LTCS Application is a constantly evolving application developed to allow users to select and electronically perform the various long term care related business functions and system administration activities. On-going technical and operational support must be provided to maintain and enhance these applications in order to achieve maximum efficiencies from the system. Application users must be able to select and perform various LTC business related functions, such as file/directory creating, naming, deleting, retrieving, and storing for all standard documents and functions of the LTCS.

2. **LTCS Database (LTCDB)** Central to the LTCS is a database which includes the following information: filed and audited cost reports, general provider information, tracking logs, rate setting, settlement payment data, gross adjustment, and Medicaid Interim Payment (MIP). Tracking of

various information and events relating to a particular provider, cost report, etc., will be maintained in the database. New information or events must be added to the database as necessary.

3. **Electronic Cost Report (ECR)**
Type: VBA, SQL, Excel
The LTCS must continue to provide the long-term care providers with the ability to electronically file cost reports. The cost report application will handle all calculations and printing through its own functions. The underlying applications used to program the cost report are flexible and allow for timely revisions in order to address program policy changes and any changes in reporting requirements.

   a. Access to the ECR and related provider data files are available electronically through the LTCA to the Office of Audit Central and Regional Offices. A process is maintained to track and record the movement of these files between the two divisions as well as the status of any assignments. Acceptable ECRs are released to the Office of Audit for audit. After the audit has been completed, the audited version of the ECR is electronically returned to the LTC Reimbursement and Rate Setting Section to be processed.

   b. The LTCA provides an automated system for accepting and processing of audited ECRs. The audited ECR is electronically checked for acceptance and uploaded into the central database. Technical support and maintenance of the electronic verification process is performed. DCH staff will determine procedural changes to the acceptance process and the contractor shall perform the changes to the automation process.

4. **Nursing Facility Audit Plans**
Type: ASP, Active Reports, JavaScript, VB Script, SQL
For each nursing facility cost report accepted by LTC Reimbursement and Rate Setting, an audit plan is generated, outlining the scope of the review to be performed. In determining the scope of the audit, several different analytic tools are used to assess risk and determine the areas and extent of the review. The audit plan summarizes the results of this analysis. The analytic tools used to determine and assess risk consist of variance reports, comparing various elements of a current year to the previous year's cost report, and a report comparing the current cost structure against the applicable reimbursement limits. In the process of completing this plan, various electronic signatures are required. As these steps are completed or signed, appropriated information is secured or locked.

   a. These reports, as well as the audit plan, are generated electronically by selecting the appropriate application from the LTCA. The audit plan and the supporting reports are dynamic, changing as applicable rules and regulations and reporting requirements change.

   b. In addition to being able to create and generate a variance report comparing elements from a current year to the previous year's cost report, the capabilities must be enhanced in order to generate and calculate statistical information by geographic region and provider type. These additional capabilities are needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards.

5. **Auditing ECRs**
Type: VBA, Excel, SQL
Once the audit plan has been completed and an ECR is assigned for audit, the auditors use the cost report workbook on notebook PCs. Elements of the cost report are initially stored as text files. When working on a cost report, the auditors download those files into a spreadsheet template. This process occurs electronically via the LTCA discussed earlier. In this format, the auditors are able to view, perform analyses, edit, and save any changes made to the workbook based cost report data. The auditors generate work papers to review the reported cost and the audit adjustments are determined. The auditor then enters the audit adjustments into the cost report for automatic cost report updating/revision. A report worksheet in the form of a "Summary of Audit Adjustments" is

printed. Individual adjustments may be added or deleted until the audit is finalized. The completed audited cost report is validated and transmitted to the Lansing Office electronically, uploaded and stored in the LTCDB and released to the LTC Reimbursement and Rate Setting Section where the results are implemented for rate setting and settlement.

Various forms and standard correspondence generated through the audit process is maintained, developed, and made accessible through the LTCA. The LTCS has the capability to store and retrieve this information. Audit workpapers, letters to providers generated in Microsoft Word, scanned provider documents and workpapers are just some examples of the type of information that needs to be retained.

6. **Audit Management**
   Type: ASP, Active Reports, JavaScript, VB Script, SQL
   This web application is used by auditors and managers to manage the audit process involving over 1600 in-progress audits at any given time in an efficient and organized manner. Long-Term Care Audits are added to the database utilizing the LTC Audit Wizard. This Web Wizard steps the auditors through the process, automatically creating consistent and complete records. The appropriate manager individually creates other audits, including home office audits. Home office audits have sub-audits attached to them. While some systems are for long term care use only, this system covers all Office of Audit audits: Long term care, mental health compliance exams, public health, and subrecipients. Every audit that is open or having time tracked to it has to exist in the Audit Management system.

   Managers have the ability to automatically generate reports to track individual audits or a regional office's status, progress and resources with precision. The Audit Management system interacts with the Time Tracking application described below.

7. **Time Tracking**
   Type: ASP, Active Reports, JavaScript, VB Script, SQL
   Auditors and managers in Lansing, in regional offices, at remote locations across the State of Michigan and on occasion in other states, must be able to access and input daily time keeping information. When at remote locations, access may require the use of a VPN connection. Using the web application, daily time is entered by specific provider, cost report year-end, index and PCA, task performed, date and time unit. Time can be automatically allocated between subaudits and home office audits as desired by management through selections in the Audit Management system. Resources and time allocated to different audits is tracked enabling optimum utilization, keeping audits on time and within budget.

   Various reports are produced. The time sheets and Federal time summaries produced are compliant with the State's regulations and are used to interface with the States payroll processing systems. Other reports include Annual Audit Plan, Audit Time Summary and Monthly Activity reports.

8. **Reporting** - The LTCS provides the capability for various reporting activities as detailed in the following Tasks section. System reporting outputs that can be created are pre-defined reports and available to users via functions within the LTCA or ad-hoc reports, produced by the user with the functions of Microsoft Query. Contractor technical support must be available to users to assist in the creation and design of ad hoc reporting/querying.

9. **File Management** – A system to track the location of paper files, mainly audit files and permanent files, is currently maintained individually by a regional office. This system is currently a combination of an access database and paper reports with manual notations. A new central electronic tracking system is desired, indicating when files were sent where, arrived, were stored, etc.

10. Home Office Cost Reports
Type: VB.Net, Crystal Reports, SQL
Many long-term care facilities are operated as a unit of a chain organization. Chain organizations consist of a group of two or more health care facilities or at least one health care facility and any other business or entity which are owned, leased, or through any other organization structure, controlled by one organization. Home offices of chain organizations are not certified providers; therefore, its costs are not directly reimbursed. Home offices usually furnish central management and administrative services to units of the chain. Since home offices are related to the provider, the actual allowable costs to provide those services are included as allowable costs of the provider. The LTCS must continue to provide the home office entities with the ability to electronically file cost reports. The cost report application will handle all calculations and printing through its own functions. The underlying applications used to program the cost report must be flexible and allow for timely revisions in order to address program policy changes and any changes in reporting requirements.

a. Home office cost reports contain financial information that is allocated to individual long term care facilities. The method of allocation varies from gross receipts or costs to available beds. The allocated amounts are included in the long-term care cost reports and are subject to audit.

b. Access to the HOCR and related home office data files must be available electronically through the LTCA to the Office of Audit Central and Regional Offices. A process must be maintained to track and record the movement of these files between the two divisions as well as the status of any assignments. Acceptable HOCRs are released to the Office of Audit for audit. After the audit has been completed, the audited version of the HOCR is electronically returned to the LTC Reimbursement and Rate Setting Section to be processed.

c. The LTCA provides an automated system for accepting and processing of audited HOCRs. The audited HOCR is electronically checked for acceptance and uploaded into the central database. Technical support and maintenance of the electronic verification process is performed. DCH staff will determine procedural changes to the acceptance process and the contractor shall perform the changes to the automation process.

11. Home Office Audit Plans
Type: VB.Net, Crystal Reports, SQL
For each home office entity cost report accepted by LTC Reimbursement and Rate Setting, an audit plan is generated, outlining the scope of the review to be performed. In determining the scope of the audit, several different analytic tools are used to assess risk and determine the areas and extent of the review. The audit plan summarizes the results of this analysis. The analytic tools used to determine and assess risk consist of variance reports, comparing various elements of a current year to the previous year's cost report, and a report comparing the current cost structure of each individual related nursing facility against the individual nursing facility's applicable reimbursement limits. In the process of completing this plan, various electronic signatures are required. As these steps are completed or signed, appropriate information is secured or locked.

a. These reports, as well as the audit plan, are generated electronically by selecting the appropriate application from the LTCA. The audit plan and the supporting reports are dynamic, changing as applicable rules and regulations and reporting requirements change.

b. In addition to being able to create and generate a variance report comparing elements from a current year to the previous year's cost report, the capabilities must be enhanced in order to generate and calculate statistical information by geographic region. These additional capabilities are needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards.

12. Auditing HOCRs

Type: VB.Net, Crystal Reports, SQL

Once the audit plan has been completed and an HOCR is assigned for audit, the auditors use the electronic cost report on notebook PCs. Elements of the cost report are initially stored as text files. When working on a cost report, the auditors must download those files into a template. This process occurs electronically via the LTCA discussed earlier. In this format, the auditors are able to view, perform analyses, edit, and save any changes made to the workbook based cost report data. The auditors generate work papers to review the reported cost and the audit adjustments are determined. The auditor then enters the audit adjustments into the cost report for automatic cost report updating/revision. A report worksheet in the form of a "Summary of Audit Adjustments" must be able to be printed. Individual adjustments may be added or deleted until the audit is finalized. The completed audited cost report is validated and transmitted to the Lansing Office electronically, uploaded and stored in the LTCDB and released to the LTC Reimbursement and Rate Setting Section.

Various forms and standard correspondence generated through the audit process must be maintained, developed, and made accessible through the LTCA. The LTCS must have the capability to store and retrieve this information. Audit workpapers, letters to providers generated in Microsoft Word, scanned provider documents and workpapers are just some examples of the type of information that needs to be retained.

13. Audit Programs – At present the audit programs are generally all inclusive. A new electronic application keyed to the Audit Plan is desired. This application would pull together an audit program based on the selections in the audit scope section of the audit plan. This would eliminate excess paper and verbiage, allowing the auditor to focus on what is actually requested in the audit plan.

OFFICE OF AUDIT
Subrecipient Audit Report Monitoring System

The Office of Audit, Quality Assurance and Review Section (QAR) monitors subrecipients of federal and state grants for compliance with audit requirements, follows up on audit report issues, and issues management decisions on audit findings. Contracts and federal law require the audits. Also, the Office of Management and Budget (OMB) Circular A-133 requires the Michigan Department of Community Health (MDCH), as a pass-through entity of federal funding, to monitor the activities of subrecipients, to ensure subrecipients meet the audit requirements of OMB Circular A-133, and to issue a management decision on audit findings. MDCH provides Federal and State funds to nearly 600 agencies in a fiscal year. Of those nearly 600 agencies, approximately half are required to submit a Single Audit or a Financial Statement Audit each fiscal year.

Additionally, the Office of Audit, Central Regional Section monitors Community Mental Health Service Providers (CMHSPs) and Prepaid Inpatient Health Plans (PIHPs) for compliance with contractually required Compliance Examinations, follows up on Compliance Examination report issues, and issues management decisions on findings. Nearly 50 agencies submit Compliance Examinations each fiscal year.

The audit and compliance examination report submissions, reviews, and follow-up actions must be performed within specific time frames. To effectively and efficiently monitor the multi-program state and federal contracts, grants, and agreements administered by MDCH, an electronic collection, tracking, and reporting system is needed.

Prior to fiscal year 03/04, the Office of Audit continued to use a Microsoft Access 2000 Database for the collection, tracking and reporting of their audit report monitoring. This Database contained numerous weaknesses and inefficiencies. In fiscal year 03/04, the Quality Assurance and Review Section implemented a project to create a new automated system to more effectively and efficiently monitor and track audit reports and follow-up actions. The new automated system, called the Subrecipient Audit Report Monitoring System (SARMS), made the administration of the program much more accurate and

efficient. SARMS primarily uses both SQL Server and Microsoft Access. However, a recent enhancement to SARMS includes the use of .Net technology. Further enhancements to SARMS are needed to more effectively and efficiently monitor and track audit and compliance examination reports and follow-up actions. Additionally, a migration away from Microsoft Access is desired since new applications being built using Microsoft Access do not adhere to the client/server architecture as stated in the Department of Information Technology Policy 1310.34. An upgrade to newer technology is needed to ensure the maintenance of and access to data and information in the future (as currently used software may become obsolete), to ensure data and information can be successfully and easily transferred in a multi-user environment (that could expand dramatically with proposed enhancements), and to allow for efficient upgrades and modifications.

A new contract is needed to upgrade, enhance, and refine the system to achieve maximum potential. On-going technical and operational support must be provided to maintain and enhance the Subrecipient Audit Report Monitoring System.

LTC REIMBURSEMENT AND RATE SETTING SECTION

The LTC Reimbursement and Rate Setting Section, Bureau of Medicaid Financial Management, Medical Services Administration is responsible for administering the long term care provider reimbursement program under Title XIX of the Social Security Act (Medicaid). These functions or responsibilities rest primarily with the LTC Reimbursement and Rate Setting Section.

Under the Medicaid long term care program, participating providers are required to file annual cost reports from which data is used to calculate facility specific prospective reimbursement rates. The LTC Reimbursement and Rate Setting Section monitors provider and home office annual cost reporting requirements, maintain cost reporting data, complete a limited number of in-house expenditure audits of the provider cost reports, calculate the Medicaid reimbursement rates, and calculate annual reimbursement settlement on the provider cost reports. The cost report information is used to calculate per diem reimbursement rates and determine annual reimbursement settlements for long term care providers. The requirements include payment processing coordination, procedure rate table file revisions and provider payment processing and monitoring. Although the Medicaid Long Term Care System (LTCS) has been automated, enhancements to the system must continue. This project has made the administration of the program much more accurate and efficient. The current contract expires on September 30, 2009. A new contract is needed not only to carry on with the automation that has already been implemented, but also to upgrade, enhance, and refine the present system to achieve maximum potential. A new contract is also needed to address the additional responsibilities assigned to the Section as a result of the reorganization of the Department and a reduction in staffing due to retirements. The Section consists of the following staff and work area:

- LTC Reimbursement and Rate Setting Section – The Section office located in Lansing is responsible for the development, analysis, and implementation of reimbursement and rate setting policies/procedures for nursing homes, county medical care facilities, hospital long term care facilities, and hospital swing beds. Audit and clerical support staff are located in the Lansing office.

LONG TERM CARE REIMBURSEMENT AND RATE SETTING SECTION
Long Term Care System (LTCS)

The current computerized Long Term Care System (LTCS) provides for the electronic collection, manipulation, automated calculation and reporting of information required to determine Medicaid reimbursement for long term care facilities. The LTCS consists of a main front-end application, a database, and several subsystems. The main application (LTCA) is the user-interface used for such things as accessing the database, working with the cost reports, completion of audit plans, setting reimbursement rates and settlements, coordinating staff assignments, logging staff work activity, and updating gross adjustment data. The database (LTCDB) holds all of the data. There is a provider electronic cost report (ECR), which is a number of spreadsheets linked together and used for data entry and reporting which is calculated and validated. The cost report drives the entire system. The cost report template is currently mailed to the providers on a CD. Providers complete data entry into the

cost report template, save the cost report as a data "text" file, and mail the cost report text file back to the Section offices. This becomes the filed cost report. The cost report template versions will be available on the Bureau's Web Page for providers to access. It is also anticipated that providers will be able to complete, and file the ECR over the Internet. An electronic workbook is used for field audits, settlements and rate settings. Examples of LTCS functions are rate setting, file maintenance, and ad hoc reporting.

1. **LTCS Application (LTCA)** - Same application as used by Office of Audit. As described earlier in section 1.002, Office of Audit, Long Term Care System.

2. **LTCS Database (LTCDB)** – Same database as utilized by Office of Audit. . As described earlier in section 1.002, Office of Audit, Long Term Care System.

3. **Electronic Cost Report (ECR)**
   Same ECR utilized by Office of Audit. As described earlier in section 1.002, Office of Audit, Electronic Cost Report. .

   In addition, the practice of filing cost reports electronically must continue and improvements made to the built-in validation process, which identifies preparation errors. The LTCA must provide procedures for creating approximately 425 ECR CD annually, or for providing access through the Internet.

   The LTCA provides an automated system for accepting and processing of ECRs filed by the providers either by diskette or through the Internet. The ECR is electronically checked for acceptance and uploaded into the central database. Technical support and maintenance of the electronic verification process is performed. Procedural changes to the acceptance process will be determined by the Section staff and the automation process performed by the contractor. The acceptance process includes an evaluation of the cost reporting information to determine whether it satisfies initial settlement eligibility requirements, requires some type of special handling or treatment, or whether it should be rejected and returned to the provider for correction.

   The LTC Reimbursement and Rate Setting Section conduct the initial evaluation and acceptance process for the ECRs. Acceptable ECRs are scoped to determine the amount and type of audit is necessary, and then released to Office of Audit. An audit of the ECR may be performed by the Office of Audit's Regional Offices, or moved electronically back to LTC Reimbursement and Rate Setting Section for a limited in-house audit. After the audited ECR is loaded into the LTCDB, by the Office of Audit, the file is then forwarded to the LTC Reimbursement and Rate Setting Section for finalization of reimbursement rates, settlement completion and processing. The information flows between the two areas and to the Regional Field Offices through a client/server network. Regional Offices have access to the database server via leased lines, which the State provides and maintains. The LTCS Network provides for the electronic sharing of information between the Lansing Office and the Regional Offices.

4. **Nursing Facility Audit Plan Completion**
   Same Audit Plan utilized by Office of Audit. As described earlier in section 1.002, Office of Audit, Nursing Facility Audit Plans. For each cost report released for audit, the LTC Reimbursement and Rate Setting Section generates an audit plan for completing the audit. This plan outlines the scope of the review to be performed. The audit plan, accessed through the LTCA, consists of series of checkboxes, comment boxes, and signature boxes, which is saved and maintained in the LTCDB. In determining the scope of the audit, several different analytic tools are used to assess the audit risk, which is used to determine the areas and extent of the review. The audit plan summarizes the results of this analysis.

   The analytic tools used to determine and assess risk consist of the risk analysis, which compares the current cost structure against the applicable reimbursement limits; the variance report, which compare various elements of a current year to the previous year's cost report or to the last audited

cost report period; and a statistical cost analysis report, which compare various statistics from the current year to the previous year's cost report or to the last audited cost report period. These reports are generated electronically by selecting the appropriate application from the LTCA. The reports are saved to the LTCA and available for the Office of Audit's Regional Office staff.

In addition to being able to create and generate a variance report comparing elements from a current year to the previous year's cost report, the capabilities must be enhanced in order to generate and calculate statistical information by geographic region and provider type. These additional capabilities are needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards. The reports must be flexible and allow for timely revisions in order to address program policy changes and any changes in reporting requirements

5. **Auditing ECRs** –
Same ECR utilized by Office of Audit. As described earlier in section 1.002, Office of Audit, Auditing ECRs.
Once the audit plan has been completed and an ECR is assigned for audit to the LTC Reimbursement and Setting Section, the auditors use the spreadsheet cost report on desktop PCs. A cost savings report is run utilizing the audited cost report data to determine the cost impact on the Medicaid program. An acceptance review is completed by the LTC Application on the audited cost report text file, and then the text file is transmitted to the Office of Audit Director's Office electronically where the data is then uploaded and stored in the LTCDB and released to the LTC Reimbursement and Rate Setting Section where the results are implemented for rate setting and settlement.

6. **Home Office Cost Reports (HOCR)**
Same HOCR utilized by Office of Audit. As described earlier in section 1.002, Office of Audit, Home Office Cost Reports. The practice of filing home office cost reports electronically must continue, and improvements made to the built-in validation process, which identifies preparation errors. The LTCA must provide procedures for creating approximately 60 HOCR CD annually, or for providing access through the Internet.

The LTCA provides an automated system for accepting and processing of HOCRs filed by the home office entities either by diskette or through the Internet. The HOCR is electronically checked for acceptance and uploaded into the central database. Technical support and maintenance of the electronic verification process is performed. Procedural changes to the acceptance process will be determined by the Section staff and the automation process performed by the contractor. The acceptance process must include an evaluation of the cost reporting information to determine whether it requires some type of special handling or treatment, or whether it should be rejected and returned to the home office for correction.

The LTC Reimbursement and Rate Setting Section conduct the initial evaluation and acceptance process for the HOCRs. Acceptable HOCRs are scoped to determine the amount and type of audit is necessary, and then released to Office of Audit. An audit of the HOCR is then performed by the Office of Audit's Regional Offices. After the audited HOCR is loaded into the LTCDB, by the Office of Audit, the file is then forwarded to LTC Reimbursement and Rate Setting Section. The information flows between the two areas and to the Regional Field Offices through a client/server network. Regional Offices have access to the database server via leased lines, which the State provides and maintains. The LTCS Network must provide for the electronic sharing of information between the Lansing Office and the Regional Offices.

7. **Home Office Audit Plan Completion**
As described earlier in section 1.002, Office of Audit, Home Office Audit Plans.
For each cost report released for audit, the LTC Reimbursement and Rate Setting Section generates an audit plan for completing the audit. This plan outlines the scope of the review to be performed. The audit plan, accessed through the LTCA, consists of series of radio buttons,

checkboxes, comment boxes, and signature boxes, which must saved to and maintained in the LTCDB. In determining the scope of the audit, several different analytic tools are used to assess the audit risk, which is used to determine the areas and extent of the review. The audit plan summarizes the results of this analysis.

The analytic tools used to determine and assess risk consist of the risk analysis, which compares the current cost structure of the individual nursing facility against the individual facility's applicable reimbursement limits; the variance report, which compare various elements of a current year to the previous year's cost report or to the last audited cost report period; and a statistical cost analysis report, which compare various statistics from the current year to the previous year's cost report or to the last audited cost report period. These reports are generated electronically by selecting the appropriate application from the LTCA. The reports must be saved to the LTCA and available for the Office of Audit's Regional Office staff.

In addition to being able to create and generate a variance report comparing elements from a current year to the previous year's cost report, the capabilities must be enhanced in order to generate and calculate statistical information by geographic region. These additional capabilities are needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards. The reports must be flexible and allow for timely revisions in order to address program policy changes and any changes in reporting requirements.

8. **Quality Assurance Assessment Program (QAAP)**
   Type: MS Office, SQL
   The LTCDB contains information on the different provider assessment levels, the address data and various census data to generate approximately 450 annual non–medicare day confirmation letters. The LTCS will need to provide for approximately 400 automated gross adjustment notification letters. Data necessary for completion of the letter is retrieved from the LTCDB. Provider information, rate components, and Medicaid day information are automatically populated in the letter. An annual QAAP reconciliation report will be needed to generate the QAAP reconciliation gross adjustment. LTCS provides for collection and tracking of gross adjustment data in the LTCDB. Reporting of QAAP gross adjustment data is done through the reporting function of the LTCA.

9. **Freedom of Information**
   Type: VB.Net, SQL
   The LTCA is able to copy the cost report data text file(s) onto diskette(s) or CD(s). The data files are accessible on an individual cost report file basis, or all cost report files loaded into the database on a quarterly basis. Rate information is accessible, either as individual rate(s), or an electronic file that summarizes all rates by county for specific time periods.

10. **Rate Setting**
    Type: VBA, Excel, SQL
    The LTCS provides for an automated rate calculation process. The process is accessed through the LTCA through a series of drop down menus for the selection of an appropriate rate workbook to complete the rate calculation. The rate setting application is in the form of a series of linked spreadsheets.

    The LTCS allows for automatic calculation and storage of selected rate setting data from the spreadsheets in the LTCDB upon completion of the data entry. Data necessary for completion of the rate setting spreadsheets are retrieved from the LTCDB. Provider information, cost report data, and various table files data are automatically populated in the rate setting spreadsheet. The provider rate notification letter is automatically generated upon completion of the rate setting spreadsheet.

11. **Gross Adjustment**
Type: VB.Net, Interface
Weekly gross adjustment data, applicable to the LTC Reimbursement and Rate Setting Section is received electronically from the Department of Information Technology (during this contract period, the data will be received from the Department's new CHAMPS system) and loaded into the LTCDB by the contractor. Data necessary for completion of the gross adjustment record is retrieved from the LTCDB information resulting from settlement and miscellaneous gross adjustment calculation actions. LTCS provides for collection and tracking of gross adjustment data in the LTCDB. Reporting of gross adjustment data is done through the reporting function of the LTCA.

12. **Cost Report Settlement** - The LTCS needs to be enhanced (new development) to provide for an automated settlement process for calculating initial, final and revised final settlements. The process must be accessed through the LTCA through a series of drop down menus for the selection of an appropriate settlement workbook to complete the settlement. The settlement automation is in the form of a series of spreadsheet calculations.

The LTCS allows for automatic calculation and storage of settlement data in the worksheet and LTCDB upon completion of data entry. Data necessary for completion of the settlement workbook is retrieved from the LTCDB. Provider information, cost report data and program payment data retrieved from database are automatically populated in the settlement spreadsheets. The provider notice of program reimbursement letter is automatically generated upon completion of the settlement spreadsheet.

13. **Medicaid Interim Payments (MIP)** - The LTCS needs to be enhanced (new development) to provide for an automated MIP calculation process based upon a combination of manually entered data and LTCDB information. The MIP calculation process would be accessed through the LTCA. The MIP calculation application should be in the form of a spreadsheet. Provider MIP enrollments, MIP calculated amounts and MIP payments are stored in the LTCDB for use in the gross adjustment process and annual MIP reconciliation. The MIP amount provider notification letter should be automatically generated upon completion of the MIP calculation. An annual MIP reconciliation report will be needed to generate the MIP reconciliation gross adjustment.

14. **Reporting** - The LTCS must provide the capability for various reporting activities. The LTCDB contains sufficient data for extended data analysis of provider information. At this point there is capability to create reports that can be generated from the data in the LTCDB for use by LTC Reimbursement and Rate Setting Section staff. System reporting outputs that can be created fall into four categories: Miscellaneous, Summary, Status and Ad-hoc. The Miscellaneous, Summary and Status reports are pre-defined reports created and available to users via functions within the LTCA. Ad-hoc reports are produced by the user with the functions of database query. Contractor technical support must be available to users to assist in the creation and design of ad hoc reporting/querying. Freedom of Information Act (FOIA) reporting is necessary to produce printed or electronic medium documents for external distribution. The LTCS file library must provide appropriate naming and cataloging of files necessary for retrieval. FOIA reporting must be available on a need basis.

Miscellaneous reports are reports that may be required on a yearly, quarterly, monthly or weekly basis. Summary reports generate averages and/or totals for a variety of data elements. Status reports are more often daily or weekly reports detailing cost reports, rates settlements and audit activity.

15. **Web Page** - The Bureau has a Web page on the MDCH Web site. The Department will be responsible for the Web site administration. The Bureau page allows access by long term care providers to commonly used forms, instructions, and other commonly requested information. An Internet address will be provided to permit providers and other interested parties a method to send in their cost reports, ask questions, and receive responses. Bureau staff will determine commonly used forms and information to be included on the Web page. The contractor shall be responsible

for providing the updated versions of the cost report templates and other files as determined by Section staff to Section staff for updating the Bureau's Web page.

1.100   Scope of Work and Deliverables

1.101 In Scope

The scope of this contract is to provide a variety of IT professional services on an as needed basis to provide ongoing support, maintenance and enhancement of existing systems and development of new systems as described in this section. Eight IT classifications have been defined to accommodate the agency needs across a wide spectrum of experience and skill levels and are listed in Attachment D.

The following covers current contractual software, hardware, support and operational responsibilities.

- Production Environment: Contractor shall maintain and administrate a state-owned server integrated with the MDCH/MDIT Novell and Windows networks and accessible over the state's network to approximately one hundred users at sites in Lansing, Grand Rapids, Grayling, and Fenton.
- Development Environment: Contractor shall maintain, configure, support, and administrate a vendor-owned development environment consisting of at least one Windows server sufficiently equipped to serve as an emergency replacement for the production Windows server described above, a sufficient number of Windows PC workstations for contract staff usage and testing purposes, and development tool software licenses sufficient to support the current application environment.
- Disaster Recovery Plan: Contractor shall provide and maintain a comprehensive written disaster recovery plan. Test the plan periodically and report on test results.
- Source Code Storage and Maintenance: Contractor shall provide and maintain a version-controlled source code library for software provided under the contract.
- Application Support: Contractor shall provide application related desktop and laptop support in cooperation with MDIT for approximately one hundred local and remote bureau users of applications provided under the contract.
- Application Development and Maintenance: Contractor shall create, maintain, install, and support client/server and web application software. The system applications consist of more than 450 screens or worksheets, 200 reports, 1,700 SQL stored procedures/functions/triggers, and 2,500 program modules.
- Interfaces: Contractor shall create, maintain, install, and support interfaces to state systems as necessary, including interfaces to the legacy MMIS system and the new CHAMPS MMIS system for gross adjustment and rate information as well as interfaces to HRMN and DCDS for audit staff time tracking information.
- Program Support: Contractor shall provide software tools and staff support to assist the state in calculating various fund distributions including, but not limited to, the Medicaid Access to Care Initiative (MACI), Disproportionate Share Hospitals (DSH), Graduate Medical Education (GME), and Quality Assurance Supplement (QAS).
- Software Licensing - All software procured must be procured on behalf of the State of MI:
  o The contractor shall procure and utilize software certified by the Centers for Medicare and Medicaid Services (CMS) to edit and process CMS 2552-96 Hospital Cost Reports. The software licensing agreement must include rights to process cost reports from all hospitals seeking Medicaid reimbursement from the State of Michigan for the past fifteen years. The software licensing agreement must also include rights for the MDCH Mental Health and Substance Abuse Administration to create CMS 2552-96 Hospital Cost Reports for state owned psychiatric hospitals for submission to CMS and to HHPRD.
  o Currently the "CMS Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ##" (MS-DRG/MCE v ##) is available from National Technical Information Service (NTIS). The contractor shall procure two copies of PC based Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##).   This software is available from National Technical Information Service (NTIS).
- Hardware: The contractor shall procure servers as described in Attachment C Detailed Section 1.104 Work & Deliverables

Each of the work areas will discuss in detail their own objectives. These objectives need to be met in order to maintain, upgrade and enhance the current computerized system or develop new systems. See Attachment B for further details.

1.102   Out Of Scope
Contractor shall provide no services beyond those in section 1.101 and 1.104. Purchase of any hardware, software or other commodities must be identified and approved by MDCH and MDIT.   The contract does not cover the rewriting of existing solutions.

1.103   Environment
The links below provide information on the State's Enterprise IT policies, standards and procedures which includes security policy and procedures, IT strategic plan, eMichigan web development and the State Unified Information Technology Environment (SUITE).

Contractors are advised that the State has methods, policies, standards and procedures that have been developed over the years. Contractors are expected to provide proposals that conform to State IT policies and standards. All services and products provided as a result of this RFP must comply with all applicable State IT policies and standards. The Contractor awarded the contract must request any exception to State IT policies and standards in accordance with MDIT processes. The State may deny the exception request or seek a policy or standards exception.

Contractor is required to review all applicable links provided below and state compliance in their response.

Enterprise IT Policies, Standards and Procedures:
http://www.michigan.gov/dit/0,1607,7-139-34305---,00.html

All software and hardware items provided by the Contractor must run on and be compatible with the MDIT Standard Information Technology Environment. Additionally, the State must be able to maintain software and other items produced as the result of the Contract. Therefore, non-standard development tools may not be used unless approved by MDIT. The Contractor must request, in writing, approval to use non-standard software development tools, providing justification for the requested change and all costs associated with any change. The State's Project Manager and MDIT must approve any tools, in writing, before use on any information technology project.

It is recognized that technology changes rapidly. The Contractor may request, in writing, a change in the standard environment, providing justification for the requested change and all costs associated with any change. The State's Project Manager must approve any changes, in writing, and MDIT, before work may proceed based on the changed environment.

Enterprise IT Security Policy and Procedures:
http://www.michigan.gov/dit/0,1607,7-139-34305-108216--,00.html

The State's security environment includes:
- MDIT provided SQL security database.
- Secured Socket Layers.
- SecureID (State Security Standard for external network access and high risk Web systems)

IT Strategic Plan:
http://www.michigan.gov/dit/0,1607,7-139-30637-135173--,00.html

IT eMichigan Web Development Standard Tools:
http://www.michigan.gov/documents/Look_and_Feel_Standards_2006_v3_166408_7.pdf

The State Unified Information Technology Environment (SUITE):
Includes standards for project management, systems engineering, and associated forms and templates – must be followed: http://www.michigan.gov/suite

Agency Specific Technical Environment
Existing software applications were created using combinations of the following:
- Microsoft Active Server Pages (ASP .NET & ASP),
- Visual Basic (VB .NET & VB 6.0),
- Visual Basic for Applications 6.0,
- Microsoft Office 2000 (Excel, Word, Access),
- Java Script 1.3,
- Visual Basic Script 5.6,
- Microsoft Component Object Model (COM+),
- Extensible Markup Language (XML),
- Hypertext Markup Language (HTML),
- Extensible Stylesheet Language Transformations (XSLT),
- Data Transformation Services (DTS),
- Data Dynamics Active Reports,
- True DB Grid,
- Adobe Acrobat,
- Microsoft IIS,
- Microsoft SQL Server,
- Visual InterDev and
- Visual Studio.

1.104 Work and Deliverable
Contractor shall provide services, staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below.

1) **Production Environment**: Contractor shall maintain and administrate a state-owned Windows 2000 server integrated with the MDCH/MDIT Novell and Windows networks and accessible over the state's network to approximately one hundred users at sites in Lansing, Grand Rapids, Grayling, and Fenton.
   a) Establish and maintain user login IDs and permissions.
   b) Apply critical software upgrades and fixes in a timely manner.
   c) Migrate to newer software versions as prioritized by the state to maintain and improve performance and to adhere to MDIT requirements.
   d) Configure and administrate Microsoft SQL Server database activities.
      i) The production databases consist of approximately 850 user tables and views containing around 6.5 gigabytes of data.
      ii) Maintain, administrate, monitor, and tune the production databases to provide optimal performance. Perform SQL backups according to state and industry standard practices.
      iii) Perform SQL restores as requested by the user community.
   e) Configure and administrate Web Intranet services using Microsoft Internet Information Services (IIS).
      i) Maintain, administrate, monitor, and tune the web-based application software to provide optimal performance.
      ii) Maintain, configure, support, and administrate IIS software services.
   f) Create and maintain documentation of server, SQL, and IIS configuration and support processes according to state standards.
   g) Assist MDIT in administering a state-owned production Novell 6.5 file server.
   h) Verify and authenticate with Novell user login IDs and permissions.

2) **Development Environment**: Contractor shall maintain, configure, support, and administrate a vendor-owned development environment consisting of at least one Windows server sufficiently equipped to serve as an emergency replacement for the production Windows server described above, a sufficient number of Windows PC workstations for contract staff usage and testing purposes, and development tool software licenses sufficient to support the current application environment described below.
   a) Establish and maintain user login IDs and permissions.
   b) Apply critical software upgrades and fixes in a timely manner.

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c) Migrate to newer software versions as prioritized by the state to maintain and improve performance and to adhere to MDIT requirements.

d) Maintain and administrate separate Model Office and development environments for database and web services.

   i) The current development and model databases consist of approximately 1,700 user tables and views containing around 10 gigabytes of data.

   ii) The Model Office environment must be accessible over the state's network to users at sites in Lansing, Grand Rapids, Grayling, and Fenton.

3) **Disaster Recovery Plan:** Contractor shall provide and maintain a comprehensive written disaster recovery plan. Test the plan periodically and report on test results.

4) **Source Code Storage and Maintenance**: Contractor shall provide and maintain a version-controlled source code library for software provided under the contract.

5) **Application Support**: Contractor shall provide application related desktop and laptop support in cooperation with MDIT for approximately one hundred local and remote bureau users of applications provided under the contract.

   a) Maintain and administrate network and application level user security based upon work group and individual access requirements.

   b) Integrate application security with network security.

   c) Minimize the number of system log-ins a user must complete to gain application access.

6) **Application Development and Maintenance**: Contractor shall create, maintain, install, and support client/server and web application software. The system applications consist of more than 450 screens or worksheets, 200 reports, 1,700 SQL stored procedures/functions/triggers, and 2,500 program modules.

   a) Create and maintain application documentation according to state standards.

   b) Migrate software platforms to newer versions according to MDIT guidelines, industry direction, user needs and state prioritization.

   c) Update and enhance all existing applications as necessary to support and be consistent with continuing federal and state initiatives such as the National Provider Identifier and the Community Health Automated Medicaid Processing System (CHAMPS).

7) **Interfaces:** Contractor shall create, maintain, install, and support interfaces to state systems as necessary, including interfaces to the legacy MMIS system and the new CHAMPS MMIS system for gross adjustment and rate information as well as interfaces to HRMN and DCDS for audit staff time tracking information.

8) **Program Support:** Contractor shall provide software tools and staff support to assist the state in calculating various fund distributions including, but not limited to, the Medicaid Access to Care Initiative (MACI), Disproportionate Share Hospitals (DSH), Graduate Medical Education (GME), and Quality Assurance Supplement (QAS).

   a) Provide software tools and staff support to assist the state in calculating various assessments including, but not limited to, the Quality Assurance Assessment Program (QAAP).

   b) Provide software tools and staff support to assist the state as necessary in converting QAAP invoices to a format that is easily distributed to medical providers.

   c) Provide software tools and staff support to receive and load cost reports submitted by hospitals, clinics, schools and other entities for processing by the state.

   d) Provide tools and staff support to assist the state in pulling and integrating MDCH data warehouse data with applications and data supplied under the contract.

   e) Provide tools and staff support to assist the state in integrating available tools including but not limited to DCH File Transfer with applications and data supplied under the contract.

9) **Software Licensing** - All software procured must be procured on behalf of the State of MI:

   a) The contractor must procure and utilize software certified by the Centers for Medicare and Medicaid Services (CMS) to edit and process CMS 2552-96 Hospital Cost Reports. The software licensing agreement must include rights to process cost reports from all hospitals seeking Medicaid reimbursement from the State of Michigan for the past fifteen years. The software licensing agreement must also include rights for the MDCH Mental Health and Substance Abuse Administration to create CMS 2552-96 Hospital Cost Reports for state owned psychiatric hospitals for submission to CMS and to HHPRD.

b) Currently the "CMS Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ##" (MS-DRG/MCE v ##) is available from National Technical Information Service (NTIS). The vendor needs to procure two copies of PC based Medicare Secverity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##). This software is available from National Technical Information Service (NTIS).

10) **Hardware:** The contractor must procure servers as described in Attachment C Detailed Section 1.104 Work & Deliverables

Each of the work areas will discuss in detail a preliminary analysis of the specific tasks involved in maintaining the objectives. The contractor is not, however, constrained from supplementing this listing with additional steps, or sub-tasks necessary to complete the tasks requested. The contractor shall also be responsible for supplying the appropriate system software and support staff. See Attachment C for further details.

1.200   Roles and Responsibilities
1.201 Contractor Staff, Roles, and Responsibilities
A. Contractor Staff
Contract must have prior and recent experience (within the last two years) developing, maintaining and operating computer systems and business processes for cost settlement, rate setting and audits for long-term care and hospital facilities for a State Medicaid program. It is important the contractor maintains a level of expertise in Health Care.

Staffing Placements

The Contract shall have a minimum of fifteen (15) full-time staff positions dedicated solely to providing ongoing support and enhancements to the Hospital and Health Plan Reimbursement Division, Long Term Care Reimbursement and Rate Setting Section, and Office of Audit computer systems. See **Attachment D** for the detail descriptions of each staff member supporting the current contract and the minimum qualifications required for this Contract.

The Department reserves the option to reduce staff in the event of Department work fluctuation or work assignments. The Department will provide the contractor a minimum 30-day notice prior to enacting a work force reduction.

B. On Site Work Requirements
   1. **Location of Work**
      Contractor staff and support must be located onsite at State facilities in Lansing, Michigan and periodic visits to field offices. Contractor staff must be located in an adjacent area to the State staff they support.
   2. **Hours of Operation:**
      a. Normal State working hours are 8:00 a.m. to 5:00 p.m. EST, Monday through Friday, with work performed as necessary after those hours to meet project deadlines. No overtime will be authorized or paid.
      b. The State is not obligated to provide State management of assigned work outside of normal State working hours. The State reserves the right to modify the work hours in the best interest of the project.
      c. Contractor shall observe the same standard holidays as State employees. The State does not compensate for holiday pay.

   3. **Travel**
      Occasional travel to the regional offices may be required. If travel is necessary all travel reimbursement will be paid according to the State of Michigan's Standardized Travel Rates and Regulations. This information may be found at: http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html

All original receipts must be included with your travel voucher and invoices, which must include the purchase order number. Failure to follow this policy will result in reduced reimbursement.

4. **Additional Security and Background Check Requirements:**
    Contractor must present certifications evidencing satisfactory Michigan State Police Background checks ICHAT and drug tests for all new staff identified for assignment to this project.

    Contractor shall pay for all costs associated with ensuring their staff meets all requirements.

1.202   State Staff, Roles, and Responsibilities
Agency should specify State personnel dedicated to project, and identify their associated roles and responsibilities.

The State will provide the following resources for the Contractor's use on this project:
- Work space
- Minimal clerical support
- Desk
- Telephone
- Printer
- Access to copiers and fax machine

The State project team will consist of Executive Subject Matter Experts (SME's), project support, and a MDIT and Agency project manager:

Executive Subject Matter Experts
The Executive Subject Matter Experts representing the business units involved will provide the vision for the business design and how the application shall provide for that vision. They shall be available on an as needed basis. The Executive SME's will be empowered to:
- Resolve project issues in a timely manner
- Review project plan, status, and issues
- Resolve deviations from project plan
- Provide acceptance sign-off
- Utilize change control procedures
- Ensure timely availability of State resources
- Make key implementation decisions, as identified by the Contractor's project manager, within 48-hours of their expected decision date.

Name	Agency/Division	Title	Phone/e-mail
Brenda Fezatte	Hospital and Health Plan Reimbursement Division	Director	517-335-5330 FezatteB@Michigan.gov
John Donaldson	Long Term Care Reimbursement and Rate Setting Section	Manager	517-335-5363 DonaldsonJ@Michigan.gov
Pam Myers	Office of Audit	Director	517-373-1508 MyersPa@Michigan.gov

State Project Manager- (MDIT and Agency)
MDIT will provide a Project Manager who will be responsible for the State's infrastructure and coordinate with the Contractor in determining the system configuration.

The State's Project Manager will provide the following services:
- Provide State facilities, as needed
- Coordinate the State resources necessary for the project
- Facilitate coordination between various external contractors

- Facilitate communication between different State departments/divisions
- Provide acceptance and sign-off of deliverable/milestone
- Review and sign-off of timesheets and invoices
- Resolve project issues
- Escalate outstanding/high priority issues
- Utilize change control procedures
- Conduct regular and ongoing review of the project to confirm that it meets original objectives and requirements
- Document and archive all important project decisions
- Arrange, schedule and facilitate State staff attendance at all project meetings.

Name	Agency/Division	Title
Brian Gallup	MDIT/Agency Services	Project Manager
Brenda Fezatte	MDCH/Hospital and Health Plan Reimbursement Division	Project Manager

MDIT shall provide a Contract Administrator whose duties shall include, but not be limited to, supporting the management of the Contract.

Name	Agency/Division	Title
Sara Williams	MDIT/Bureau of Strategic Policy	Contract Administrator

1.203 Other Roles and Responsibilities
N/A

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1.300   Project Plan
1.301 Project Plan Management
Performance Review Meetings
The State requires the Contractor to attend monthly meetings, at a minimum, to review the Contractor's performance under the Contract. The meetings will be held in Lansing, Michigan, or by teleconference, as mutually agreed by the State and the Contractor. The State shall bear no cost for the time and travel of the Contractor for attendance at the meeting.

Project Control
1. The Contractor shall carry out this project under the direction and control of MDIT and the Department of Community
2. Within 5 working days of the execution of the Contract, the Contractor shall submit to the State project manager(s) for final approval of the project plan. This project plan must be in agreement with Article 1, Section 1.104 Work and Deliverables.
3. The Contractor shall manage the project in accordance with the State Unified Information Technology Environment (SUITE) methodology, which includes standards for project management, systems engineering, and associated forms and templates which is available at   http://www.michigan.gov/suite
   a. Contractor shall use an automated tool for planning, monitoring, and tracking the Contract's progress and the level of effort of any Contractor personnel spent performing Services under the Contract. The tool shall have the capability to produce:
      - Staffing tables with names of personnel assigned to Contract tasks.
      - 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 30 calendar days, updated semi-monthly).
      - Updates must include actual time spent on each task and a revised   estimate to complete.
      - Graphs showing critical events, dependencies and decision points during the course of the Contract.

b. 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 standards.

c. The Contractor shall carry out this project under the <u>direction and control</u> of the Department of Community Health, Bureau of Budget and Audit, and Bureau of Medicaid Financial Management.

d. Although there will be continuous liaison with the Contractor team, the client agency's project director shall meet biweekly as a minimum, with the Contractor's respective work area project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.

e. The Contractor shall submit brief written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the client agency's respective work area project director; and notification of any significant deviation from previously agreed-upon work plans. A copy of this report will be forwarded to the named buyer in Acquisition Services.

f. Within five (5) working days of the award of the Contract, the Contractor shall submit a work plan for approval to each of the following:

   - Director, Bureau of Medicaid Financial Management, Medical Services Administration, Department of Community Health
   - Director, Bureau of Budget and Audit, Department of Community Health

1.302 Reports
Contractor shall provide reports as identified in sections 1.101 and 1.104.

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

Reporting formats must be submitted to the State's Project Manager for approval within 30 business days after the execution of the contract resulting from this Contract. Once both parties have agreed to the format of the report, it shall become the standard to follow for the duration of the contract.

1.400   Project Management
1.401 Issue Management
An issue is an identified event that if not addressed may affect schedule, scope, quality, or budget.

The Contractor shall maintain an issue log for issues relating to the provision of services under this Contract. The issue management log must be communicated to the State's Project Manager on an agreed upon schedule, with email notifications and updates. The issue log must be updated and must contain the following minimum elements:

   - Description of issue
   - Issue identification date
   - Responsibility for resolving issue.
   - Priority for issue resolution (to be mutually agreed upon by the State and the Contractor)
   - Resources assigned responsibility for resolution
   - Resolution date
   - Resolution description

Issues shall be escalated for resolution from level 1 through level 3, as defined below:
     Level 1 – Business leads
     Level 2 – Project Managers
     Level 3 – Executive Subject Matter Experts (SME's)

If there are disagreements during the Contract during the Contractual period, the State's project manager will bring the matter to the attention of the contractor's project manager. If resolution cannot be agreed upon, the Contract Administrator, with final resolution to be determined by the Director of Acquisition Services, will then address the issue. The Contractor agrees to keep a problem resolution log that he/she will provide to the State's project manager/contract administrator on a monthly basis.

1.402 Risk Management
A risk is an unknown circumstance or event that, if it occurs, may have a positive or negative impact on the project.

The Contractor is responsible for establishing a risk management plan and process, including the identification and recording of risk items, prioritization of risks, definition of mitigation strategies, monitoring of risk items, and periodic risk assessment reviews with the State.

A risk management plan format shall be submitted to the State for approval within twenty (20) business days after the effective date of the contract resulting from the upcoming RFP. The risk management plan will be developed during the initial planning phase of the project, and be in accordance with the State's PMM methodology. Once both parties have agreed to the format of the plan, it shall become the standard to follow for the duration of the contract. The plan must be updated bi-weekly, or as agreed upon.

The Contractor shall provide the tool to track risks. The Contractor shall work with the State and allow input into the prioritization of risks.

The Contractor is responsible for identification of risks for each phase of the project. Mitigating and/or eliminating assigned risks will be the responsibility of the Contractor. The State shall assume the same responsibility for risks assigned to them.

1.403 Change Management
Change management is defined as the process to communicate, assess, monitor, and control all changes to system resources and processes. The State also employs change management in its administration of the Contract.

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

The Contractor must employ change management procedures to handle such things as "out-of-scope" requests or changing business needs of the State while the migration is underway.

The Contractor shall employ the change control methodologies to justify changes in the processing environment, and to ensure those changes will not adversely affect performance or availability.

This Contract may be modified, provided that any changes proposed by either party are requested in writing and mutually agreed to by the official representative of the contractor's shown in the contract(s) and DIT/DCH contract administrator. The request is not valid until all parties sign it, and the Issuing Office issues a Contract Change Notice.

1.500   Acceptance
1.501   Criteria
The following is standard acceptance criteria for document and software deliverables. Any specific criteria, processes and/or procedures required by your agency for each deliverable/milestone should be identified in Section 1.104 Work and Deliverables.

Document Deliverables
1. Documents are dated and in electronic format, compatible with State of Michigan software in accordance with Article 1.302.
2. Requirements documents are reviewed and updated throughout the development process to assure requirements are delivered in the final product.
3. Draft documents are not accepted as final deliverables.
4. The documents will be reviewed and accepted in accordance with the requirements of the Contract and Appendices.
5. MDIT will review documents within a mutually agreed upon timeframe.
   a. Approvals will be written and signed by MDIT Project Manager.
   b. Issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor shall resubmit documents for approval within 30 days of receipt.

Software Deliverables - Software includes, but is not limited to, software product, development tools, support tools, data migration software, integration software, and installation software.
1. Beta software is not accepted as final deliverable.
2. The software will be reviewed and accepted in accordance with the requirements of the contract.
3. MDIT will review software within a mutually agreed upon timeframe for acceptance of functionality, usability, installation, performance, security, standards compliance, backup/recovery, and operation.
   a. Approvals will be written and signed by MDIT Project Manager.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor shall resubmit software for approval within 30 days of receipt.
4. Software is installed and configured, with assistance from MDIT, in an appropriate environment (e.g. development, conversion, QA testing, UAT testing, production, and training).
5. Contingency plans, de- installation procedures, and software are provided by the Contractor and approved by MDIT Project Manager.
6. Final acceptance of the software will depend on the successful completion of User Acceptance Testing (UAT).
7. Testing will demonstrate the system's compliance with the requirements of the RFP. At a minimum, the testing will confirm the following:
   a. Functional - the capabilities of the system with respect to the functions and features described in the RFP.
   b. Performance - the ability of the system to perform the workload throughput requirements. All problems should be completed satisfactorily within the allotted time frame.
8. MDIT will review test software, data, and results within a mutually agreed upon timeframe.
   a. Approvals will be written and signed by MDIT Project Manager.
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor shall resubmit test software, data and results for approval within 30 days of receipt.
9. MDIT will review software license agreements within a mutually agreed upon timeframe.
   a. Approvals will be written and signed by MDIT Project Manager.
   b. Unacceptable issues will be documented and submitted to the Contractor.

     c. After issues are resolved or waived, the Contractor shall resubmit the license agreement for approval and final signature by the authorized State signatory within 30 days of receipt

10. Software source code, where applicable, is reviewed by MDIT within a mutually agreed upon timeframe for readability, structure, and configuration management.
     a. Approvals will be written and signed by MDIT Project Manager.
     b. Unacceptable issues will be documented and submitted to the Contractor.
     c. After issues are resolved or waived, the Contractor shall resubmit source code for approval.

Brenda Fezatte Director of Hospital and Health Plan Reimbursement Division, Pam Myers Director Office of Audit, and John Donaldson Manager of Long Term Care Reimbursement and Rate Setting Section within the Michigan Department of Community Health will provide direct oversight and direction to the contractor, which will include evaluating work performed.

1.502 Final Acceptance

Final Acceptance is when the project is completed and functions according to the requirements. Deliverables will not be considered complete until the Division and Section managers have formally accepted them.

1.600   Compensation and Payment

1.601 Compensation and Payment

The rates quoted in this Contract will be firm for the duration of this Contract.

Total Monthly Fixed Rate $172,453.00

Project Director/Technical Consultant	$178.00
Project Manager	$150.00
Senior System Administrator	$115.00
Senior Database Administrator/Application Developer	$135.00
Senior Web Administrator/Application Developer	$135.00
Expert Software Application Developer	$150.00
Senior Software Application Developer	$125.00
Journey Software Application Developer	$100.00
Junior Software Application Developer/Data Analyst	$75.00

See Attachment A for detailed pricing and hardware and software costs.

Method of Payment

The project will be paid monthly.

Statements of Work and Issuance of Purchase Orders
- Unless otherwise agreed by the parties, each Statement of Work will include:
  1. Background
  2. Project Objective
  3. Scope of Work
  4. Deliverables
  5. Acceptance Criteria
  6. Project Control and Reports
  7. Specific Department Standards
  8. Payment Schedule
  9. Travel and Expenses
  10. Project Contacts
  11. Agency Responsibilities and Assumptions
  12. Location of Where the Work is to be performed
  13. Expected Contractor Work Hours and Conditions

- The parties agree that the Services/Deliverables to be rendered by Contractor pursuant to this Contract (and any future amendments of it) will be defined and described in detail in Statements of Work or Purchase Orders (PO) executed under this Contract. Contractor shall not be obliged or authorized to commence any work to implement a Statement of Work until authorized via a PO issued against this Contract. Contractor shall perform in accordance with this Contract, including the Statements of Work/Purchase Orders executed under it.

Invoicing

Contractor shall submit properly itemized invoices to "Bill To" Address on Purchase Order. Invoices must provide and itemize, as applicable:

- Contract number;
- Purchase Order number
- Contractor name, address, phone number
- Description of any commodities/hardware, including quantity ordered;
- Date(s) of delivery and/or date(s) of installation and set up;
- Price for each item, or Contractor's list price for each item and applicable discounts;
- Maintenance charges;
- Net invoice price for each item;
- Shipping costs;
- Other applicable charges;
- Total invoice price; and
- Payment terms, including any available prompt payment discount.

The State may pay maintenance and support charges on a monthly basis, in arrears. Payment of maintenance service/support of less than one (1) month's duration shall be prorated at 1/30th of the basic monthly maintenance charges for each calendar day.

Incorrect or incomplete invoices will be returned to Contractor for correction and reissue.

1.602 Holdback
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Article 2, Terms and Conditions

2.000   Contract Structure and Term

2.001   Contract Term
This Contract is for a period of 5 years beginning October 1, 2009 through September 30, 2014. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.130**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.002   Options to Renew
This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to **3** additional **1** year periods.

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

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

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

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

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

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

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

2.008   Form, Function & Utility

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

2.009   Reformation and Severability

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

2.010   Consents and Approvals

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

2.011   No Waiver of Default

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

2.012   Survival

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

2.020   Contract Administration

2.021   Issuing Office

This Contract is issued by the Department of Management and Budget, Purchasing Operations and Department of Information Technology/Department of Community Health hereinafter known as DIT/DCH (collectively, including all other relevant State of Michigan departments and agencies, the "State"). Purchasing Operations is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. The Purchasing Operations Contract Administrator for this Contract is:

Buyer Jacque Kuch
Purchasing Operations
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
kuchj@michigan.gov
517-241-0239

2.022   Contract Compliance Inspector

The Director of Purchasing Operations directs the person named below, or his or her designee, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. **Monitoring Contract activities does not imply the authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract. Purchasing Operations is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contract Compliance Inspector for this Contract is:

Sara Williams, Contract Compliance Inspector
Department of Information Technology
300 E. Michigan Avenue
Lansing, MI 48913
Williams11@michigan.gov
517-335-1277

2.023 Project Manager
The following individual will oversee the project:

Name	Agency/Division	Title
Brian Gallup	MDIT/Agency Services	Project Manager
Brenda Fezatte	MDCH/Hospital and Health Plan Reimbursement Division	Project Manager

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

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

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

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

(1) Change Request at State Request

   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 Recommendation for Change Requests:

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

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

(6) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of this Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

2.025 Notices
Any notice given to a party under the Contract must be deemed effective, if addressed to the 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 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
Purchasing Operations
Attention: Jacque Kuch
PO Box 30026
530 West Allegan
Lansing, Michigan 48909

Contractor:
EDS, an HP Company
930 W. Holmes Rd.
Lansing, MI 48910
Bob Bartholomew

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

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

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

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

2.029 Assignments

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

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

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

2.030   General Provisions

2.031 Media Releases

News releases (including promotional literature and commercial advertisements) pertaining to the RFP and Contract or project to which it relates shall not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

2.032 Contract Distribution

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

2.033 Permits

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

2.034 Website Incorporation

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

2.035 Future Bidding Preclusion

Contractor acknowledges that, to the extent 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 competitive advantage on the RFP.

2.036 Freedom of Information

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

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

2.040   Financial Provisions

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

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

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

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

(b)   Each Contractor invoice will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. 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 1.064**.

(c)   Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

(d)   All invoices should reflect actual work done. Specific details of invoices and payments will be agreed upon between the Contract Administrator and the Contractor after the proposed Contract Agreement has been signed and accepted by both the Contractor and the Director of Purchasing Operations, Department of Management & Budget. This activity will occur only upon the specific written direction from Purchasing Operations.

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

The Government may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

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

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

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

2.048 Electronic Payment Requirement
Electronic transfer of funds is required for payments on State Contracts. Contractors are required to register with the State electronically at http://www.cpexpress.state.mi.us. As stated in Public Act 431 of 1984, all contracts that the State enters into for the purchase of goods and services shall provide that payment will be made by electronic fund transfer (EFT).

2.050   Taxes

2.051 Employment Taxes
Contractors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes.

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

2.060   Contract Management

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

2.062 Contractor Key Personnel
(a) The Contractor must provide the Contract Compliance Inspector with the names of the Key Personnel.

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

(c) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor shall 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.

(d) Contractor must not remove any Key Personnel from their assigned roles or the Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("Unauthorized Removal"). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements, and appropriate transition planning 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 termination and cancellation rights.

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

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

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

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

2.066   Cooperation with Third Parties
Contractor 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. As reasonably requested by the State in writing, the Contractor shall provide to the State's agents and other contractors reasonable access to Contractor's Project personnel, systems and facilities to the extent the access relates to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor's time schedule for the Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with the requests for access.

2.067   Contract Management Responsibilities
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. 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 the Project Plan is likely to delay the timely achievement of any Contract tasks.

The Contractor shall provide the Services/Deliverables directly or through its affiliates, subsidiaries, subcontractors or resellers. Regardless of the entity providing the Service/Deliverable, the Contractor shall act as a single point of contact coordinating these entities to meet the State's need for Services/Deliverables. Nothing in this Contract, however, shall be construed to authorize or require any party to violate any applicable law or regulation in its performance of this Contract.

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

2.070   Subcontracting by Contractor

2.071   Contractor full Responsibility
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.

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

2.073   Subcontractor bound to Contract
In any subcontracts entered into by Contractor for the performance of the Services, Contractor 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 shall 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. 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 is attached.

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

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

2.080 State Responsibilities

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

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

2.090 Security

2.091 Background Checks
On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested. Any investigation or background check conducted under this Section 2.091 shall comply with all applicable privacy laws and regulations.

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/dit. 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 shall present these

documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff will be expected to comply with all Physical Security procedures in place within the facilities where they are working.

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

2.093 PCI DATA Security Requirements
Contractors with access to credit/debit card cardholder data must adhere to the Payment Card Industry (PCI) Data Security requirements. Contractor agrees that they are responsible for security of cardholder data in their possession. Contractor agrees that data can ONLY be used for assisting the State in completing a transaction, supporting a loyalty program, supporting the State, providing fraud control services, or for other uses specifically required by law.

Contractor agrees to provide business continuity in the event of a major disruption, disaster or failure.

The Contractor shall contact the Department of Management and Budget, Financial Services immediately to advise them of any breaches in security where card data has been compromised.   In the event of a security intrusion, the Contractor agrees the Payment Card Industry representative, or a Payment Card Industry approved third party, will be provided with full cooperation and access to conduct a thorough security review. The review will validate compliance with the Payment Card Industry Data Security Standard for protecting cardholder data. Contractor agrees to properly dispose sensitive cardholder data when no longer needed. The Contractor shall continue to treat cardholder data as confidential upon contract termination.

The Contractor shall provide the Department of Management and Budget, Financial Services documentation showing PCI Data Security certification has been achieved. The Contractor shall advise the Department of Management and Budget, Financial Services of all failures to comply with the PCI Data Security Requirements. Failures include, but are not limited to system scans and self-assessment questionnaires. The Contractor shall provide a time line for corrective action.

2.100   Confidentiality

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

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

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

2.103 Exclusions
Notwithstanding the foregoing, the provisions in 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 the information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of this Section will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights
Nothing contained in this Section must be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

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

2.110   Records and Inspections

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

2.112 Examination of Records
For seven years after the Contractor provides any work under this Contract (the "Audit Period"), the State may examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules, provided that Contractor is not required to disclose its internal cost information. The State must notify the Contractor 20 days before examining the Contractor's books and records. The State does not have the right to review any information deemed confidential by the Contractor to the extent access would require the confidential information to

become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.

2.113 Retention of Records
Contractor must maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract according to generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records must be made available, upon request, to the State at any time during the Audit Period, provided that Contractor is not required to disclose its internal cost information. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

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

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

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

2.120   Warranties

2.121 Warranties and Representations
The Contractor represents and warrants:

(a)   It is capable in all respects of fulfilling and must fulfill all of its obligations under this Contract. The performance of all obligations under this Contract must be provided in a timely, professional, and workman-like manner and must 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, provided that the foregoing representation and warranty does not apply to (i) Deliverables developed based on written specifications of the State; (ii) use of the Deliverables in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the Deliverables by the State; or (iii) the combination, operation, or use of the Deliverables with equipment or software not supplied by the Contractor under this Contract.

(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 the items in this Contract, Contractor must 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, must have, or must 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 must notify the State about the nature of the conflict or appearance of impropriety within two days of learning about it.

(h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or must 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 must 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 the Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.

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

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

(l) All written information furnished to the State by or for the Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make the 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 the department within the previous five years for the reason that Contractor failed to perform or otherwise breached an obligation of the contract.

(n) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after contract award, the Contractor is required to report those changes immediately to the Department of Management and Budget, Purchasing Operations.

2.122 Warranty of Merchantability

Goods provided by Contractor under this agreement shall be merchantable. All goods provided under this Contract shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the

agreed upon specifications, and shall conform to the affirmations of fact made by the Contractor or on the container or label.

2.123 Warranty of Fitness for a Particular Purpose
When the Contractor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the Contractor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

2.124 Warranty of Title
Contractor shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor shall be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by Contractor, under this Contract, shall be delivered free of any rightful claim of any third person by of infringement or the like.

2.125 Equipment Warranty
RESERVE

2.126 Equipment to be New
RESERVE

2.127 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 Purchasing Operations has approved a change order pursuant to **Section 2.024**.

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

2.130   Insurance

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

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

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

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

With the exception of any wholly-owned captive, the insurers selected by Contractor must have an A.M. Best rating of A- or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract must be issued by companies that have been approved to do business in the State.

See www.michigan.gov/dleg.

Where specific limits are shown, they are the minimum acceptable limits.

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

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

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

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

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

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

☐   5.   Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of 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 must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

☐   7.   Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: 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 the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

2.132 Subcontractor Insurance Coverage

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor must require all of its Subcontractors under this Contract to maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors appropriate to Subcontractor's activities within this Agreement. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) must 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.

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to DMB Purchasing Operations, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The Certificate must be on the standard "accord" form or equivalent. **The Contract Number or the Purchase Order Number must be shown on the Certificate Of Insurance To Assure Correct Filing.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) must contain a provision indicating that the insurer shall endeavor to provide 30 days written notice prior to cancellation, except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and each renewal thereafter, the Contractor must include the State and its agents, officers and employees as additional insured under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

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

2.140   Indemnification

2.141 General Indemnification

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

2.142 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.

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

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

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

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

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

2.146 Indemnification Procedures
The procedures set forth below must apply to all indemnity obligations under this Contract.

(a)   After the State receives notice of the action or proceeding involving a claim for which it will seek indemnification, the State must promptly notify Contractor of the claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify the Contractor relieves the Contractor of its indemnification obligations except to the extent that the Contractor can prove damages attributable to the failure. Within 10 days following receipt of written notice from the State relating to any claim, the

Contractor must notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and before the State receiving Contractor's Notice of Election, the State is entitled to defend against the claim, at the Contractor's expense, and the Contractor shall be responsible for any reasonable costs incurred by the State in defending against the claim during that period.

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

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

2.150   Termination/Cancellation

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

2.152 Termination for Cause
(a) The State may terminate this contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA), or (ii) fails to cure a breach within the time period specified in the written notice of breach provided by the State

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

(c) If 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 must 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 must cease on the effective date of the termination.

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

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

2.154   Termination for Non-Appropriation
(a) Contractor acknowledges that, if 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 must 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 must give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or the time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

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

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

2.155   Termination for Criminal Conviction
The State may terminate 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 related to a State, public or private Contract or subcontract.

2.156   Termination for Approvals Rescinded
The State may terminate this Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State will pay the Contractor for only the work completed to that point

under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.

2.157   Rights and Obligations upon Termination

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

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

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

2.158   Reservation of Rights

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

2.160   Termination by Contractor

2.161   Termination by Contractor

If the State breaches the Contract, and the Contractor in its sole discretion determines that the breach is curable, then the Contractor shall provide the State with written notice of the breach and a time period (not less than 30 days) to cure the breach. The Notice of Breach and opportunity to cure is inapplicable for successive and repeated breaches.

The Contractor may terminate this Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under this Contract, (ii) breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for the Contractor to perform the Services, or (iii) does not cure the breach within the time period specified in a written notice of breach. But the Contractor must discharge its obligations under **Section 2.160** before it terminates the Contract.

2.170   Transition Responsibilities

2.171   Contractor Transition Responsibilities

If the State terminates this contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the

State or a third party designated by the State. If this Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 90 days. These efforts must include, but are not limited to, those listed in **Sections 2.141, 2.142, 2.143, 2.144, and 2.145.**

2.172 Contractor Personnel Transition
The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by 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 shall notify all of Contractor's subcontractors of procedures to be followed during transition.

2.173 Contractor Information Transition
The Contractor agrees to provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under this Contract. The Contractor shall 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 shall deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

2.174 Contractor Software Transition
The Contractor must reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under this Contract. This must 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 must, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Deliverables/Services.

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

2.176 State Transition Responsibilities
In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to reconcile all accounts between the State and the Contractor, complete any pending post-project reviews and perform any others obligations upon which the State and the Contractor agree.

(a) Reconciling all accounts between the State and the Contractor;

(b) Completing any pending post-project reviews.

2.180   Stop Work

2.181 Stop Work Orders
The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.150**. Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the stop work order during the period of work

stoppage, provided that the State will pay Contractor for any such costs which can not be reasonably avoided. Within the period of the stop work order, the State must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.130**.

2.182 Cancellation or Expiration of Stop Work Order

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

2.183 Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, the termination must be deemed to be a termination for convenience under **Section 2.153**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State is not liable to Contractor for loss of profits because of a stop work order issued under this Section**.**

2.190   Dispute Resolution

2.191 In General

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

2.192 Informal Dispute Resolution

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

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

(2)   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.

(3)   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.

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

(b)   This Section 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 under Section 2.193.

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

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

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

2.200   Federal and State Contract Requirements

2.201 Nondiscrimination
In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, and 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 under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

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

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

2.210   Governing Law

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

2.212 Compliance with Laws

Contractor shall comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables. Any impact to the Services provided under this Contract due to changes in such laws and ordinances shall be addressed through the change control process.

2.213 Jurisdiction

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

2.220   Limitation of Liability

2.221 Limitation of Liability

Neither the Contractor nor the State is liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability does not apply to claims for 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 Contractor's liability for damages to the State is limited to the value of the Contract. The foregoing limitation of liability does not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; or to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor.

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

2.230   Disclosure Responsibilities

2.231 Disclosure of Litigation

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

If any Proceeding disclosed to the State under 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:

(a)   the ability of Contractor (or a Subcontractor) to continue to perform this Contract according to its terms and conditions, or

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

(1) Contractor and its Subcontractors will be able to continue to perform this Contract and any Statements of Work according to its terms and conditions, and

(2) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.

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

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

(2) Contractor must also notify DMB Purchasing Operations within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

(3) Contractor must also notify DMB Purchase Operations within 30 days whenever changes to company affiliations occur.

2.232 Call Center Disclosure

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

2.233 Bankruptcy

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 the Works in Process by whatever appropriate method the State may deem expedient if:

(a) the Contractor files for protection under the bankruptcy laws;

(b) an involuntary petition is filed against the Contractor and not removed within 30 days;

(c   the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;

(d) the Contractor makes a general assignment for the benefit of creditors; or

(e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the services under this Contract.

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

2.240   Performance

2.241 Time of Performance

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

(b) Without limiting the generality of **Section 2.241,** Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.

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

2.242 Service Level Agreement (SLA)

(a) SLAs will be completed with the following operational considerations:

(1) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has been determined; Incident means any interruption in Services.

(2) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification or coordination.

(3) SLAs will not apply if the applicable Incident could have been prevented through planning proposed by Contractor and not implemented at the request of the State. To invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.

(4) 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:

(i) Time period(s) will not apply where Contractor does not have access to a physical State Location and where access to the State Location is necessary for problem identification and resolution.

(ii) Time period(s) will not apply where 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.

(b) Chronic Failure for any Service(s) will be defined as three 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 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 Contractor to pay the difference in charges for up to three additional months. The termination of the Service will not affect any tiered pricing levels.

(c) Root Cause Analysis will be performed on any Business Critical outage(s) or outage(s) on Services when requested by the Contract Administrator. Contractor shall provide its analysis within two weeks of outage(s) and provide a recommendation for resolution.

(d) All decimals must be rounded to two decimal places with five and greater rounding up and four and less rounding down unless otherwise specified.

2.243 Liquidated Damages

The parties acknowledge that late or improper completion of the Work will cause loss and damage to the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result. Therefore, Contractor and the State agree that if there is late or improper completion of the Work and the State does not elect to exercise its rights under **Section 2.141**, the State is entitled to collect liquidated damages in the amount of $5,000.00 and an additional $100.00 per day for each day Contractor fails to remedy the late or improper completion of the Work.

Unauthorized Removal of any Key Personnel

It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.141**, the State may assess liquidated damages against Contractor as specified below.

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

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

2.244 Excusable Failure
Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent the default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, 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 a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

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

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

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

2.250   Approval of Deliverables

2.251 Delivery of Deliverables
A list of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable") or a custom software Deliverable ("Custom Software Deliverable") is attached, if applicable. 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, Contractor shall 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, 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.

2.252   Contractor System Testing
Contractor shall 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. Contractor's System Testing shall include the following, at a minimum, plus any other testing required by CMM Level 3 or Contractor's system development methodology:

Contractor shall be responsible for performing Unit Testing and incremental Integration Testing of the components of each Custom Software Deliverable.

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.

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 Contractor. Within ten (10) days before the commencement of Business Function Testing pursuant to this Section, Contractor shall provide the State for State review and written approval Contractor's test plan for Business Function Testing.

Within five (5) Business Days following the completion of System Testing pursuant to this **Section**, 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.

2.253   Approval of Deliverables, In General
All Deliverables (written Deliverables and Custom Software 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 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 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 and the applicable certification by Contractor in accordance with this Section.

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 Contractor to rectify them post-approval. In any case, Contractor shall be responsible for working diligently to correct within a reasonable time at 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), Contractor is unable to correct all deficiencies preventing State approval of a Deliverable, the State may: (i) demand that Contractor cure the failure and give Contractor additional time to cure the failure at the sole expense of Contractor; or (ii) keep this Contract in force and do, either itself or through other parties, whatever Contractor has failed to do, in which event Contractor shall bear any excess expenditure incurred by the State in so doing beyond the contract price for such Deliverable 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 Contractor (and without the need to afford 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 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 Contractor for correction and re-delivery prior to resuming the review or UAT process and, in that event, Contractor shall correct the deficiencies in such Deliverable in accordance with the Contract, as the case may be.

Approval in writing of a Deliverable by the State shall be provisional; that is, such approval shall not preclude the State from later identifying deficiencies in, and declining to accept, a subsequent Deliverable based on or which incorporates or inter-operates with an approved Deliverable, to the extent that the results of subsequent review or testing indicate the existence of deficiencies in the subsequent Deliverable, or if the Application of which the subsequent Deliverable is a component otherwise fails to be accepted pursuant to **Section 2.080**.

2.254 Process for Approval of Written Deliverables
The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the 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 Contractor in writing by the end of the State Review Period either stating that the Written Deliverable is approved in the form delivered by 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 Contractor a notice of deficiencies, Contractor shall 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. Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected Written Deliverable from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Written Deliverable to confirm that the identified deficiencies have been corrected.

2.255   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 Contractor's delivery of any Custom Software Deliverable to the State for approval, 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. Contractor, upon request by the State, shall provide the State with reasonable assistance and support during the UAT process.

For the Custom Software Deliverables listed in an attachment, the State Review Period for conducting UAT will be as indicated in the attachment. For any other Custom Software Deliverables not listed in an attachment, 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 this **Section** 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 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 Contractor of the deficiency by making an entry in an incident reporting system available to both Contractor and the State. Contractor shall 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. Contractor shall 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 Contractor a written notice indicating the State's approval or rejection of the Custom Software Deliverable according to the criteria and process set out in this **Section**.

2.256   Final Acceptance
"Final Acceptance" shall be considered to occur when the Custom Software Deliverable to be delivered has been approved by the State and has been operating in production without any material deficiency for fourteen (14) consecutive days. 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.

2.260   Ownership

2.261   Ownership of Work Product by State
The State owns all Deliverables, as they are work made for hire by the Contractor for the State. The State owns all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

2.262   Vesting of Rights
With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or

other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

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

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

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

2.270 State Standards

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

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

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

2.280 Extended Purchasing

2.281 MiDEAL (Michigan Delivery Extended Agreements Locally
RESERVE

2.282 State Employee Purchases
The State allows State employees to purchase from this Contract. Unless otherwise stated, it is the responsibility of the Contractor to ensure that the State employee is an authorized purchaser before extending the Contract pricing.

The Contractor shall supply Contract Services and Deliverables at the established State of Michigan contract prices and terms to the extent applicable and where available. The Contractor must send its invoices to and pay the State employee on a direct and individual basis.

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

2.290   Environmental Provision

2.291 Environmental Provision
Energy Efficiency Purchasing Policy: The State seeks wherever possible to purchase energy efficient products. This includes giving preference to U.S. Environmental Protection Agency (EPA) certified 'Energy Star' products for any category of products for which EPA has established Energy Star certification. For other purchases, the State may include energy efficiency as one of the priority factors to consider when choosing among comparable products.

Environmental Purchasing Policy: The State of Michigan is committed to encouraging the use of products and services that impact the environment less than competing products. The State is accomplishing this by including environmental considerations in purchasing decisions, while remaining fiscally responsible, to promote practices that improve worker health, conserve natural resources, and prevent pollution. Environmental components that are to be considered include: recycled content and recyclables; energy efficiency; and the presence of undesirable materials in the products, especially those toxic chemicals which are persistent and bioaccumulative. The Contractor should be able to supply products containing recycled and environmentally preferable materials that meet performance requirements and is encouraged to offer such products throughout the duration of this Contract. Information on any relevant third party certification (such as Green Seal, Energy Star, etc.) should also be provided.

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

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

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

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

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

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

Refrigeration and Air Conditioning: The Contractor shall comply with the applicable requirements of Sections 608 and 609 of the Clean Air Act (42 U.S.C. 7671g and 7671h) as each or both apply to this contract.

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

2.300   Deliverables

2.301 Software
A list of the items of software the State is required to purchase for execution the Contract is attached. The list includes all software required to complete the Contract and make the Deliverables operable; if any additional software is required in order for the Deliverables to meet the requirements of this Contract, such software shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Statement of Work or Contract Change Notice). The attachment also identifies certain items of software to be provided by the State.

2.302 Hardware
A list of the items of hardware the State is required to purchase for execution the Contract is attached. The list includes all hardware required to complete the Contract and make the Deliverables operable; if any additional hardware is required in order for the Deliverables to meet the requirements of this Contract, such hardware shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Contract Change Notice). The attachment also identifies certain items of hardware to be provided by the State.

2.303 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.

2.304 Equipment to be New and 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 Purchasing Operations has approved a change order pursuant to **Section 2.024.**

2.310   Software Warranties

2.311 Performance Warranty
The Contractor represents and warrants that Deliverables, after Final Acceptance, 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 (90) ninety days. In the event of a breach of this warranty, Contractor shall promptly correct the affected Deliverable(s) at no charge to the State.

2.312 No Surreptitious Code Warranty
The Contractor represents and warrants that no copy of licensed software provided to the State contains or will contain 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 shall use up-to-date commercial virus detection software to detect and remove any viruses from any software prior to delivering it to the State.

2.313 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.

2.314 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.

2.315 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 (30) thirty days after the date of Final Acceptance of the Custom Software Deliverables 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).

2.320   Software Licensing

2.321 Cross-License, Deliverables Only, License to Contractor
The State grants to the Contractor, the royalty-free, world-wide, non-exclusive right and license under any Deliverable now or in the future owned by the State, or with respect to which the State has a right to grant such rights or licenses, to the extent required by the Contractor to market the Deliverables and exercise its full rights in the Deliverables, including, without limitation, the right to make, use and sell products and services based on or incorporating such Deliverables.

2.322 Cross-License, Deliverables and Derivative Work, License to Contractor
The State grants to the Contractor, the royalty-free, world-wide, non-exclusive right and license under any Deliverable and/or derivative work now or in the future owned by the State, or with respect to which the State has a right to grant such rights or licenses, to the extent required by the Contractor to market the Deliverables and/or derivative work and exercise its full rights in the Deliverables and/or derivative work, including, without limitation, the right to make, use and sell products and services based on or incorporating such Deliverables and/or derivative work.

2.323 License Back to the State
Unless otherwise specifically agreed to by the State, before initiating the preparation of any Deliverable that is a derivative of a preexisting work, the Contractor shall cause the State to have and obtain the irrevocable, nonexclusive, worldwide, royalty-free right and license to (1) use, execute, reproduce, display, perform, distribute internally or externally, sell copies of, and prepare derivative works based upon all preexisting works and derivative works thereof, and (2) authorize or sublicense others from time to time to do any or all of the foregoing.

2.324 License Retained by Contractor
Contractor grants to the State a non-exclusive, royalty-free, site-wide, irrevocable, transferable license to use any Contractor proprietary software incorporated into a Deliverable and related documentation according to the terms and conditions of this Contract. For the purposes of this license, "site-wide" includes any State of Michigan office regardless of its physical location.

The State may modify any such Contractor proprietary software and may combine such with other programs or materials to form a derivative work. The State will own and hold all copyright, trademarks, patent and other intellectual property rights in any such derivative work, excluding any rights or interest in the Contractor proprietary software other than those granted in this Contract.

The State may copy each such item of Contractor proprietary software to multiple hard drives or networks unless otherwise agreed by the parties.

The State will make and maintain no more than one archival copy of each such item of Contractor proprietary software, and each copy will contain all legends and notices and will be subject to the same conditions and restrictions as the original. The State may also make copies of such Contractor proprietary software in the course of routine backups of hard drive(s) for the purpose of recovery of hard drive contents.

In the event that the Contractor shall, for any reason, cease to conduct business, or cease to support the Contractor proprietary software, the State shall have the right to convert these licenses into perpetual licenses, with rights of quiet enjoyment, but subject to payment obligations not to exceed the then current rates.

2.325 Pre-existing Materials for Custom Software Deliverables

Neither Contractor nor any of its Subcontractors shall incorporate any preexisting materials (including third-party software or Contractor proprietary 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.

2.330   Source Code Escrow

2.331 Definition

"Source Code Escrow Package" shall mean:

(a) A complete copy in machine-readable form of the source code and executable code of any Contractor proprietary software that is incorporated into a Deliverable, including any updates or new releases of the product;

(b) A complete copy of any existing design documentation and user documentation, including any updates or revisions; and/or

(c) 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.

2.332 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 (30) thirty days of the execution of this Contract.

2.333 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 Contractor proprietary 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.

2.334 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.

2.335 Escrow Fees

The Contractor shall pay all fees and expenses charged by the Escrow Agent.

2.336 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:

(a) 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;

(b) 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;

(c) 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.

2.337 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 this **Section**, then:

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

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

(c) 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.

2.338 License
Upon release from the Escrow Agent pursuant to an event described in this **Section**, 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 escrowed Contractor proprietary software so that it can be used by the State as set forth in this Contract.

2.339 Derivative Works
Any derivative works to the source code released from escrow that 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.

Attachment A
Cost Table

Staff Fixed Monthly Rate

IT Classification	Fixed Monthly Rate
Project Manager – Dave Hemingway	
Sr. System Administrator – Tom Sigelko	
Sr. Database Administrator/Application Developer – David Rood	
Sr. Web Administrator/Application Developer – Les Palmateer	
Expert Level Software Application Developers - David Willhite	
Expert Level Software Application Developer – Miguel Bigott	
Sr. Software Application Developer – Jake Kranz	
Sr. Software Application Developer – Mark Fulton	
Sr. Software Application Developer – Alan Emmons	
Sr. Software Application Developer – John Lupina	
Journey Level Software Application Develop - Cynthia Webb	
Journey Level Software Application Developer – Dan Sowa	
Journey Level Software Application Developer – Kevin Faulkner	
Journey Level Software Application Developer – Gerald Sutterfield	
Jr. Level Software Application Developer/Data Analyst – Pete Eisinger	
Total Fixed Monthly Rate	$172,453.00

1. Blended monthly rate for 15 staff members
2. The costs for the EDS team development software and hardware is included in the above price and assumes the commodities are functional for the base contract term.
3. Rates are valid for the base term of the contract.

In addition, EDS proposes the following supplemental staffing rates to be used during the term of the contract:

Staffing Category	Hourly Price
Project Director/Technical Consultant	$178
Project Manager	$150
Senior System Administrator	$115
Senior Database Administrator/Application Developer	$135
Senior Web Administrator/Application Developer	$135
Expert Software Application Developer	$150
Senior Software Application Developer	$125
Journey Software Application Developer	$100
Junior Software Application Developer/Data Analyst	$75

The foregoing rates are not-to-exceed hourly rates based on Time and Material hourly usage for part-time or short-term assignments. These supplemental hourly rates may be reduced for full-time staff resources with long-term assignments.

Breakdown of Software Licenses – including Third Party Software Costs

Software license(s) cost	Product Version	Purchase Price	Bid Price	Ongoing Annual Maintenance Cost	Comments
1. PC based Medicare Severity Diagnosis Related Grouper Software with Medicare Code Editor Version ## (MS-DRG/MCE v ##). This software is available from National Technical Information Service (NTIS).	Version 26	$5,403.50			Annual price is $540.35 per license. Two licenses are required. Total purchase price is for the five year base contract. The State will be charged on an annual basis.
2. Compumax	2552-96	40,530.00			Price is $675.50 per month. Total purchase price is for the five year base contract. The State will be charged on a monthly basis.
Total Cost of Software Licenses including Third Party Software for Five (5) years		**$45,933.50**			

Pricing Detail, Equipment Purchase

Note: Use this table to itemize the purchase cost of the server, software and software licenses. Include all hardware/software required for the production environment as detailed in **Attachment C Detailed Section 1.104 Work & Deliverables.** Please describe the model, if applicable, and other relevant information for each equipment item. List software licenses individually. Show the purchase price, bid price, if different, and ongoing annual maintenance costs for all items.

The State, at its option, may decide to purchase the equipment from the vendor or use State Purchasing contracts.

Item #	Line Item Description	Purchase Price	Bid Price	Ongoing Annual Maintenance
P73-04241	Windows Server Standard 2008 Sngl Microsoft Volume License	$490.69		
R18-02804	Windows Server CAL 2008 Sngl Microsoft Volume License User CAL User CAL	$1,973.00	Qty of 100	
P73-02703	Microsoft Windows Server 2003 R2 Standard x32 and x64 Edition w/SP2 - Media - volume - CD - English	$21.77		
P73-03830	Microsoft Windows Server 2008 Standard - Media - volume - DVD - 32/64-bit - English	$21.77		
228-08720	SQL Server Standard Edition 2008 Sngl Microsoft Volume License	$606.92		
359-05101	SQL CAL 2008 Sngl Microsoft Volume License User CAL User CAL	$11,083.00	Qty of 100	
228-05236	Microsoft SQL Server 2005 Standard Edition - Media - volume - CD, DVD - Win - English	$21.77		
228-08442	Microsoft SQL Server 2008 Standard - Media - volume - DVD - Win - English	$21.77		
TJA-00542	Windows Terminal Svcs CAL 2008 Single Microsoft Volume License Device CAL Device CAL	$163.20	Qty of 3	
	Total MS Software	$14,403.89		

Item #	Line Item Description	Purchase Price	Bid Price	Ongoing Annual Maintenance
Server Hardware				
391835-B21	HP DL380G5 CTO Chassis	$982.75		
458583-L21	HP E5450 DL380G5 FIO Kit	$897.74		
458583-B21	HP E5450 DL380G5 Kit	$897.74		
397411-B21	HP 2GB FBD PC2-5300 2x1GB Kit	$192.12	Qty of 2	
504062-B21	HP 146GB 15K 2.5 SAS DP HDD	$731.18	Qty of 2	
264007-B21	HP Slim 8X/24X DVD-ROM Drive	$82.24		
405160-B21	HP Smart Array P400/256 DL38x LP FIO Ctr	$310.30		
A8002A	HP FC2142SR 4GB PCI-e HBA 40.00% see PA# A21N2 - (12/31/2010)	$594.24		
399771-B21	HP 1000W IEC C14 Cord RPS Kit	$172.08		
	Total Server	$4,860.39		
	GRAND TOTAL	$19,264.28	$	$

1. Due to the uncertainty of the timing for the purchase of commodities and the contract length, EDS is not able to provide a price for ongoing maintenance. Upon issuance of a PO to purchase the commodities, EDS will provide an exact quote including maintenance.

2. EDS assumes that any hardware will be procured under the terms of EDS' Michigan Master Computer Contract between the parties, and not under the terms of this contract..

ATTACHMENT B
Detailed Section 1.101 In Scope

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Settlement and Payment Processing Section

Settlement Section
This contract shall provide the most contemporary software available for the operation of the Settlement Section's applications in the following areas:

a. ECR (Electronic Cost Report) Filing - Computerization in this area allows for the Settlement Section to provide the hospitals with an avenue of filing the Medicare 2552 cost report as an ECR file. We also have the ability to allow for the electronic filing of Medicaid forms with Medicaid specific data. Once these electronic files are received from the hospital, we have the ability to electronically generate a report that compares certain data on the Medicare ECR file and the Medicaid forms and denotes areas where there are differences. Once the data from the Medicare ECR file and the Medicaid forms have been accepted and approved by the audit staff in the Settlement Section, it has to be loaded into the Filed Cost Information Data (FCID) base. Data in the FCID is retained on line with easy access until the Settlement Section approves moving the data to some other form of storage.

b. MIP (Medicaid Interim Payment)/CIP (Capital Interim Payment) Calculations - Computerization must allow the audit staff in the Settlement Section to set MIP/CIP rates for each inpatient type within a hospital. The data needed to set MIP/CIP should be pulled from the FCID base. There also needs to be flexibility that allows the audit staff to make entries for changing or overriding data in the report. The electronic report must be stored for easy access (on line) until the Settlement Section approves some other disposition.

c. Hospital Final Settlement - To calculate a hospital final settlement we must be able to pull data from the electronic Medicare cost report file (this file contains the audited cost report and the audit adjustment report which the contractor must obtain from the appropriate Medicare Intermediary or the Medicare filed cost report from the FCID); the FCID base (this file contains the filed data needed to generate the Medicaid audit adjustment report and the Notice of Amount of Program Reimbursement); and our internal paid data reports that are electronically loaded into our Hospital Cost Settlement (HCS) system. The HCS must create the forms (hard copy and electronic) that are necessary to complete the Medicaid settlement. This would include, but not be limited to, certain Medicare 2552 forms, Medicaid settlement forms, and the Notice of Amount of Program Reimbursement (NAPR). The Medicaid final settlements, once completed and approved, must be loaded into an Audited Cost Information Data (ACID) base. This ACID base must be easily accessible and retained on line as long as the Settlement Section deems necessary. At that time, data may be moved to some kind of off-line storage.

d. Medicaid Access to Care Initiative (MACI), Fee for Service Quality Assurance Assessment Program (QAAP), Hospital Rate Adjustment (HRA) QAAP Calculations – Incorporate hospital managed care data, hospital revenues and utilization data to calculate payments and taxes.

e. Certified Public Expenditure (CPE) Calculations and Settlements – Allow for calculation of the CPE settlements using different upper payment limit formulas.

f. CHAMPS - The hospital Medicaid (Title XIX), Crippled Children (Title V), MOMS, Healthy Kids, etc. hospital paid claims data will be accessed from the data warehouse. When it is loaded into HCS, it will need to be separated by program into inpatient and outpatient.

   Interfaces with CHAMPS must be maintained to send and receive Gross Adjustment information.

Implementation of CHAMPS bring changes to the classifications of data related to provider and reimbursement information. Hospital systems should be updated for consistency with the new CHAMPS data models.

g. NPI – The hospital Title XIX, Title V, MOMS, Healthy Kids, etc. claims will be processed through their NPI number. Monitoring of these numbers will be handled by the HHPRD with changes to existing as well as newly enrolled providers. The electronic cardfile and HCS will be updated as claims, MIP/CIP payments and final settlements will be affected.

h. File Transfer – The following reports will be set up electronically:
(1) All provider reporting for filing of the ECR. The hospital will enter the data for use in the acceptance of the filed Medicaid cost report (MMF) and the final settlement process.
(2) Hospital quarterly financial reports for MIP/CIP calculations. Entered on this file will be quarterly hospital financial data, which will be used for the MIP/CIP calculations.
(3) CHAMPS paid claims reports. This paid claims data will be separated between inpatient and outpatient, by program (Title XIX, Title V, MOMS, Healthy Kids, etc..). The provider will have access to this data after the final settlement has been sent.
(4) Other data, as appropriate and as needed.

The reports/files will be HIPAA compliant.

i. New Programs – As the federal and/or state hospital reimbursement methodology changes, new programs may arise. The HHPRD will incorporate these into our hospital MIP/CIP calculations and final settlements. This could result in a change to the HCS as well as new payment systems, which will have to be calculated and set up in the file transfer.

Payment Processing Section
The objective is to continue with the current system in place. This would include, but not be limited to, the following areas:

a. Medicaid Interim Payment (MIP) and Capital Interim Payment (CIP) Logs - These logs must be formatted using the Excel spreadsheet in the format that is now being used.

b. Accrual of the Year-End-Liability - This spreadsheet must be formatted using the same format now in use. Support must be available, from the contractor, during this time to assist the Settlement staff in acquiring the data necessary to arrive at the year-end accrual liability. This data includes, but is not limited to, MIP system, price information, ECR files, etc.

c. MIP Reconciliation - This is a spreadsheet, which compares the amount paid throughout the year in MIP to the amount approved by the MARS system throughout the year for each hospital. The difference is the amount due to or from the hospital. This amount is then transferred to a letter, which notifies the hospital of the amount owing. Both documents are sent to the hospital.

d. MIP/CIP Calculations - The MIP/CIP calculations are formatted on a spreadsheet and compute the budgeted cost for the next fiscal year. This is done using numbers that are pulled from the filed cost report, Medical Services Administration (MSA) internal reports and other sources.

e. Gross Adjustment Control Transaction Record - This record is used to enter gross adjustments into the claims processing system or used to enter payment information on the card file. After completion, the contractor loads the adjustments to the "cardfile," where it is used in the settlement process and other reports.

f. QR-1 Quarterly Report - Electronic Filing - Hospital filed quarterly report is loaded by the contractor into the quarterly report information database. This database is used to adjust MIP and CIP rates on a quarterly basis.

g. <u>Case Mix</u> - Derived from paid claims data and used to compute the MIP rates and the accrual year-end-liability.

h. <u>Outliers</u> - Low day outliers, percentage of charge transfers, high day outliers and cost outliers are derived from paid claims and updated with the most current price and cost to charge ratio. It is used to compute the MIP rates and the accrual year-end-liability.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Hospital Rate Review Section

Inpatient Hospital Rate Setting
The primary objective is to provide support for a complete rate setting system capable of calculating the DRG prices, per diem rates, and relative weights, and creating a database system.

The DRG and per diem rate calculations require data from the filed ECRs, Medicaid paid claims, and data from the state specific forms. The data used to calculate each hospital's rate must remain accessible for future retrieval, reference, changes, modification or simulation. Current policy dictates that the cost data is updated every three (3) years for DRG hospitals, and every two (2) years for per diem hospitals. Inflation, wage and IME (Indirect Medical Education) adjustors are updated every year.

Capital Rate Setting
The primary objective is to provide support for the capital cost rate setting system including data pulling and formula application. The capital rates require data from the filed ECRs, and data from the state specific forms. The data used to calculate each hospital's capital rate must remain accessible for future retrieval, reference, changes, modification or simulation. Current policy dictates that the capital rates are updated annually.

State Psychiatric Hospital Settlement
The objective is to maintain the current computerization that is in place, and add enhancement or update as necessary. The cost settlement system includes, but not is limited to, producing the following schedules. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a. Data Accumulation Worksheets

b. Audit Adjustment Reports

c. All settlement schedules including the following HCFA 2552 forms:
    i) Worksheet D - Parts I - II - III & IV
    ii) Worksheet D - 4
    iii) Worksheet D - 1; Parts I & II
    iv) Worksheet E - 3

d. Calculation of Medicaid's Share of Direct Graduate Medical Education Costs

e. Notice of Amount of Program Reimbursement (NAPRs)

f. Reimbursement Letters

g. Payment & Inventory Logs

h. Quarterly Payment Calculation Worksheets

i. TEFRA Rate Calculation Worksheets

j. The settlement data must be stored in a database, which allows for view, revisions, comparisons between years, and be available for internal and external purposes.

k. There should be a written operating policy on the procedures used detailing the computerized system.

l. The system should be linked to the card file system for changes in plan status such as name changes, mergers, closures, changes in provider numbers, etc.

m. The cost settlement system must also be capable of accommodating new policy changes for future settlement purposes.

n. The system must be capable of providing FOI (Freedom of Information) requests when requested.

Special Health Plan Cost Settlement
The objective is to design, develop and implement a complete cost settlement system for the special health plans. In addition to the settlement a database must be built to track all filed cost report information, payment schedules, reimbursement letters, etc. Ad hoc management reports can be produced from this system as well.

Enhancements and Regulatory Updates
The primary objective is to provide support and expertise to implement regulatory updates and enhancements.

a. Medicare Grouper Software requires equipment and/or personnel access and software availability and support. The division requests that the vendor license one copy of the grouper software annually upon release from the Centers for Medicare & Medicaid Services (CMS). CMS will submit final Federal Regulations approximately 45 days prior to the start of the Federal fiscal year and the software is available typically within 7-10 days afterwards.

b. The upcoming ICD 10 implementation involves supporting the redesign of all systems interacting with claim data. Expectations would be to extend assistance to systems with interaction – through the Hospital and Health Plan Reimbursement Division.

c. Psychiatric per diem rate setting requires support for and access to data elements from cost reports, claims, and other elements.

d. Capital prospective payment system requires support for and access to data elements from cost reports, claims, and other elements.

e. Hospital Acquired Conditions payment recovery system requires support for and access to data elements from claims and the Medicare Grouper Software.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Special Programs Sections
The objective is to award a service contract for technical oversight, management, maintenance, and enhancement of any systems and programs used by the Special Program Section. It is the goal to develop and enhance the current system so that staff can operate and achieve the maximum potential from the system in terms of accuracy, timelines, efficiency, and in providing access to good reliable cost and statistical information to enhance decision-making capabilities.

a. System support needed for the processing of all settlements assigned to special programs section

b. The contractor needs to support a database system that is flexible for special request on comparisons or pulling of data as requested from other divisions or departments

c. Enhancing all systems that may be effected due to regulation changes

d. System support for quarterly financials for HMOs

    e. Providing any other technology support that may be needed for programs not yet in place for example but not inclusive are Tribal Health Center Outreach program or School based services reimbursement.

A new contract is needed not only to carry on with the automation that has already been implemented, but also to upgrade, enhance, and refine the present system to achieve maximum potential.

OFFICE OF AUDIT
Long Term Care System (LTCS)

It is the goal of the Bureau to develop and enhance the systems so that Bureau staff operate and achieve the maximum potential from the systems in terms of accuracy, timelines, efficiency, and in providing access to good reliable cost and statistical information to enhance decision-making capabilities. Access to this type of information is invaluable for purposes of determining the type and scope of audits to be performed. State policy as prescribed in Administrative Manual Procedure l0.02.06, November l, l979, must be followed.

1. The LTCS must continue to provide and improve upon the procedures used by the auditors to post audit adjustments to the filed cost reports.

2. The LTCS must continue to provide and improve the automated system used to accept and process the audited ECRs and audited HOCRs between the Office of Audit and the LTC Reimbursement and Rate Setting Section.

3. The LTCS must continue to provide electronic access to the ECR, related provider data files, the HOCR, related home office data files, the network, and LTCS Database (LTCDB) through the LTCA, to all Lansing based LTCS users and Office of Audit staff in the Central and Regional Offices.

4. The Time Management system must continue to provide electronic access to the time keeping process to all Office of Audit staff in the Central and Regional Offices, remotely as necessary, and to any other users designated by the Office of Audit.

5. The Audit Management system must continue to provider electronic access to the related data files to all Office of Audit staff in the Central and Regional Offices, remotely as necessary, and to any other users designated by the Office of Audit.

6. The Audit Management system must be enhanced to provide for home office audits being added to the database utilizing the LTC Audit Wizard. This Web Wizard leads the auditors through the process, automatically creating consistent and complete records.

7. The LTCS must maintain and improve upon a tracking system to record the movement of the data files between the two Divisions as well as document the status of assignments.

8. The LTCS, Audit Management system and Time Tracking system must continue to maintain and enhance the existing data bases, providing access in a user friendly environment to filed and audited cost reports, general provider information, tracking logs, and/or other information maintained in the system.

9. The LTCS must continue to develop and improve the analytical tools used to assess and evaluate risk in determining the type and scope of audits to be performed.

10. The LTCS capabilities must be enhanced in order to generate and calculate statistical information by geographic region and provider allowed code. This additional capability is needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards.

11. The LTCS, Audit Management system and Time Tracking system must be enhanced to store, access, and generate various forms and standard correspondence generated through the audit and time keeping process.

12. The LTCS, Audit Management system and Time Tracking system must continue to perfect, utilize, and maintain system capabilities for various reporting activities.

13. The LTCS, Audit Management system and Time Tracking system must continue to perfect, utilize, maintain, and review the built-in security of the network operating system and the database server applications to insure that proper internal controls are in place and functioning.

14. The LTCS, Time Tracking system must continue to perfect, utilize, and maintain system capabilities for electronically transferring payroll information to the State's payroll processing system.

15. The LTCS must continue to provide and improve upon the procedures used by the auditors to post audit adjustments to the filed home office cost reports.

16. The LTCS must continue to provide and improve the automated system used to accept and process the audited HOCRs between the Office of Audit and the LTC Reimbursement and Rate Setting Section.

17. The LTCS must continue to provide electronic access to the HOCR, related home office data files, the network, and LTCS Database (LTCDB) through the LTCA, to all Lansing based LTCS users and Office of Audit staff in the Central and Regional Offices.

18. The LTCS must be expanded to provide for the electronic tracking of paper records and permanent files, from office to office or storage.

19. The LTCS must be expanded to provide for an electronic audit program attached to the Audit Plan Scope, including only those sections selected in the scope.

20. The LTCS must be expanded to provide for an electronic means of tracking all necessary aspects of long term care audit appeals. A database needs to be developed to include, store, and provide access to all relevant appeal information for all regional offices.

OFFICE OF AUDIT (OOA)
Subrecipient Audit Report Monitoring System

1. The SARMS must allow for the storage and file management of audit reports and compliance examinations received electronically

2. The SARMS must automatically generate a late notice two weeks after an audit report or compliance examination due date is missed.

3. The SARMS must automatically generate a reminder notice two weeks prior to audit report and compliance examination due dates.

4. The SARMS must track audit findings and compliance examination findings for each agency that have, or could have, an impact on any Department-funded program, and the status of the finding.

5. The SARMS must allow for a date in which the initial CMH Compliance Examination is received and a date for which a CMH Compliance Examination was deemed acceptable. The received date for an acceptable CMH Compliance Examination should be the date used to determine time computations for OOA review and issuance of management decisions.

6. The SARMS must produce a report showing agencies with findings and the status of each finding.

7. The SARMS must be made available (in read only) to all Department staff for subrecipient monitoring purposes.

8. The SARMS must track questioned cost recoveries (amounts pursued, and amounts recovered).

9. The SARMS technology must be upgraded to ensure the maintenance of and access to data and information in the future, to ensure data and information can be successfully and easily transferred in a multi-user environment (that could expand dramatically with proposed enhancements), and to allow for efficient upgrades and modifications

10. The Subrecipient Audit Report Monitoring System (SARMS) must continue to provide and improve upon the following:

   a. Include a central database containing agency general and specific fiscal year information, workflow and activity tracking information.
   b. Provide appropriate access to general and specific agency information.
   c. Allow staff to input and update agency general information.
   d. Store agency general information that can be accessed and used in subsequent fiscal years.
   e. Allow staff to input funding types and levels, or allow for a download of MDCH contract and payment information to populate the system for each fiscal year.
   f. Determine audit report, compliance examination report, or exemption notice requirements of all contracted agencies.
   g. Report various agency information, annual dollar amounts awarded, departmental programs providing the funding, and report requirements in various formats requested by management.
   h. Track audit report, compliance examination report, or exemption notice due dates, and create late reports to trigger Office of Audit staff follow-up.
   i. Track follow-up actions on late reports.
   j. Report follow-up dates and actions taken on late reports.
   k. Allow staff to record receipts of audit reports, compliance examination reports and exemption notices.
   l. Assign subrecipient audit reports to a QAR staff member based on the most prevalent type of funding.
   m. Track audit reports received and waiting for QAR staff review to set work priorities.
   n. Automatically generate the review checklist(s) that need to be completed.
   o. Allow Office of Audit staff to complete and store review checklist(s) on SARMS.
   p. Allow QAR staff to input actual grant payment information, or allow for a download of MDCH grant payment information to populate the system for each fiscal year.
   q. Allow QAR staff to access MDCH FSRs and Contracts that are stored on-line.
   r. Track Office of Audit work activity completed on the audit reports and compliance examinations (staff must be able to input if the audit was deemed acceptable or if follow-up actions are needed, input a summary of issues that need to be followed-up on, and input all follow-up actions taken and applicable due dates).
   s. Track due dates on follow-up activities, and create late reports to trigger staff follow-up.
   t. Identify reports not reviewed within the required time frame.
   u. Create summaries for each report reviewed that include general agency information, and reviewer conclusions and follow-up actions.
   v. Allow supervisors to review completed checklist(s) and summaries on line, and approve them.
   w. Produce a Review Status Report that includes agencies that have submitted reports that Office of Audit staff has reviewed, and the status of each (acceptable as filed, follow-up action complete, or follow-up action in process with a list of actions taken).
   x. Include a capability to track programs tested and not tested as a major program for each Single Audit of an agency.
   y. Allow users to create standard and ad hoc reports/queries within the system.

OFFICE OF AUDIT
External Audit Report/Corrective Action Tracking System (CATS)
The Office of Audit is responsible for audit coordination duties resulting from OAG, federal, or other external audits/reviews of department activities. This includes serving as the liaison between external auditors and department staff, coordinating responses to audit memos/draft findings, and other related duties. This also encompasses coordination of corrective action plans resulting from audit findings, as well as, following up with program staff to ensure corrective action is occurring. The Office is also responsible for preparing and submitting the 60-day follow-up action required by Michigan Compiled Laws Section 18.1462.

1. The CATS must allow for the storage and file management of audit report findings and all associated corrective action.

2. The CATS must allow for tracking of audit source, ie federal, OAG, other.

3. The CATS must automatically generate a late notice five days after corrective action information is due.

4. The CATS must automatically generate a reminder notice two weeks prior to response/corrective action due dates.

5. The CATS must track audit findings and corrective action for each program/agency that have, or could have, an impact on any Department-funded program, and the status of the finding.

6. The CATS must produce a report showing programs, administration, or agencies with findings and the status of each finding.

7. The CATS must track questioned cost recoveries (amounts pursued, and amounts recovered).

8. The CATS must allow for expanded tracking capabilities for the DCH Single Audit.

9. The CATS must allow users to create standard and ad hoc reports/queries within the system.

LTC REIMBURSEMENT AND RATE SETTING SECTION
Long Term Care System (LTCS)

The following additional elements are specific to the LTC Reimbursement and Rate Setting Section.
1. The LTCS must continue to provide the long-term care providers with the ability to electronically file cost reports in an acceptable spreadsheet version determined by the Department. The spreadsheet application needs to be enhanced to utilize current technologies.

2. The LTCS must continue to provide an automated system for accepting and processing the ECRs which providers can file either or through the Internet.

3. The LTCS must continue to maintain and enhance the existing LTCDB, providing access in a user friendly environment to filed and audited cost reports, audit plans, general provider information, tracking logs, rate setting, gross adjustment, and/or other information maintained in the system.

4. The LTCS must continue to provide the home office entities with the ability to electronically file cost reports in an acceptable spreadsheet version determined by the Department.

5. The LTCS must continue to provide an automated system for accepting and processing the HOCRs which the home office entities can file either or through the Internet.

6. The LTCS must continue to maintain and enhance the existing LTCDB, providing access in a user friendly environment to filed and audited home office cost reports, audit plans, general home office entity information, tracking logs, and/or other information maintained in the system.

7. The LTCS capabilities must be enhanced in order to generate and calculate statistical information by geographic region and provider type. This additional capability is needed to determine and establish industry standards for the various elements so that a cost report can be compared and evaluated against those standards.

8. The LTCS must develop and maintain an automated settlement process for calculating initial, final and revised final settlements

9. The LTCS must continue to perfect, utilize, and maintain the automated rate calculation process. The rate calculation process needs to be enhanced to incorporate case mix reimbursement methodology into the calculation. The rate calculation technology needs to be enhanced to utilize current technologies.

10. The LTCS must continue to perfect, utilize, and maintain the automated process to electronically receive gross adjustment data from CHAMPS/DIT and load into the LTCDB.

11. The LTCS must be flexible to be installed on desktop PCs of Department staff outside the LTC Reimbursement and Rate Setting Section and Office of Audit staff.

Attachment C
Detailed Section 1.104 Work & Deliverables

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Settlement and Payment Processing Section

The following is a preliminary analysis of the specific tasks involved in maintaining a system capable of meeting the objectives of the Settlement and Payment Processing Section.

a. Cost Report Information - Data from the audited/filed Medicare cost report, and all revisions thereof, are needed to calculate a complete CMS-2552. This data must begin with the provider's fiscal years ended 2/28/85, and must be provided on an ongoing basis within a period not to exceed 60 days of receipt from the Medicare intermediary. The contractor is responsible for any data manipulations required to produce a cost report. The HHPRD receives the ECR filed data from the hospitals within 150 days of their fiscal year end. The contractor shall be responsible for loading the data from the ECR files into the network system in a format which will generate a completed cost report and can be selected by the contractor for ad hoc reports requested by the HHPRD. This information must be available within 60 days of the time the HHPRD deems the filed report to be complete. Within 90 days of the beginning of the contract, the filed cost reports for the most recent fiscal years not yet completed, must be input into the system and available for data collection or settlement.

b. Program Data Accumulation Worksheets - These worksheets should be in the same format as those currently being used. There should be macros for ease of transferring headings, cost centers, and printing.

c. Audit Adjustment Report - The audit adjustment report must be created from the data entered in the program data accumulation worksheets. This should be done automatically and should require no further work by the auditor. The cost centers should be arrayed down the left side of the report. The provider filed data and the audited data should transfer from the accumulation sheets and the difference computed.

d. CMS-2552 - CMS-2552 worksheets must be prepared incorporating Title XIX, Title V, and any other applicable program costs, charges, days, and payments to produce a completed cost report. This will require that many of the schedules be modified to accommodate the needed information. The revisions of the HCFA-2552 which must be accommodated are:
   i) HCFA-2552-84
   ii) HCFA-2552-85
   iii) HCFA-2552-89
   iv) HCFA-2552-92
   v) CMS/HCFA-2552-96
   vi) Any future modifications of the HCFA/CMS-2552 or any forms, which may replace it.

e. Outpatient Settlement Form - The program costs will be computed in the CMS-2552 and will be brought over to the Outpatient settlement form, which is used to compare costs to charges and payments and compute an amount due to or owed by the hospital.

f. Outpatient Education Settlement – The CMS-2552 schedules must be modified to calculate the outpatient education costs by cost center. These costs must then be transferred to an Outpatient Education settlement form and the payment made must be transferred to the Outpatient settlement form.

g. Notice of Amount of Program Reimbursement (NAPR) - Using the program costs and payments from the inpatient, outpatient and outpatient education calculation of reimbursement forms, perform a comparison of this data to the provider's filed cost report data. Calculate the difference and foot the totals.

h. <u>Settlement Under Diagnosis Related Group (DRG)</u> - The settlement under DRG includes inpatient capital, other direct medical education, and graduate medical education costs which must be calculated using the audited/filed HCFA/CMS-2552. These costs must then be transferred to a summary sheet, added to a correct DRG amount, and compared to charges. The lesser of charges or cost must be selected and the payments deducted. This will result in an amount owed by or due to the provider.

i. <u>Database</u> - Separate databases are used for the following areas with the data that is maintained to be determined by each area:
   i) Settlement and Payment Processing Section
   ii) Hospital Rate Review Section
   iii) Special Programs Section

   The information stored in the database allows for ad hoc reports to be generated. This database permits for the comparison of data between different fiscal year ends, different hospitals, or different programs. Also existing is the ability to extract subsets of the information stored in these databases for analysis. The contractor at the request of the HHPRD generates the reports. Data is also available to read, by authorized personnel, with clearance obtained through the HHPRD.

j. <u>Formula Payments to Hospitals for Health Professions Education</u> - Filed Cost Report and Special Report Data is used to establish the distribution of the General Funds Pool, Primary Care Pool, and the Dental and Podiatry Pool. All three pools use information from the filed cost report to distribute the funds. Other reports may be required for hospitals to report certain statistics that will be used in the distribution of the pools. Hospitals report this information annually. The GME reporting does analysis on the FTE data as well as splitting up the GME pools.

k. <u>Medicaid Access to Care Initiative (MACI), Fee for Service Quality Assurance Assessment Program (QAAP), Hospital Rate Adjustment (HRA) QAAP Calculations –</u> Incorporate hospital managed care data, hospital revenues and utilization data to calculate payments and taxes.

l. <u>Certified Public Expenditure (CPE) Calculations and Settlements</u> – Allow for calculation of the CPE settlements using different upper payment limit formulas.

m. <u>MIP/CIP Calculations</u> - The MIP/CIP calculations involve three connected worksheets. The first worksheet is general information concerning paid data, quarterly report data, and DRG price and case mix. The second page calculates the MIP payment. The third page calculates the CIP payment. A letter to the provider notifying them of the amount of the MIP/CIP payment has to be produced.

n. <u>Management Reports</u> - The following management reports as well as others to be determined as needed will be required:
   i) <u>Current Facility List of Cost Reports Received</u> - These are alphabetical lists of cost reports received and completed by auditor, hospital and fiscal year end.
   ii) <u>Status Reports</u> - This report is used to determine for management the number of settlements processed during a specified time period.
   iii) <u>Record of Settlements Completed</u> - This is a record by hospital and Mental Institution of the provider's address, contact person, phone number, provider numbers, and the amounts and dates of all settlements processed, by program. This record also shows cost reports received and the date, audited Medicare cost reports received and the date, and miscellaneous information about closings, year-end changes, affiliations, etc. This information needs to cover a period of 20 years and about six different types of settlements. This information should be available to everyone to read, but changed only by authorized personnel.
   iv) <u>Hospital Industry Financial Analysis Reports</u>
      • Accrual Reports
      • Case Mix and Outlier Calculation

- Disproportionate Share Hospital (DSH) Payment Reports
- Fiscal Status Report
- Hospital Fact Report
- Medicaid Fee For Service Inpatient Profit/Loss Report
- Medicaid Fee For Service Outpatient Profit/Loss Report
- Outpatient Education Reports
- Quality Assurance Assessment Program (QAAP) Reports

v) Miscellaneous Reports
- Audited Cost Reports
- Auditor Inventory Reports (Group of two reports)
    -- Auditor Completion Report
    -- Paid Settlements Report
- Capital Cost Per Discharge
- Cost to Charge Ratio
- Change History Report
- Clinic Facility Report
- Clinic Paid Claims Summary Report (Group of three reports)
    -- Approved Claims Payment Data
    -- Provider Output Request
    -- Enrolled Provider Report
- Comparison Output Summary Report
- Cost Report Status Report
- Facility Address Contact Listing
- Facility Rate History Report
- Facility Status Report
- Transaction Audit Trail Report
- Active Cost Report Listing with Affiliations
- Settlements Completed but not Reviewed
- Settlements Completed and Reviewed
- Settlements Completed by Auditor
- Upper Limits Test
- Auditor Monthly Status Report
- Filed Cost Report by State Fiscal Year End
- Delinquent Cost Report by State Fiscal Year End

vi.) Other Capabilities
- Security protection levels so that an auditor has the ability to update his/her own files, each staff member has the ability to inquire against all section files, and all other persons are prevented from accessing any files.
- Ability to update all data elements within the HCFA/CMS-2552 file.
- Ability to print any information stored in the database and all forms generated that are related to the HHPRD.
- Ability to use the input file, for each hospital, obtained by the contractor from the Medicare intermediary or another approved source to run and store complete Medicare audited HCFA/CMS-2552.
- Ability to access any data required in the filed cost report or generate and print a completed cost report.
- The ability to view settlement worksheets on the screen before printing the data.
- All data, regardless of source, must be available for on-line access during the agency's normal working hours.
- Process any other ad hoc reports or calculations as necessary for an example QAAP reports, profit/loss reports etc.

o. <u>CHAMPS</u> – The hospital Medicaid (Title XIX), Crippled Children (Title V), MOMS, Healthy Kids, etc. hospital paid claims data will be accessed from the data warehouse. When it is loaded into the HCS the data is reported only by the NPI number. It must then be separated by program as well as between inpatient and outpatient. It will then be available for use for the final settlement and file transfer.

Interfaces with CHAMPS must be maintained to send and receive Gross Adjustment information.

Implementation of CHAMPS bring changes to the classification of data related to provider and reimbursement information. Hospital systems should be updated for consistency with the new CHAMPS data models.

p. <u>NPI</u> – The hospital Title XIX, Title V, MOMS, Healthy Kids, etc. claims will be processed through their NPI number. Monitoring of these numbers will be handled by the HHPRD with changes to existing as well as newly enrolled providers. The electronic cardfile and HCS will be updated as claims, MIP/CIP payments and final settlements will be affected.

q. <u>File Transfer</u> – The following reports will be set up electronically for the provider to file and retrieve data:
   i)   All provider reporting for filing of the ECR
   ii) Hospital quarterly financial reports
   iii) CHAMPS paid claims reports, by program
   iv) Other data, as appropriate

The provider will file information in the ECR for calculation of the MIP/CIP rates, final settlements, DSH and GME rates. This data will be used for various reports within this and other sections. It will also be available for the providers to access claims data once the final settlement has been sent.

It should be noted that these reports will be in accordance with HIPAA.

p. <u>New Programs</u> – As the federal and/or state hospital reimbursement methodology changes, new programs may arise. The HHPRD will incorporate these into our hospital MIP/CIP calculations and final settlements. This could result in a change to the HCS as well as new payment systems.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Hospital Rate Review Section

Inpatient Hospital Rate Setting
The following is a preliminary analysis of the specific tasks involved in supporting a complete rate setting system. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a. The system should be linked to the card file system for changes in hospital status such as name changes, mergers, closures, new hospitals or units within existing hospitals, changes in provider numbers, etc.

b. There should be a written operating policy on the procedures used to set the rates detailing the rate setting computerization.

c. The rate setting system must also be capable of accommodating new policy changes for future rate setting purposes.

d. The rate setting system should also store all rates for every price period in the database by creating a rate history file, which is accessible via a windows front end and usable by other windows applications.

e. The system must be capable of providing FOI (Freedom of Information) requests when requested.

f.   The system must be capable of producing ad hoc management reports.

g.   The system should be capable of identifying all provider numbers and types.

h.   The system should be capable of insuring the reliability of the data used, its source, e.g., its completeness, accuracy, consistency, validity, and timeliness of receipt.

i.   Some of the major steps that are involved in the rate setting process include the following:
     i)   data gathering (cost reports, CMS website)
     ii)   paid claims data
     iii) calculating the rates and relative weights
     iv)   verifying the appropriateness and correctness of the rates
     v)   data must be easily accessible and retained on line as long as the Division deems necessary, at which time the data may be moved to some kind of off-line storage.
     vi)   system must be able to produce the rates and any supporting documentation that is sent to the providers, including but not limited to, the cover letter, rate calculations, supporting documentation as required, etc.
     vii) system must have the capability for the comparison of data between different fiscal year ends, different hospitals, or different programs.
     viii) also needed is the ability to abstract subsets of the information stored in the database for analysis.
     ix)   DRG Prices, Per Diem Rates, I/P and O/P ratios, O/P adjustors, etc. need to be automatically sent to the table files, and the Division's Card File System.

Capital Rate Setting
The following is the specific tasks involved in capital rate setting system. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a.   The system should be linked to the card file system for changes in hospital status such as name changes, mergers, closures, new hospitals or units within existing hospitals, changes in provider numbers, etc.

b.   There should be a written operating policy on the procedures used detailing the capital rate computerization – data gathering and calculations.

c.   The capital rate system must also be capable of accommodating new policy changes for future rate setting purposes.

d.   The capital rate system should also store all capital rates for every price period in the database by creating a rate history file, which is accessible via a windows front end and usable by other windows applications.

e.   The system must be capable of providing FOI (Freedom of Information) requests when requested.

f.   The system should be capable of identifying all provider numbers and types.

g.   The system should be capable of insuring the reliability of the data used, its source, e.g., its completeness, accuracy, and consistency.

State Psychiatric Hospital Settlement
The cost settlement system includes, but not is limited to, producing the following schedules. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a. Data Accumulation Worksheets

b. Audit Adjustment Reports

c. All settlement schedules including the following HCFA 2552 forms:
    i)   Worksheet D - Parts I - II - III & IV
    ii) Worksheet D - 4
    iii) Worksheet D - 1; Parts I & II
    iv) Worksheet E - 3

d. Calculation of Medicaid's Share of Direct Graduate Medical Education Costs

e. Notice of Amount of Program Reimbursement (NAPRs)

f. Reimbursement Letters

g. Payment & Inventory Logs

h. Quarterly Payment Calculation Worksheets

i. TEFRA Rate Calculation Worksheets

j. The settlement data must be stored in a database, which allows for view, revisions, comparisons between years, and be available for internal and external purposes.

k. There should be a written operating policy on the procedures used detailing the computerized system.

l. The system should be linked to the card file system for changes in plan status such as name changes, mergers, closures, changes in provider numbers, etc.

m. The cost settlement system must also be capable of accommodating new policy changes for future settlement purposes.

n. The system must be capable of providing FOI (Freedom of Information) requests when requested.

Special Health Plan Cost Settlement
The following is a preliminary analysis of the specific tasks involved. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, or tasks deemed necessary.

a. The system should be linked to the card file system for changes in plan status such as name changes, mergers, closures, changes in provider numbers, etc.

b. There should be a written operating policy on the procedures detailing the cost settlement computerization.

c. The cost settlement system must also be capable of accommodating new policy changes for future settlement purposes.

d. The settlement data must be stored in a database, which allows for view, comparisons between years and for producing ad hoc reports as needed for management purposes.

e. The system must be capable of providing FOI (Freedom of Information) requests when requested.

f. The system should be capable of identifying all provider numbers and types.

g. The system must be able to produce the settlement and any supporting documentation that is sent to the providers, including but not limited to, the cover letter, rate calculations, supporting documentation as required, etc.

h. The system must have the capability for the comparison of data between different fiscal year ends, different hospitals, or different programs.

i. The system needs to be automatically link settlement information to the Division's Card File System.

j. Some of the major steps that are involved in the rate setting process include the following:
   i) Data accumulation worksheets.
   ii) The settlement schedules.
   iii) The reimbursement letters.
   iv) The payment logs.

Enhancements and Regulatory Updates
The following is a preliminary analysis of the specific tasks involved in supporting the enhancements and regulatory updates. In addition to the following, the contractor is not constrained from supplementing this list with additional steps, sub tasks or elements deemed necessary.

a. Any system should be linked to (or information provided from) the CardFile system for changes in hospital status such as name changes, mergers, closures, new hospitals or units within existing hospitals, changes in provider numbers, etc.

b. There should be a written operating policy on the procedures used detailing any update or enhancement – data gathering and calculations.

c. Any system should also store all rates or adjustments for every period in the database by creating a history file, which is accessible via a windows front end and usable by other windows applications.

d. Each system must be readily accessible by all rate setting staff.

e. The system must be capable of providing FOI (Freedom of Information) requests when requested.

f. The system should be capable of identifying all provider numbers and groups.

g. The system should be capable of insuring the reliability of the data used, its source, e.g., its completeness, accuracy, and consistency.

HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION
Special Program Section
On-site technical support must be provided to maintain network connections, continually develop and/or improve automation, modify the systems and programs, implement new technology, handle day-to-day system support, maintain the database and provide assistance and consultation to staff that access the systems for data and information requests.

The system consists of many applications or pieces. These pieces must be maintained individually and yet still remains a part of the whole system. This includes being attached to the application server and having full access to the database. Minor changes to any of these system components will require knowledge of the whole system and applications.

In addition to system development/applications programming, there is a need for database administration. There may be a need to provide external access to the network to Department staff in other Bureaus/Administrations.

The following is a preliminary analysis of the specific tasks involved for continuing and enhancing the automated system already in place:

a. Backup, upgrade, and monitor the central database.

b. Backup, upgrade, and monitor the servers.

c. Modify the database as necessary to reflect policy changes.

d. Install/maintain application software on staff hardware.

e. Provide application systems network security for staff.

f. Work with Department network personnel to deal with and resolve common network issues and problems (GroupWise, CD-ROM access, access to other servers as authorized).

g. Develop and implement new programs or applications into the existing system to account for changes in program policy, procedures, and/or simply to improve the present system.

h. Ad hoc reporting and related database table file information.

i. Develop a system to complete and file cost reports over the web directly to the division.

j. Provide training to staff on the use of the applications designed for the system.

k. Continue to develop and maintain documentation of the system functioning at the technical level.

l. Develop various management reports as well as others when needed.

m. Provide support and maintain applications that interface with external systems and groups such as CHAMPS, Intermediate School Districts, Center for Educational Performance and Information (CEPI), Michigan Department of Education (MDE), Department of Information Technology (DIT), etc.

n. Provide technical expertise for Microsoft Office products and other common desktop applications used by the department.

o. Update and enhance applications as appropriate to achieve consistency with the new CHAMPS data model.

p. Upgrade and enhance systems as appropriate to make use of newer technology platforms such as .NET.

OFFICE OF AUDIT
Long Term Care System (LTCS)
Lansing Central Office on-site technical support must be provided to maintain network connections, continually develop and/or improve LTCS automation, modify the LTCS to implement new technology, and handle day-to-day system support, maintain the database and provide assistance and consultation to Bureau staff who access the LTCS system for data and information requests.

The LTCS system will utilize audited data or the input of filed cost reports, accept additional input of program specific data, generate a program settlement, prices, etc., and maintain data history. The Audit Management and Time Tracking systems will accept and utilize all staff time input or the input on

audit forms, accept the input of application specific data, generate state required time sheets and summaries, and maintain data history.

The LTCS, Audit Management and Time Tracking systems consist of many applications or pieces. These pieces must be maintained individually and yet still remain parts of the whole system. Minor changes to system components will require knowledge of all of the code and/or cells. The smaller components are equally complex because they deal with all of applicable business rules and policy. Modifications to the Cost Report, Audit Plan and Risk Analysis report are required periodically to address business changes.

The following is a preliminary analysis of the specific tasks involved for continuing and enhancing the automated system already in place for the LTCS, Audit Management and Time Tracking.

1. Maintain the LTCS application system, Audit Management system, Time Tracking system and newly developed application systems for a minimum of fifty-five (55) workstations/laptops in the Office of Audit with the possibility of more stations being added. The laptops must be able to access the Time Tracking system through remote dial-in access from sites other than the regional offices dial up procedures. The workstations must be available during the hours of 7:00 a.m. to 6:00 p.m., Monday through Friday, and other times by special arrangement. Remote dial-in must be accessible for evening and early morning log in. All must be able to initiate printing of reports by printer.

2. The LTCS, Time Tracking system must continue to perfect, utilize, and maintain system capabilities for electronically transferring payroll information to the State's payroll processing system.

3. Modify the database as necessary to reflect policy changes to applicable processes.

4. Develop and implement new programs or applications into the existing systems to account for changes in program policy, procedures, and/or simply to improve the present system.

5. Perform ad hoc reporting of database table file information as requested.

6. Develop new and improve upon the cost report validation process to make sure nursing facility cost reports are accurate, mathematically correct, and complete when audited by Office of Audit staff.

7. Develop new and improve upon home office cost report validation process to make sure home office cost reports are accurate, mathematically correct, and complete when audited by Office of Audit staff.

8. Develop, improve, and simplify the tracking log component of the system to allow users to monitor the progress of a filed nursing facility cost report through the audit, rate setting, and settlement processes.

9. Develop, improve, and simplify the tracking log component of the system to allow users to monitor the progress of a filed home office cost report through the audit processes.

10. Develop, improve, and enhance the tracking log component of the Audit Management system that stores pertinent statistical information pertaining to individual assignments such as audit type, auditor(s) assigned, number of hours - both budgeted and actual, cost savings, travel expense, etc. The system should be enhanced to track the flow of audit workpapers and/or related files between offices, to any appropriate review/appeals section, and eventually to record storage.

11. Develop, improve, and enhance the reporting capabilities of the Audit Management system, enabling management to evaluate the performance of the regional offices and the individual auditors assigned to those offices, to quantify results in terms of actual cost savings, and/or to identify problem areas that may need special attention.

12. Develop, improve, and enhance applications designed to assess risk in determining the type and scope of audits to be performed. Variance reports must not only be designed to do year to year comparisons between two cost reports, but have the capability to compare a cost report against geographic regional average or norm indicators for particular elements of cost or statistics.

13. Develop, improve, and enhance the audit plan in terms of the conclusions reached by relating it more closely to the risk analysis applications.

14. Develop, improve, and modify the ECR and the database to include additional and more specific statistical information such as salaries for all key personnel and not just owners or administrators.

15. Provide initial and continuous formal training to Central Office and Field Office staff on the use of the applications designed for the systems (audit plan creation, variance report generation, settlement process, ad-hoc query and report generation, network administration for field offices, etc.).

16. Develop user-friendly guides or manuals describing the functions of each component of the system and how to use those functions or applications.

17. Continue to develop and maintain documentation of the system functioning at the technical level.

18. Develop, improve, and enhance an electronic home office cost reports and enhance the existing central relational database to store home office cost information. The home office cost report is an extension of the long term care facility cost report so the two must be compatible and capable of verifying that the information on both reports are consistent with each other.

19. Develop, improve, and enhance applications designed to assess risk in determining the type and scope of audits that needs to be performed at the home office level. Variance reports must be developed and designed not only to do year to year comparisons between two cost reports, but must have the capability to compare a cost report against geographic regional average or norm indicators for particular elements of cost or statistics.

20. Develop, improve, and enhance the existing home office audit plan to include risk or other analysis of the home office cost report.

21. The LTCS must be expanded to provide for an electronic means of tracking all necessary aspects of long term care audit appeals. A database needs to be developed to include, store, and provide access to all relevant appeal information for all regional offices.

22. The following management reports as well as others to be determined as needed will be required:
    a. Acceptance Report for Audited Nursing Facility Cost Reports
    b. Acceptance Report for Audited Home Office Cost Reports
    c. Annual Audit Plan Report
    d. Audit Plan Assessment and Scope Reports for individual nursing facilities
    e. Audit Plan Assessment and Scope Reports for home office entities
    f. Audit Log Report
    g. Nursing Facility Audit Status Events
    h. Home Office Audit Status Events
    i. Audit Time Summary Report
    j. Audit Tool Report
    k. Nursing Facility Cost Reporting Status Events – Detail and Summary
    l. Home Office Cost Reporting Status Events – Detail and Summary
    m. Employee Monthly Activity Report
    n. Facility Reports
    o. Federal Time Summary Report
    p. Intake Report for Audited Nursing Facility Cost Reports

q. Intake Report for Audited Home Office Cost Reports
r. Organization Owner Reports
s. Professional Services Report
t. Risk and Cost Savings Report for individual nursing facilities
u. Risk and Cost Savings Report for home office entities
v. Time Sheet Report
w. Nursing Facility Tracking Log Status Reports
x. Home Office Tracking Log Status Reports
y. Variance Report for individual nursing facilities
z. Variance Report for home office entities

OFFICE OF AUDIT
External Audit Report/Corrective Action Tracking System (CATS)
The following is a preliminary analysis of the specific tasks required for the External Audit Report/Corrective Action Tracking System:

1. The CATS must allow for the storage and file management of audit report findings and all associated corrective action.

2. The CATS must allow for tracking of audit source, ie federal, OAG, other.

3. The CATS must automatically generate a late notice five days after corrective action information is due.

4. The CATS must automatically generate a reminder notice two weeks prior to response/corrective action due dates.

5. The CATS must track audit findings and corrective action for each program/agency that have, or could have, an impact on any Department-funded program, and the status of the finding.

6. The CATS must produce a report showing programs, administration, or agencies with findings and the status of each finding.

7. The CATS must track questioned cost recoveries (amounts pursued, and amounts recovered).

8. The CATS must allow for expanded tracking capabilities for the DCH Single Audit.

9. The CATS must allow users to create standard and ad hoc reports/queries within the system.

10. Provide assistance and consultation to Office of Audit staff who access the system for data and information requests.

OFFICE OF AUDIT
Subrecipient Audit Report Monitoring System
The following is a preliminary analysis of the specific tasks required for the Subrecipient Audit Report Monitoring System (SARMS):

1. Maintain the Subrecipient Audit Report Monitoring System to allow for recording and storing agency information, recording review results, recording follow-up actions, tracking information, and generating management reports as detailed in the Scope of Work 1.101 Section, items 10a. thru 10y.

2. Enhance SARMS to allow for the following as detailed in the Scope of Work 1.101 Section, items 1 thru 8:
   a. storage and file management of audit reports and compliance examinations received electronically;

b. automatic generation of late notices two weeks after an audit report or compliance examination due date is missed;

c. automatic generation of reminder notices two weeks prior to audit report and compliance examination due dates;

d. tracking of audit findings and compliance examination findings for each agency that have, or could have, an impact on any Department-funded program, and the status of the finding;

e. the SARMS must allow for a date in which the initial CMH Compliance Examination is received and a date for which a CMH Compliance Examination was deemed acceptable. The received date for an acceptable CMH Compliance Examination should be the date used to determine time computations for OOA review and issuance of management decisions;

f. production of a report showing agencies with findings and the status of each finding;

g. making SARMS available (in read only) to all Department staff for subrecipient monitoring purposes; and

h. tracking questioned cost recoveries (amounts pursued, and amounts recovered).

3. Upgrade SARMS technology to ensure the maintenance of and access to data and information in the future, to ensure data and information can be successfully and easily transferred in a multi-user environment (that could expand dramatically with proposed enhancements), and to allow for efficient upgrades and modifications

4. Modify SARMS as needed to implement policy changes and new technology.

5. Provide assistance and consultation to Office of Audit staff who access the system for data and information requests.

LTC REIMBURSEMENT AND RATE SETTING SECTION
Long Term Care System (LTCS)

The LTCS system consists of many applications or pieces. These pieces must be maintained individually and yet still remains a part of the whole system. This includes being attached to the application server and having full access to the database. Several pieces of the system contain hundreds or thousands of lines of code and/or cells of programming. The ECR contains over a thousand (1,000) lines of code and well over ten thousand (10,000) cells in thirty (30) worksheets. The LTCS contains over a thousand (1,000) lines of code. Minor changes to either of these system components will require knowledge of all of the code and/or cells. The smaller components are equally complex because they deal with all of LTC's business rules and policy. Modifications to the Audit Plan, Rate Setting, Settlement, MIP, and Gross Adjustment processes are required periodically to address business changes.

In addition to system development/applications programming, there is a need for database administration. The central database contains approximately three hundred (300) relational tables with a majority having full referential integrity. The database will be collecting at least two to four (2-4) gigabytes of data each year. Also, there will be a need in the near future to provide external access to the network to Department staff in other Bureaus/Administrations. Other State agencies, providers, provider associations, could also require external access to the network, perhaps through the Internet.

The following is a preliminary analysis of the specific tasks involved for continuing the automated system already in place for the LTCS.

1. Backup, upgrade, and monitor the LTCS central database.

2. Backup, upgrade, and monitor the servers in the Lansing.

3. Modify the database as necessary to reflect policy changes to LTC processes.

4. Install/maintain application software on LTC hardware.

5. Handle LTCS application systems network security for LTC personnel.

6. Work with Department network personnel to deal with and resolve common network issues and problems (GroupWise, CD-ROM access, access to other servers as authorized).

7. Provide initial and continuous formal training to LTC Reimbursement and Rate Setting Section staff on the use of the applications designed for the system.

8. Improve, and enhance the ECR templates, HOCR template, and related information to be submitted for inclusion on the Department Web page.

9. **Miscellaneous Reports** - The following management reports as well as others to be determined as needed will be required:
   a. Variable Cost Limit - annually by provider allowed code
   b. Support To Base Cost Limit - annually for six bed size groupings
   c. DRI Index Factor - annually by provider allowed code
   d. County Bed Utilization
   e. Regional Bed Utilization
   f. Quality Assessment Assurance Beds
   g. Quality Assessment Assurance Non – Medicare Day Confirmation – mail merge letter
   h. Annual Quality Assessment Assurance Payment
   i. Annual MIP Reconciliation Payment History
   j. Annual MIP Reconciliation Summary
   k. Provider Procedure Code Rate Data Match
   l. Bed Day Utilization
   m. Medicaid Patient Day Utilization
   n. Nursing Facility Cost Reporting Status Events - Detail and Summary
   o. Home Office Cost Reporting Status Events – Detail and Summary
   p. Nursing Facility Cost Report Status Report
   q. Home Office Cost Report Status Report
   r. Rate Status - Detail and Summary
   s. Settlement Status - Detail and Summary
   t. Summary Data - Cost Data Elements
   u. Summary Data - Rate Data Elements
   v. Various Provider and/or Organization Owner Summary
   w. Rate History, by county
   x. Gross Adjustment History Report
   y. MIP Payment History Report
   z. QA Supplemental Payment History Report
   aa. Gross Adjustment Monthly Report
   bb. Acceptance Report for filed nursing facility cost reports
   cc. Acceptance Report for home office cost reports
   dd. Intake Report for filed nursing facility cost reports
   ee. Intake Report for home office cost reports
   ff. Freedom of Information Act file summary report

The following is a preliminary analysis of the new tasks to be developed in the automated system already in place for the LTCS.

1. Develop a system to automatically integrate invoice processing payments data into the LTCDB.

2. Develop an automated system to calculate the unreimbursed care provided by county owned medical care facilities. The process will determine the quarterly gross adjustment amount, and include an automated annual period end reconciliation process.

3. Develop an automated settlement process for calculating initial, final, and revised settlements. The process will include rate and payment data stored in the LTCDB.

4. Develop an automated MIP calculation process for calculating the bi–monthly MIP payments. The process would include an automated annual period end MIP reconciliation process.

5. Develop an automated FOIA process for the home office cost reports. The LTCA must be able to copy the cost report data text file(s) onto diskette(s) or CD(s). The data files must be accessible on an individual cost report file, or all cost report files loaded into the database on a quarterly basis. The LTCA must be able to remove personal or individual information from the file before copying onto diskette(s) or CD(s).

6. LTCS, reports generated from the system, and all processes will need to become compliant with the National Provider Identifier (NPI) numeration and with the Department's CHAMPS system.

7. Develop an automated process that will electronically submit provider rate updates and data to create gross adjustment to CHAMPS.

8. Gross Adjustment Monthly Report must be enhanced to properly report the various LTC special financing payments and related extended recovery payments.

Attachment D
Detailed skill sets

Personnel Requirements:

General knowledge of the Medicaid program and hospital and long term care industries are required for all contractor personnel proposed. The contractor and proposed staff must have prior and recent experience (within the last few years) developing, maintaining and operating computer systems and business processes for cost settlement, rate setting and audits for long-term care and hospital facilities for a state Medicaid program. It is desired that the contractor and proposed staff have a general understanding of the Hospital and Health Plan Reimbursement Division, the Long Term Care Reimbursement and Rate Setting Section, the Audit Division and the information used by each organization.

Contractor shall provide onsite staff and support at State facilities in Lansing Michigan.

Contractor staff shall be employed by the contractor at the time of proposal submission and available for work on day one of the new contract period.

Minimum Staffing Requirements:

The contract requires a minimum of fifteen (15) full-time staff positions dedicated solely to providing ongoing support and enhancements to the Hospital and Health Plan Reimbursement Division, Long Term Care Reimbursement and Rate Setting Section, and Audit Division computer systems. The minimum level of staff positions required by the contractor to accomplish the necessary functions of applications programming, system enhancements, database maintenance, web maintenance, network maintenance, and problem solving relative to application operations and data access include:

- One project manager
- One senior level system administrator
- One senior level database administrator/application developer
- One senior level web administrator/application developer
- Two expert level software application developers
- Four senior level software application developers
- Four journey level software application developers
- One junior level software application developer/data analyst

The Department reserves the option for possible future staffing reductions in the event of Department work fluctuation or work assignments. The Department will provide the contractor a minimum 30-day notice prior to enacting a work force reduction.

Staff proposed by the contractor for this contract must meet the following minimum requirements:

1. The Project Manager must have ten (10) years of work experience and qualifications in computer information systems, data communications, networking, system analysis, computer programming, or equivalent background. It is desired that the project manager have five (5) years of management/supervisory experience for information technology projects. The proposed project manager must have excellent communication skills and a strong background in application design and development in Microsoft Windows based client/server and web application environments. The project manager must be proficient in the application software required by this contract.
2. The Senior Level System Administrator/Developer must have work experience in administration and maintenance of Novell and Microsoft local area networks, Windows server configuration, client desktop and laptop support, and must have excellent communication skills. The system administrator must be proficient in the application software required by this contract.
3. The Senior Level Database Administrator/Developer must have work experience in configuration, administration and maintenance of Microsoft SQL Server databases. Experience with other database platforms would also be beneficial. The Database Administrator must also meet the requirements described below for software application developer. The Database Administrator must be proficient in the application software required by this contract.

4. The Senior Level Web Administrator/Developer must have work experience in configuration, administration and maintenance of the Microsoft Internet Information Services platform. Experience with other web platforms would also be beneficial. The Web Administrator must also meet the requirements described below for software application developer. The Web Administrator must be proficient in the application software required by this contract.

5. All Software Application Developers must have work experience in client/server and web-based application development, spreadsheet design, relational data base systems development, system documentation creation, and general knowledge of Novell and Microsoft local area network design, implementation, and maintenance. Personnel must have programming experience with several of the following software development tools: Microsoft Active Server Pages (ASP), Java Script, Visual Basic Script, Visual Basic, Visual Basic for Applications, Microsoft Office (Excel, Word, Access), Microsoft Component Object Model (COM+), Microsoft Distributed Component Object Model (DCOM), Extensible Markup Language (XML), Hypertext Markup Language (HTML), Extensible Stylesheet Language Transformations (XSLT), Data Transformation Services (DTS), Data Dynamics Active Reports, True DB Grid, Adobe Acrobat, Microsoft IIS, and Microsoft SQL Server.

6. The Expert Level Developers will serve as contact focal points and subject matter experts for the software applications supported under this contract. As such, the Expert Level Developers must have excellent communication skills and a solid understanding of the business practices and software needs of the user departments. One Expert Level Developer will be the contact focal point and subject matter expert for the Hospital and Health Plan Reimbursement Division. The other Expert Level Developer will be the contact focal point and subject matter expert for the Long Term Care Reimbursement and Rate Setting Section and the Audit Division.

7. The Junior Level Developer/Data Analyst must have experience with the Microsoft Windows environment, spreadsheets, and database management systems on microcomputers. The Data Analyst will be required to interact with and provide technical support for members of the medical community regarding the use of software distributed under this contract and should have excellent communication and customer service skills. Knowledge of the Centers for Medicare and Medicaid Services (CMS) Hospital Cost Report Form CMS-2552-96 is preferred.

Personnel Skill Levels Defined:
Defined below are the requirements for proposed candidates from the contractor to meet the classification skill levels defined in the personnel requirements section.

Junior Skill Level
Qualifications: Possession of a bachelor's degree with 21 semester (32 term) credits hours in an information technology related major. Alternatively, possession of an associate's degree with 16 semester (24 term) credit hours in an information technology related major and 2 years of recent IT experience on IT projects.

Typical work as a junior level developer:
• Writes, compiles, modifies, debugs and tests simple application programs for computerized systems on the specified platform, in the specified language and for the specified database technology.

• Uses program specifications to prepare the logic sequence of program source statements in the development, modification, documentation and maintenance of simple computer programs on the specified platform in the specified language and for the specified database technology.

Journey-Person Skill Level
Qualifications: These individuals must have a minimum of three (3) years of recent experience and have demonstrated journey-level/considerable knowledge skills and abilities in the specific Category of Service. The candidates must have demonstrated, through the quality of their work, an above average aptitude and thorough knowledge of specific Category of Service. They must have demonstrated their ability in systems analysis plus have a commitment to getting their work done and personal qualities that contribute to the work

team environment. At this level, the candidates are expected to be able to adapt to new and unfamiliar concepts and tools with minimal assistance.

Typical work as a journey-person level software applications developer:
- Writes, compiles, modifies, debugs and tests application programs for computerized systems on the specified platform, in the specified language and for the specified database technology.
- Uses program specifications to prepare the logic sequence of program source statements in the development, modification, documentation and maintenance of computer programs on the specified platform in the specified language and for the specified database technology.
- Develops specifications/structured diagrams for the specifications to detail what new systems or enhancements to existing systems can accomplish on the specified platform in the specified language and for the specified database technology.
- Serves as a liaison with users concerning requests, usage and other developmental and production matters.

Education or Alternate Education and Experience:
- Possession of a bachelor's degree with 21 semester (32 term) credits hours in an information technology related major.
- Alternatively, possession of an associate's degree with 16 semester (24 term) credit hours in an information technology related major and 5 years of recent IT experience on IT projects.
- Alternatively 8 years of recent IT experience on IT projects.

Senior Skill Level
Qualifications: These individuals must have a minimum of five (5) years of recent experience and have demonstrated senior/above-average knowledge skills and abilities in the specific Category of Service. The candidates must have demonstrated, through the quality of their work, an excellent aptitude and knowledge of specific Category of Service. They must have demonstrated their ability in systems analysis plus have a commitment to helping others get their work done and personal qualities that exemplify work team environment. At this level, the candidates are expected to be able to help others adapt to new and unfamiliar concepts and tools.

Typical work as a senior software applications developer:
- Writes, compiles, modifies, debugs and tests complex application programs for computerized systems on the specified platform in the specified language and for the specified database technology.
- Uses program specifications to prepare complex logic sequences of program source statements in the development, modification, documentation and maintenance of computer programs on the specified platform in the specified language and for the specified database technology.
- Develops specifications/structured diagrams for the specifications to detail what new, complex systems or enhancements to existing systems can accomplish on the specified platform in the specified language and for the specified database technology.
- Serves as a liaison with users concerning requests, usage and other developmental and production matters.

Education or Alternate Education and Experience:
- Possession of a bachelor's degree with 21 semester (32 term) credits hours in an information technology related major.
- Alternatively, possession of an associate's degree with 16 semester (24 term) credit hours in an information technology related major and 7 years of recent IT experience on IT projects.
- Alternatively 12 years of recent IT experience on IT projects.

Expert Skill Level
Qualifications: These individuals must have a minimum of seven (7) years of recent experience and have demonstrated expert knowledge skills and abilities in the specific Category of Service. The candidates must have demonstrated, through the quality of their work, the highest aptitude and knowledge of specific Category of Service. They must have demonstrated their ability in systems analysis plus have a commitment to leading others to accomplish their work and personal qualities that exemplify leadership in the work team environment.

At this level, the candidates are expected to be able to help others adapt to new and unfamiliar concepts and tools and solve the most difficult barriers to the completion of their assignment.

Typical work as an expert software applications developer:
- Writes, compiles, modifies, debugs and tests the most complex application programs for computerized systems on specified platform(s) – particularly those applications that cross technology platforms in the specified language and for the specified database technology.
- Uses program specifications to prepare highly complex logic sequences of program source statements in the development, modification, documentation and maintenance of computer programs on the specified platform(s) in the specified language and for the specified database technology.
- Develops specifications/structured diagrams to detail what new, highly complex systems or enhancements to existing systems can accomplish on the specified platform(s) in the specified language and for the specified database technology.
- Directs a team of IT liaisons with users concerning requests, usage and other developmental and production matters.

Education or Alternate Education and Experience:
- Possession of a bachelor's degree with 21 semester (32 term) credits hours in an information technology related major.
- Alternatively, possession of a Master's degree with 16 credit hours in an information technology related major and 4 years of recent IT experience on IT projects.
- Alternatively, possession of an associate's degree with 16 semester (24 term) credit hours in an information technology related major and 9 years of recent IT experience on IT projects.

Project Manager Skill Level
Qualifications: This individual must possess Expert Skills (see above) and a minimum of three (3) years of recent experience and have demonstrated expert knowledge skills and abilities in project management. In addition, the individual must have five (5) years of professional experience directing information technology developers. At this level, the candidates are expected to be able to help others adapt to new and unfamiliar concepts and tools and solve the most difficult barriers to the completion of their assignment.

Typical Work:
- Evaluates and recommends staff with appropriate skills for a project team.
- Coordinates the activities of a number of project team members: schedules work assignments, sets priorities, directs work, addresses deviations from plans.
- Plans and executes communication plans for the good of the project team.
- Evaluates the work product of project team members.
- Maintains adherence to the project charter and scope document. Initiates completion of change control documents and insures that disposition is made before changes are made.
- Maintains records of work completed and deliverables.
- Insures all program and system documentation is complete before approvals and payments are made.
- Is responsive to Quality Assurance staff.