



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 2
 to
 Contract Number 171 18000000126

CONTRACTOR	IBM CORPORATION
	100 Phoenix Drive
	Ann Arbor, MI 48108
	Eric Poston
	502-603-8146
	eric.poston@us.ibm.com
	CV0001848

STATE	Program Manager	Anthony Estell	DTMB
		(517) 284-4555	
		estella@michigan.gov	
	Contract Administrator	Courtney Flores	DTMB
		(517) 249-0452	
		floresc@michigan.gov	

CONTRACT SUMMARY

HEALTH INSURANCE DATABASE MANAGEMENT SYSTEM FOR OFFICE OF RETIREMENT SERVICES

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
March 1, 2018	February 28, 2022	4 - 1 Year	February 28, 2022
PAYMENT TERMS		DELIVERY TIMEFRAME	
Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> PRC <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

MINIMUM DELIVERY REQUIREMENTS
 N/A

DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>	N/A	<input type="checkbox"/>	N/A	
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$1,275,000.00	\$0.00	\$1,275,000.00		

DESCRIPTION

Effective November 5, 2018, this Contract is hereby amended as follows:

- IBM migrated the State from the Interactive Reporting solution to the Dynamic Health Insights solution, which was effective on September 28, 2018. All references in the Contract to Interactive Reporting are replaced by Dynamic Health Insights. State will access Dynamic Health Insights, via the IBM Watson Health branded CXL.
- The Contract Administrator has been changed to Courtney Flores: Phone: 517-249-0452; Email: floresc@michigan.gov, per Section 2 and 3 of Standard Contract Terms.
- All references to "Purchase Order(s) (PO)" for new requests will hereinafter be referred to as "Delivery Order(s) (DO)" (e.g. Section 6 and 22 of Standard Contract Terms; Section 6.1.A. of Schedule A Statement of Work).

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



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 1

to

Contract Number 18000000126

CURRENT CONTRACTOR	TRUVEN HEALTH ANALYTICS LLC 100 Phoenix Drive Ann Arbor, MI 48108 Eric Poston (502) 603-8146 Eric.Poston@us.ibm.com	NEW CONTRACTOR	International Business Machines Corporation 100 Phoenix Drive Ann Arbor, MI 48108 Eric Poston (502) 603-8146 Eric.Poston@us.ibm.com
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STATE CONTACTS				
Program Manager	Anthony Estell	DTMB	Contract Administrator	
	(517) 284-4555			Jillian Yeates
	estella@michigan.gov			DTMB
			(517) 275-1131	
			yeatesj@michigan.gov	

CONTRACT SUMMARY			
HEALTH INSURANCE DATABASE MANAGEMENT SYSTEM FOR OFFICE OF RETIREMENT SERVICES			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
March 1, 2018	February 28, 2022	4 - 1 Year	February 28, 2022
PAYMENT TERMS		DELIVERY TIMEFRAME	
Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
P-Card	Direct Voucher (DV)	<input type="checkbox"/> Other	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

MINIMUM DELIVERY REQUIREMENTS
N/A

DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE		VALUE OF CHANGE NOTICE		ESTIMATED AGGREGATE CONTRACT VALUE
\$1,275,000.00		\$0.00		\$1,275,000.00

DESCRIPTION
Effective August 30, 2018, the Vendor has been changed from Truven Health Analytics, LLC (Truven) to International Business Machines Corporation (IBM) (Standard Contract Terms Section 14). Upon the completion of the merger of Truven into IBM, which was effective on August 1, 2018, Truven ceased to exist as a matter of law and is fully integrated into IBM.
All other terms, conditions, specifications, and pricing remain the same. Per contractor and agency agreement, and DTMB Procurement approval.



**STATE OF MICHIGAN
ENTERPRISE PROCUREMENT**

Department of Technology, Management & Budget
525 W. Allegan St., Lansing, MI 48933
P.O. Box 30026, Lansing, MI 48909

NOTICE OF CONTRACT

NOTICE OF CONTRACT NO. **171 180000000126**

between

THE STATE OF MICHIGAN

and

CONTRACTOR	Truven Health Analytics LLC
	100 Phoenix Drive
	Ann Arbor, MI 48108
	Eric Poston
	(502) 603-8146
	Eric.Poston@us.ibm.com
	*****7923

STATE	Program Manager	Anthony Estell	DTMB
		(517) 284-4555	
		estella@michigan.gov	
	Contract Administrator	Jillian Yeates	DTMB
		(517) 284-7019	
		yeatesj@michigan.gov	

CONTRACT SUMMARY			
DESCRIPTION: Health Insurance Database Management System for Office of Retirement Services			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
March 1, 2018	February 28, 2022	4, 1 Year	February 28, 2022
PAYMENT TERMS		DELIVERY TIMEFRAME	
Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			
MISCELLANEOUS INFORMATION			
THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the solicitation #007117B0011973 . Orders for delivery will be issued through the issuance of a Delivery Order.			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION			\$1,275,000.00

FOR THE CONTRACTOR:

Truven Health Analytics LLC
Company Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

FOR THE STATE:

Signature

Jillian Yeates, Senior Category Analyst
Name & Title

DTMB – Procurement
Agency

Date



STATE OF MICHIGAN

Contract No. 171 18000000126

Health Insurance Database Management System and Consulting for Michigan Public School Employees Retirement System (MPERS) – Department of Technology, Management and Budget – Office of Retirement Services (ORS)

SCHEDULE A STATEMENT OF WORK CONTRACT ACTIVITIES

BACKGROUND

This is a Contract for a Health Insurance Database Management System and associated consulting for the Michigan Public School Employees Retirement System (MPERS), administered by the Department of Technology, Management and Budget (DTMB), Office of Retirement Services (ORS). Contractor must commence performance of all Services and Deliverables, without interruption, on March 1, 2018.

ORS administers the MPERS Plan which provides post-employment health coverage to members, including Retirees, beneficiaries and their Dependents. Health coverage is provided to eligible retired employees of local school districts, intermediate school districts, tax-supported community or junior colleges, and certain universities. ORS currently has approximately 255,000 Members in the various MPERS plans, including:

- Non-Medicare and Medicare Medical coverage provided by Blue Cross Blue Shield of Michigan (BCBSM)
- Pharmacy Benefit Manager services provided by OptumRX
- Dental coverage provided by Delta Dental Plan
- Vision coverage provided by BCBSM in partnership with VSP
- HMO coverage through Blue Care Network, Priority Health, and Health Alliance Plan.

See Schedule C for claim cost and Schedule D for enrollment data for Plan Sponsor.

MPERS is a governmental entity and therefore not subject to the federal Employee Retiree Income Security Act (ERISA). MPERS obligations are statutory, as set forth in Public Act 300 of 1980, and the Contractor's obligations will be pursuant to this Contract.

All words capitalized in this document indicate a defined word. Please refer to Schedule E for all definitions. All Definitions in Schedule E apply to all questions, grids, pricing proposal and other responses your organization provided as part of this RFP. These definitions must be included exactly as written as part of Plan Sponsor's contract and must be applied to all guarantee reconciliations should you be selected as their Contractor. Contractor must not include additional Schedules, attachments, exhibits or other sections in Plan Sponsor's contract that contradict or redefine the contractual terms and definitions outlined in the body of the contract.

SCOPE

The Contractor must provide a database management system (DBMS). This system will receive historical and ongoing claims data from the above-described Contractors and allow the MPERS and its DBMS vendor to perform on-line, interactive, information retrieval and manipulation. The DBMS must also provide normative



data for comparisons and provide extensive reporting features, as described below. Plan Sponsor may, at some future date, be interested in adding the data of other State departments as described below.

REQUIREMENTS

1. General Requirements - Fixed Price

The following services and elements must be provided to the Plan Sponsor at a fixed cost:

- A. Design and create the Michigan Public School Employees Retirement System database(s) and provide analytical software and support these additional requirements:
- (1) Enter existing MPSERS enrollment and claims data into the database(s).
 - (2) Historical data from the incumbent DBMS goes back to the 1990's. The contractor must receive data tapes from the incumbent Database Management System and convert and save all the historical data into its own proprietary database format. The State acknowledges and agrees that all data, databases, software, reports, analyses, studies, tangible and intangible information, operating systems, application programs and databases systems, together with all related specifications, documentation, designs, processes, procedures, methodologies, applications, techniques, ideas, formulas, and any enhancements, formatting and modifications thereto, used, developed or provided by Vendor under or in connection with this Agreement (collectively, "Contractor Proprietary Information") are proprietary to Contractor and title thereto shall remain the sole and exclusive property of Contractor; provided, however, that the State shall own the State Data and the final deliverables customized and developed exclusive of the Contractor Proprietary Information. Unless required by law, the State shall keep all Contractor Proprietary Information confidential and shall not reproduce, duplicate, reveal, publish, transfer or disclose any Contractor Proprietary Information to anyone other than its employees with a "need to know" in the ordinary course and scope of their employment. The State agrees to take at least the same precautions and measures to safeguard the secrecy and confidentiality of, and proprietary rights to, the Contractor Proprietary Information as it would with its own proprietary information and unless required by law, agrees not to disclose such Contractor Proprietary Information to any third party without Contractor's prior written consent, which consent shall not be unreasonably withheld. Contractor's written consent to any access by a third party to the Contractor Proprietary Information shall also be conditioned upon execution by such third party of a third-party access agreement in a form acceptable to Contractor. This will permit future uploading for purposes of studies of data, which go back further than is maintained in the current, on-line database. The historical data must be converted and saved at the beginning of the contract so that they can be available within 5 business days when the need for a study arises.

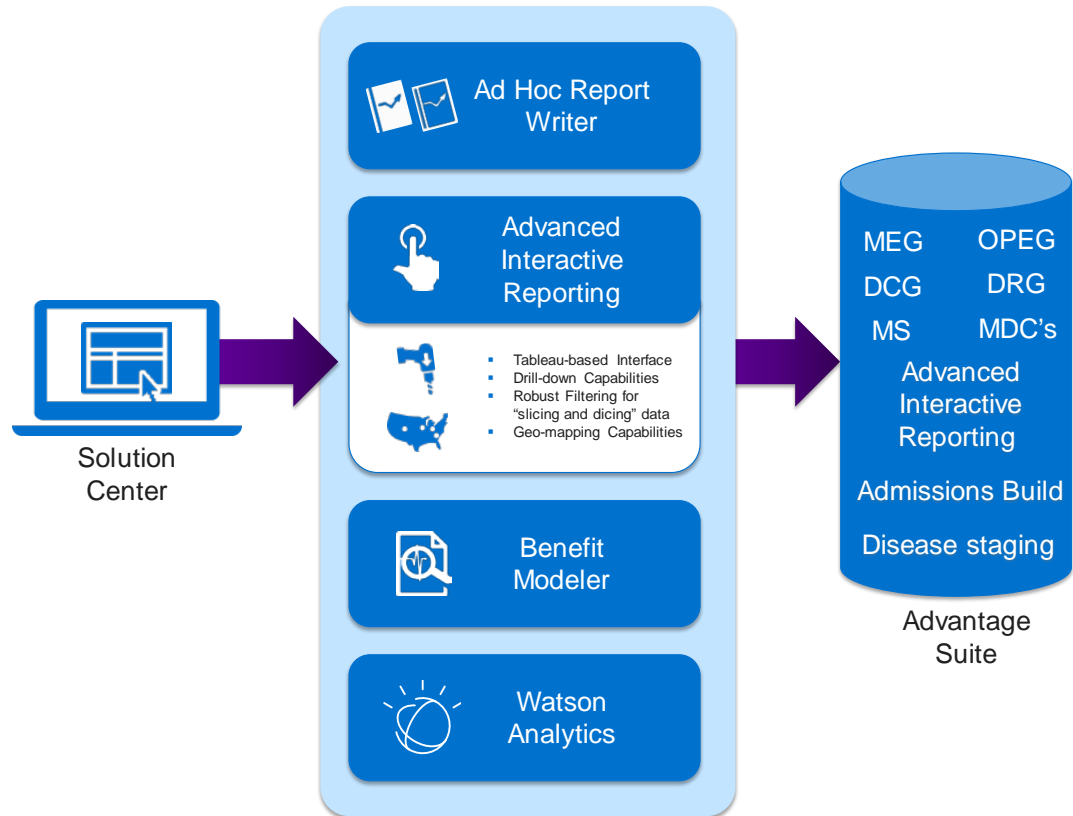


Figure 1. The ORS Solution

- (3) The core solution for the State is the Contractor's Advantage Suite multi-functional data warehouse (DW). In addition, Contractor will provide three new solutions. The solution for the State includes the following components:
 - a. Advantage Suite Ad Hoc Report Writer.
 - b. Advanced Interactive Reporting,
 - c. Watson Analytics
 - d. Health Benefit Modeler
- (4) Contractor's solution will provide one user license, at no cost to the State, for the IBM Watson Analytics solution.

B. Update the database(s) with current data at least monthly. Purged data must be saved in database format for easy retrieval.

Contractor will work proactively with all data suppliers to set up a schedule for data submission and processing. For each standard update process, Contractor will deliver the production database to the State within 8–10 business days after Contractor receives complete and usable data from all data suppliers.

The State's online interactive database will always include at least 63 months of paid data. With each database update, Contractor will run the History Roll-Off process in the database build software. This process removes the oldest month of paid data from the online database.

C. Provide periodic proactive analysis demonstrating newly identified medical or prescription drug issues.



- (1) Newly identified industry issues and trends:
Contractor will offer analytics and insights (Analytic Insights and Proactive Analytics) to the State.
- (2) Newly identified data quality issues:
Before beginning data quality efforts, Contractor will provide clear, detailed, specific documentation to each data supplier specifying the format requirements. Contractor will accompany this information with a data submission schedule.

Contractor will work to understand the anomalies in the data, help customers understand them, and then collaborate with the customer and data suppliers to make improvements over time.

The following table summarizes the data quality checks Contractor will routinely perform.

Table 1. Health Data Quality Assurance Tests (Examples)

QUALITY CHECK	DESCRIPTION
Data field incompatibility errors	Employ checks to ensure data is consistent with field characteristics.
Incomplete field information	Completeness of the data is evaluated in two ways: completeness of fields, and evaluation of aggregate record and payment totals (per month).
Missing data	If data critical to creating the database is missing, Contractor will work with the data supplier and the State to explore options for obtaining it.
Field value checks	Conduct field value checks on fields that could contain invalid codes (e.g., ZIP codes, diagnosis, procedure, date[s] of service, sex, and age) to compare recorded values to lists of valid values for that field.
Reasonableness checks for cost and utilization data	Checks related to reasonableness of data determine the relationship between two or more or between a column and “normative” data to ensure they are reasonable.
Range checks	Perform checks to ensure data is within reasonable ranges (e.g., Age = 0 to 99).

- (3) Contractor will analyze the data to find anomalies, outliers, and trends that may confirm actions that are being taken or provide insights that can lead to beneficial changes for the State.

D. Provide real time access to the information management system to MPSERS’s health insurance consultants.

Contractor requires appropriate legal agreements such as a Third-Party Access agreement to be executed prior to access being granted. Once the appropriate legal agreements are in place, Contractor will grant the consultants access in the same manner as the client.

E. Data communications costs are to be included in the contract.

F. Provide initial training, with follow-up training as deemed necessary by Plan Sponsor, on the information management system to approximately 12 MPSERS staff and consultants during the life of the contract. Provide transportation, meals, and other reasonable and customary expenses for any travel to vendor’s location. Contractor must also provide lodging if training is more than 100 miles from Plan Sponsor’s Lansing office.



Contractor will provide multiple levels and types of training on Contractor’s proposed solution.

Formal end-user training will be conducted at Contractor’s Ann Arbor location, or may be provided at the State’s offices in Lansing. Follow-up training, if necessary, may also be provided at either Contractor’s Ann Arbor location or on-site at the State’s offices. The table below includes details on the various training methods Contractor offers.

Table 2. Advantage Suite Training Courses

COURSE	DESCRIPTION	DURATION / USER-LEVEL
Interactive Reporting eLearning Session	Contractor’s interactive management reports require no special training. They use standard web browser presentation techniques and are extremely easy to use for anyone who has used the Internet. Online eLearning sessions are available to provide an overview and information for getting started.	Computer-based orientation for Interactive Reporting
Advantage Suite New User Training	This class begins with an overview of the Advantage Suite application. Contractor highlights advantages of using the system and provide hands-on exercises that demonstrate the system’s functionality. Users will be instructed on the basics of the software capabilities, which include designing and running ad hoc queries for three report types. Contractor also provides instruction on the basic subsetting capabilities.	1.5 to 2-day course for staff who will be using ad hoc reporting
Training on Advanced Functionality	This training enhances some of the basic class concepts with more detail and introduces other topics that may be useful to power users. The course covers the more advanced uses of the software, including study group subsetting, DCG methodology, enhanced episode reporting, and enhanced summary measure reporting. The Account Team will help set the agenda for the course so we meet the State’s needs. Must complete the new user course as a prerequisite.	1-day course for power users only
Public Sector User Group	Contractor provides an opportunity for ongoing training via web conference with other public sector accounts. These sessions are typically offered each month and topics vary from methodology overviews to reviewing sample analytics that users can recreate in their own database.	1 to 1.5 hours each
eLearning Modules	Contractor’s eLearning modules allow users to explore specific topics such as Getting Started with Advantage Suite or Record Listings via the web at their own pace. These modules are accessible 24/7 via an internet registration link. The high-level courses actively lead the user through scenario-based, simulated hands-on application training, testing progress and providing feedback as you complete the course.	User sets pace

G. Provide training as new releases of the software are implemented.

H. Provide up to 10 consulting retainer days, each representing 8 dedicated hours of work (80 hours total). Unused days must roll over from year to year during the contract term. In some instances, Contractor may allow the State to “borrow” consulting days from the next year’s allocation to complete large-scale projects or database expansions beyond the scope of this contract. No credit will be given for unused retainer days at the termination of this contract, and may not be rolled over into future contracts between Contractor and the State. Uses for this time might include but are not limited to;

- (1) On-site, hands-on assistance beyond the scope of initial training.
- (2) Staff/consultants going to the Contactor’s location for personalized assistance.
- (3) Time spent on large scale projects beyond the scope of this contract language.
- (4) Significant database expansions beyond the scope of this contract language.



- I. Provide transportation, lodging, meals, conference fee, and other reasonable and customary expenses for at least two state employees and/or designated representatives to attend a related annual users’ conference.

Travel arrangements and expenses should be consistent with the official State of Michigan travel policy.

The Senior Account Manager or other Contractor team member will make reservations for air or rail transportation from the Lansing area to the conference location, and will make reservations for lodging at the host hotel. Ground transportation between the airport/rail terminal and conference site should be arranged by the traveler, and will be reimbursed by the Contractor.

Most meals during the conference are provided as part of the registration fees. Meals chosen in place of the conference-provided meals will not be reimbursed unless approved in advance by the Contractor. Meals on travel days to and from the conference will be reimbursed to the traveler, along with other reasonable expenses, such as parking, tolls, etc.

The traveler should collect and submit receipts for all reimbursable expenses to the Senior Account Manager, who will have payment for those expenses processed and remitted to the traveler.

Table 3. Networking

SERVICE	DESCRIPTION
Public Employee Forum	Contractor conducts a quarterly teleconference among public employee plan sponsor clients. This meeting provides an opportunity for public sector benefits managers to share experiences, successes, analytic approaches, and lessons learned with their peers. Contractor focuses each meeting on a specific topic, such as total population health, disease management, or pharmacy benefit management. Contractor conducts the meetings in a roundtable format. Each client has a chance to discuss its recent experiences and answer questions from the other participants. These meetings have been very well received, as measured by post-meeting surveys.
Customer Education Webinars / Public Sector User Groups	Contractor conducts a series of Customer Education Webinars throughout the year that provide information and knowledge on topics and issues that the public employee plan sponsor clients are currently facing. The webinars provide valuable information that enables clients to stay abreast of topics and sample analytics that are relevant to their goals.
Expert Series	This webinar series provides valuable information that enables clients to stay abreast of topics that are relevant to their goals. For clients unable to attend the webinar at the scheduled time, Contractor offers a recorded session on our company website.

- J. Provide telephone support during normal business hours.
- K. Contractor will accommodate any changes in vendor partnerships that result from the re-contracting of those services currently provided to the Plan Sponsor. Additionally, the Contractor will accommodate at least five (5) additional carve-out components that result from the addition of any vendor partners.

Contractor will work closely with the State to ensure staying ahead of the curve, putting effective mitigation plans in place in advance of a change to ensure a seamless transition. This includes ensuring that technical work begins far enough in advance that there is no gap in service or data



across a plan year. Contractor also has relationships with all the major suppliers and have established layouts with them, which accelerates data acquisition and streamlines conversion development and data investigation, resulting in significant cost and time savings.

For suppliers that are terminating, the key issue Contractor will manage is to ensure outgoing data suppliers continue to send run-out data so the paid experience of that plan is fully captured. For existing suppliers taking on more of the client’s health plan business due to health plan consolidation and/or acquisitions, Contractor will work to ensure that new data structures and values are seamlessly integrated into the system without disruption to users. Finally, in cases where data quality issues are unavoidable, Contractor will work to ensure issues are fully documented in the “Key Facts” documentation provided with each database update and are aggressively pursued as a quality improvement initiative.

- L. Provide education and networking opportunities for advanced users of all database tools to discuss best practices with other public sector healthcare plan sponsors.
 - (1) Contractor’s Public Sector User Group (PSUG) is a monthly teleconference hosted by the Contractor, where a presentation on a topic relevant to the public sector clients is presented. The PSUG is facilitated by a Contractor representative, and may be presented by a representative from Contractor or a client. Following the presentation, there is a roundtable discussion where all participating clients can share their experiences related to the discussion topic and ask questions of their peers.
 - (2) Contractor’s Public Employee Forum is a quarterly teleconference among the public plan sponsor clients. This meeting provides an opportunity for public sector benefits managers to share experiences, successes, analytic approaches, and lessons learned with their peers.
 - (3) Contractor’s Expert Series of Customer Education Webinars is held throughout the year and provides information and knowledge on topics and issues that clients are currently facing. The webinars provide valuable information that enables clients to stay abreast of topics that are relevant to their goals. For clients unable to attend the webinar at the scheduled time, Contractor offers a recorded session on the company website.
 - (4) Contractor’s account teams work with clients individually to connect with other clients to help facilitate the sharing of knowledge and experience on any number of topics of mutual interest.

1.1 General Requirements - Unit Price

The following services and elements are not included in the base contract, but they might be requested by Plan Sponsor at a later date. These must not be assumed in the fixed price quote, but Contractor must discuss capabilities to accommodate these requests and where applicable providing pricing for these additional services.

- A. Provide consulting, research, and report-writing services, within the context of the information management system, on an as-needed basis. These services would be in addition to those outlined above.

For additional consulting, research, and report-writing services, Contractor will provide appropriate resources to be charged at the standard hourly rates as shown in Schedule B. Contractor will prepare and submit a proposal that outlines the scope and effort needed for



these additional services. Once the State has reviewed and approved the proposal, Contractor will assign the resources needed and complete the additional work in a timely manner.

- B. Provide any new stand-alone, health-related information management system software products to the Plan Sponsor at a cost congruent with and not to exceed the lowest price paid by any other Contractor client for similar services.
- C. Contractor must have the ability to make data submissions on behalf of Plan Sponsor for the purpose of maximizing federal money associated with healthcare reform.

Contractor will combine knowledge of the State's data and expertise in working with the data in the State's database to create data extracts that meet the State's specifications, and submit that data on your behalf when requested. Contractor will follow the same process outlined above, where Contractor will submit a proposal outlining the scope and effort needed to create and submit the data. Pricing for these extracts will use the standard hourly rates as shown in Schedule B.

- D. The Plan Sponsor must be able to report on fraud, waste, and abuse. When needed, Contractor will work with the State to tailor a solution and provide pricing.
- E. Plan Sponsor may wish to include the data of other State health plans in the future. This data would be provided directly to Contractor by the relevant vendors, but would be handled under the control of Plan Sponsor and this Contract.

Contractor will work with the State to identify what views, if any, would be needed for this additional data. Contractor will also work with the State to negotiate costs for the additional data based on the additional amount and the expanded scope.

- F. Plan Sponsor may wish to add a Key Personnel position that is employed by Contractor but works as a dedicated resource on the Plan Sponsor's account. This person must work onsite at Plan Sponsor's Lansing, Michigan location at least 3 days a week, on average, each quarter. If this option is exercised, it is not expected to diminish or replace the fixed price services and deliverables provided by Contractor. (See Key Personnel Section).

1.2 Services and Deliverables

Contractor must provide all Deliverables, Services, and staff, and must do all things necessary for or incidental to the performance of the work set forth in this Contract:

- A. Database Services
 - (1) Contractor must standardize, convert, and accurately interpret data from multiple administrators or claims systems. Some sample data feeds can be found in Schedule G, H, I, and J.
 - (2) Contractor must maintain inpatient, outpatient, hospital, physician, laboratory, pharmacy, dental, vision, hearing, durable medical equipment, and other professional data for self-funded and HMO plans with sufficient detail to provide an audit trail back to the original claim.



- (3) Contractor must;
 - a. Integrate enrollment data with claims data;
The Advantage Suite database build process ensures each record is matched with the correct member as long as the necessary identifiers are in the record.
 - b. Reconstruct inpatient cases to include lagging claims;
 - c. Track individual patient and family/contract experience, even if some family members are in Medicare plans while others are in Commercial (Non-Medicare) plans;
 - d. Standardize data so that clinical, financial, and provider information can be compared to norms;
Contractor will standardize raw data so it is consistent across data sources; this is vital for accurate comparison of experience across plans and for comparison of the State's experience to norms. Contractor will perform format edits and definition edits, including calculations on financial fields to obtain standard-defined charge and payment fields; mapping all values in a field that mean the same thing to a single value; and mapping data such as place or type of service to standard values.
 - e. Perform comprehensive data quality edits and provide progress for use in conducting ongoing program improvement;
Contractor will use a quality assessment process to help the State evaluate initial data quality and pursue continuous data quality improvement over time. Assessment benchmarks and guidelines are customized by data supplier to facilitate the database update process.
 - f. Classify claims data for analysis according to clinical classifications, including but not limited to:
 - 1) Inpatient: major diagnostic categories (MDC) and diagnosis-related groups (DRG);
 - 2) Outpatient: MDC and procedure groups;
 - g. Aggregate all claims consisting of outpatient surgical episodes for comparison with inpatient surgical episodes;
Contractor will apply Outpatient Event Grouper (OPEG) to outpatient claims.
 - h. Track a patient's complete health care experience by linking inpatient, outpatient, pharmacy, dental, and vision claims;
 - i. Create episodes of illness or injury, grouping all relevant claims fields to create a complete picture of the episode.

B. Analytical Software

- 1. Contractor's software must accept all fields provided by health care contractors. If it is not a standard field in Contractor's data model, it can be added as a custom field.
- 2. Contractor's software must be able to be updated based upon the needs of Plan Sponsor.

Contractor's ability to change production objects is logically restricted based on job function and controlled authorization.



Contractor's Database Production staff will apply application software releases and upgrades to the database during a regular database update. The Account Team coordinates the timing of the version upgrade based on the State's particular needs, as it entails system downtime.

Specific updates requested by the State will be reviewed and may be integrated into the software development schedule.

3. Contractor's software must have the capability to build calculated fields upon request of Plan Sponsor.
4. In addition, Contractor's software must have the ability to generate, at a minimum, the following:
 - a. Report on total cost of care by clinical condition where prevalence, severity, risk and compliance to best practices are demonstrated.
 Advantage Suite can complete a wide variety of clinical reporting, including total cost of care, evaluation of quality measures, and identify prevalence with comparison to benchmarks, using disease staging to identify severity and DCGs to identify risk.
 - b. Utilization and cost trend analysis for specified health care services.
 - c. Hospital and physician comparisons on a case-mix-adjusted basis.
 Advantage Suite can help users understand variations in physician practice patterns and hospital performance by comparing providers and adjusting cost and utilization metrics for differences in patient severity. Analysts can select from a range of statistical options to define exceptions or deviations from the peer group norm and identify thresholds
 - d. Breakdowns of claims by line of service should include, but not be limited to the following (health care, retail and mail order pharmacy, HMOs, and clinical groupings; e.g., Major Diagnostic Category (MDC), Diagnosis Related Group (DRG), and procedure group.

All data types (e.g., all claim types, encounter, eligibility, program, and reference) are fully integrated, making the summarizing of program experience across business units, locations, plans, and enrollment categories comprehensive, fast, and easy. The Advantage database also standardizes managed care encounter data and fee-for-service (FFS) data in a manner that allows accurate and comprehensive comparisons of program performance across the spectrum of program delivery models. This allows users to apply the same performance measures without creating multiple databases and having to create multiple reports.

- e. Provider and patient specific analysis, including:
 - i. Measuring the efficiency of providers and health plans



- ii. Comparing providers' practices fairly (i.e., adjusted for differences in health status)
 - iii. Identify potential fraud and abuse
 - iv. Provide for fair adjustment of premiums and provider payments
- f. Evaluation of carrier/claims payer performance on claims payment, pricing policies, and coordination of benefits recovery.
- g. Advanced sub setting allowing specific time dependent analysis around a study population.

A powerful feature of Subsetting is Study Groups. Study Group linking is an advanced query capability designed specifically to link patient information over time. Users can use the Subsetting feature to create, modify, and store hierarchies and groups of data elements. The Study Group subsetting feature lets users investigate claims on a specific patient by a time window you define, using a flexible visual capability to make the window parameters easy to set. This functionality allows users to include patients who meet a set of clinical criteria as well as exclude those who do not.

- h. Quality of care screening reports, including readmission patterns, outliers, deaths, complications of treatment, and discretionary admission of medical and surgical cases.
- i. Analysis of overall frequency of inpatient and outpatient surgeries, appropriateness of site of care, and total cost of both inpatient and outpatient surgeries.
- j. Distribution of Medical net payments and Prescription Drug net payments admissions, services, etc., by contract/family or individual.

Users can also identify cases of upcoding.

- k. Listing of cases which meet criteria for classification as "catastrophic."
- l. Statistics (mean, median, standard deviation, etc.) for user-selected data.

Users can apply the following types of calculations to reports: sum, average (mean), minimum / maximum, count of observations, and frequency distribution (from which the mode is evident). Any column can be ranked, and there are measures that automatically rank certain data elements. The system also provides the following standard mathematical computations for columns: addition, subtraction, division, and multiplication

Contractor's solution gives users the ability to perform tests of statistical significance using Z scores and p-values.



- m. Capability to produce custom (ad hoc) reports from information in the existing database(s) without additional programming.
- n. Ability to model appropriate costs for HMO enrollees using indemnity plan data. Available plan types include PPO, POS, HMO, and indemnity plans. Applications include:
 - i. Model Relative Differences in Medical and Rx Plan Designs
 - ii. Model HRA and HSA Plan Designs
 - iii. Model Provider Arrangements
 - iv. Projection of Self-Insured Plan Costs and Rates
 - v. Model Effect of Mergers and Acquisitions
 - vi. Model Effect of Consolidating Plans
 - vii. Model Population Shifts and Employee Contribution Rates
 - viii. Vendor Selection and Contracting Impacts
- o. Contractor must incorporate HMO data and analyze it in a manner similar to other medical and pharmacy plan data.
- p. Ability to model indemnity, preferred provider organization, point-of-service, and HMO plan designs using advanced actuarial models and claims-based sampling techniques to simulate plan design scenarios and forecast changes in migration and cost.

Benefit Modeler supports active and early retiree population-based modeling for both medical and prescription drug programs. Plan types available include PPO, POS, HMO, indemnity, and consumer-driven health plans. The system supports modeling of alternatives for in- and out-of-network provisions, deductibles, out-of-pocket maximums, co-payments, benefit limits, and coverage tier limitations. All models use regional cost and utilization factors to adjust for changes in inflation and utilization. The tool also provides the ability to alter default assumptions of out-of-area services and network penetration, and to accept direct downloaded report inputs from Advantage Suite.

- q. Ability to project migration in response to changes in contributions and plan design. Contractor will work with the State to complete underwriting for cost projections, plan migration analysis, and benefit models, as well as reporting solutions for retiree populations.
- r. Ability to model changes in Medicare rules and impact on retiree cost trend.
- s. Provide database tool for the analysis of medical and prescription drug information by episode of care where expenditures and utilization of health care resources are analyzed by specific time windows with severity, risk and compliance to best practices.



- t. Provide database tool for automatic audit of medical and prescription drug claims information and provide detailed synopsis of anomalies and/or outliers involving quality assurance.
- u. Claims-based benefit simulation and modeling capability to evaluate impact of different benefit designs, including various changes in inflation, demographics, utilization, deductible levels, co-insurance, and out-of-pocket maximums. Contractor has two major benefit-modeling capabilities in the solution, one based on Advantage Suite's trending capabilities using the State's actual historical data, and an actuarially based model delivered by our Benefit Modeler product. When needed, the Contractor's analysts will run Benefit Modeler for you.
- v. Ability to display inpatient and outpatient claims data for groups and individuals.
 - i. Drill Paths: The system allows users to drill down from the highest to the lowest level of detail along certain logical healthcare drill paths or drill up from detail to summary, and on any dimension of the data for pre-defined logical drill paths so that the user can move quickly up or down in levels.
 - ii. Paid Date / Service Date Reporting: A single database supports both major analytic perspectives: incurred date (date of service) and paid date (date the claim was paid). The user can select "on the fly" either paid date or service date as the basis of any detailed data report and make the selection with a minimum degree of user effort.

Comparative Reporting of FFS and Managed Care: The Advantage database standardizes managed care encounter data and FFS data.

- w. Ability to display medical and prescription drugs in-network and out-of-network data for a contract or individual.

In addition, to measure true performance of network providers, inpatient admission payments can be controlled for DRG and severity mix. Physician discounts can be evaluated by controlling for service mix by reviewing payments for specific procedures or using the Relative Value Unit (RVU) methodology. Network price per RVU can be compared to out-of-network and relevant norms. Network discounts can be compared to expected levels and monitored on a quarterly basis with a more rigorous analysis of price annually.
- x. System-user capability to access and report on any selected subset of the total database, with the ability to define subsets by any selected field or combination of fields.
- y. Ability to design ad-hoc distribution reports of any measure by individual, claim, etc. One of the report types available in Ad Hoc Report Writer is a Distribution report. A Distribution report includes ranges of values to show how cost or utilization is distributed among patients, providers, or certain other ID dimensions.



Distribution reports can be created for base measures, such as net payments, number of admissions, or number of visits.

- z. Provide statistically valid normative data on retired populations in Michigan and across the United States on-line for comparison purposes, and to standardize norms for demographic differences by making age-sex and illness burden adjustments. Contractor's system includes benchmark data on cost, use, and quality of care.

Users can also create dynamic benchmarks. Dynamic benchmarks are based on a particular subset of data; they enable users to compare the performance of various segments of data.

- aa. As part of the State's license of Advantage Suite, Contractor may use the State Data both during the term of this Agreement and thereafter as follows: the State hereby grants to Contractor a perpetual, irrevocable, nonexclusive, royalty-free, nontransferable license to use, disclose, distribute, license, copy, display and demonstrate all Customer Data, in a de-identified format for inclusion in Contractor's MarketScan® databases. For the purpose of the preceding sentence, the term "de-identified" shall mean information that satisfies the requirements set forth in 45 CFR Section 164.514(b), as amended. In connection with use of the State Data in its MarketScan databases, Contractor agrees to follow the confidentiality provisions set forth herein. Contractor certifies that it is in compliance with applicable laws, with respect to privacy and data security relative to State Data and that it has implemented and currently maintains an effective information security program to protect State Data, which program includes administrative, technical, and physical safeguards. This Section survives the termination of this Contract.

C. Additional Technical Requirements

- 1. Contractor's database must have, at a minimum:
 - a. A PC-based user interface, compatible with Microsoft Windows, providing non-programming, menu-driven access to data and reporting capabilities, fully integrated with an on-line help system.
 - b. The ability to process multiple-year claims transactions (at least 60 months) and generate reports for the user within a reasonable time frame; i.e., 30 minutes for 90% of reports.

Contractor's database can store 5+ years of paid claims data.

Current report response times for Ad Hoc Report Writer are as follows:

- i. Median Report Time of 1 - 1.5 minutes
- ii. 90th Percentile Report Time of 5 - 10 minutes
- iii. For Interactive Reporting, nearly 90% of reports completed within ten seconds

- c. The ability to combine data from multiple plan sponsors for purposes of collaborative projects.



- d. The ability to download database extracts of unlimited size in delimited plain text format.

Most data extracts can be pulled by end-users, but Contractor recommends that very large data extracts be pulled by Contractor’s Account Team staff. There are some limitations to extract size in the front-end software, although users are unlikely to experience them. To avoid problems with system performance, the Account Team can accommodate bulk extract requests of any size.

- e. The ability to store in the active database at least five (5) years of historical Plan Sponsor data.

D. Time Frames

- 1. Historical data being given to Contractor must be converted to Contractor’s database format and available for use within 60 calendar days from the receipt of the data. If the incumbent database management vendor is awarded this contract, the database(s) and all user functions required by this contract must be in place and available for use within 30 days of the Contract start date.

Contractor will maintain 63 months of historical data online for reporting purposes and will be able to bring additional history back online upon request.

- 2. Data must be uploaded into the database(s) at one month intervals. Monthly data updates must be on-line within 30 calendar days of receipt of clean data from the Plan Sponsor’s health plan administrators. If necessary, reconciliation meetings will occur with the health plan administrators within 5 days of the data transfer, the results of which will be reported back to the Plan Sponsor. Plan Sponsor will not be responsible for any costs associated with troubleshooting data that is either inaccurate or unable to be loaded into the database.

Contractor will work to understand the anomalies in the data, help customers understand them, and then collaborate with the customer and the data suppliers to make improvements over time. The following table summarizes the data quality checks we routinely perform.

Table 4. Data Field Incompatibility Errors

QUALITY CHECK	DESCRIPTION
Incomplete field information	Employ checks to ensure data is consistent with field characteristics.
Missing data	Completeness of the data is evaluated two ways: completeness of fields, and evaluation of aggregate record and payment totals (per month).
Field value checks	If data critical to creating the database are missing, Contractor will work with the data supplier and the State to explore options for obtaining the data.



QUALITY CHECK	DESCRIPTION
Reasonableness checks for cost and utilization data	Conduct field value checks on fields that could contain invalid codes (e.g., ZIP codes, diagnosis, procedure, date[s] of service, sex, and age) to compare recorded values to lists of valid values for that field.
	Check relating to the reasonableness of the data determine the relationship between two or more columns, or between a column and "normative" data to ensure they are reasonable.

3. Contractor must agree to meet with the Plan Sponsor and representatives of its health plan administrators, upon request, to identify, discuss, and resolve any data sharing issues that are occurring.
4. Continuous liaising and collaboration is expected between the Contractor, Plan Sponsor, and the Plan Sponsor's health care administrators throughout the Contract term to ensure data issues occurring outside of the monthly meetings are being resolved expeditiously and to the satisfaction of all parties.

Contractor will review open issues with the State during the monthly status calls.

E. Performance Guarantees/Service Level Agreements (SLAs)

1. Contractor must ensure that the SLAs are quantifiable, subject to the Plan Sponsor approval. The Plan Sponsor reserves the right to independently verify the Contractor's assessment of its performance, either by Plan Sponsor employee or third party review. Disagreements regarding SLAs will be subject to Dispute Resolution. (See E.2).
2. Within 45 Days after the end of each calendar quarter, Contractor must provide Plan Sponsor with a report assessing the Contractor's performance under each SLA and provide payment for any applicable penalties to the Plan Sponsor.

In addition, Contractor will use a Service Planning Workbook to manage information related to each project. The Service Planning Workbook is updated at least monthly, following the update of the database, and includes tracking and reporting of the SLAs. The updated Service Planning Workbook is posted to the online portal used to access Advantage Suite, where the State representatives can review it.

3. The following SLAs are related to ongoing Services and will apply throughout the duration of the Contract, including any optional renewal periods (if exercised). SLAs are for all Services provided under this Contract for the Plan Sponsor:

SLA #1, Account Management and Vendor Collaboration Satisfaction Survey

Guarantee: Plan Sponsor must complete an annual satisfaction survey using a mutually-agreed upon survey tool, respective to the preceding year. In addition to measuring Account Management Satisfaction, this survey will also be used to a) gauge Contractor's partnership in data sharing with the Plan Sponsor's health care vendor partners and b) collaboratively identify areas of organizational or process improvement. A 5-point scale will be utilized. Contractor's account management team must score at least 4.00. A score under 3.50 will result in an additional penalty.



Penalties: Failure to achieve a score of 4.00 or higher will result in a financial penalty being assessed at 2.0% of Contractor’s annual fixed administrative costs. For every .50 scored below 4.00, an additional .5% will be assessed.

Contractor conducts an annual client satisfaction survey, which is sent to representatives from the State. Contractor may use the results of this survey in response to SLA #1 if Contractor receives a minimum of four (4) responses from the Plan Sponsor.

If the State prefers not to use this broad survey, Contractor will work collaboratively with the State to define the metrics used and the survey tool for a custom survey.

SLA #2, Timely Availability of Data to Plan Sponsor

Guarantee: Pursuant to Section F, Contractor must ensure good data is available for use by Plan Sponsor within 30 days of receipt. Contractor must measure its performance on this SLA on a monthly basis and report on it monthly.

Penalty: Failure to ensure Plan Sponsor data is available for use by Plan Sponsor within 30 days of receipt will result in a financial penalty of 3.0% of the monthly fixed administrative costs.

SLA #3, Timely Resolution of Bad Data

Guarantee: Contractor must fully resolve, or, in the absence of a resolution, must have a project plan for resolution, which addresses any issues with the receipt of bad data from Plan Sponsor’s health care vendor partners within 30 days of receipt of the bad data. This must be measured on a monthly basis. Any project plan developed in the absence of full resolution must be approved by the Plan Sponsor.

Penalty: The metrics for measurement of this SLA will be collaboratively determined by Plan Sponsor and Contractor. Failure to meet this requirement will result in a financial penalty being assessed at 3.0% of the monthly fixed administrative costs.

1.3 Financial Administration

- A. Contractor must establish an electronic mail link with the Plan Sponsor for purposes of communicating wire transfer requests. Such a link must be secure in order to protect the data communicated to the Plan Sponsor.
- B. Contractor must electronically transmit a signed written statement which certifies that the wire request correctly and completely reflects Plan Sponsor’s financial obligation for the time period defined.

2. Acceptance

The State will use the following criteria to determine acceptance of the Contract Activities: see Standard Contract Terms, Section 16.

3. Staffing

3.1. Contractor Representative

- A. The Contractor must appoint one Senior Account Manager, specifically assigned to State of Michigan accounts, that will respond to State inquiries regarding the Contract Activities, answering questions related to ordering and delivery, etc. (the “Contractor Representative”).

Contractor Representative:



Eric Poston

The Contractor must notify the Contract Administrator at least 30 calendar days before removing or assigning a new Contractor Representative, except in cases beyond the control of the Contractor.

3.2. Contract Representative Phone Number

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

Contract Representative Phone Number:

(502) 603-8146 – Office
 (859) 619-8532 - Mobile, at a minimum between the hours of 8 and 5 ET.
 In the event that Eric is out of the office or otherwise unavailable during these hours, the State may reach the Backup SAM, Ronda Daugherty, at (517) 917-6934.

3.3. Work Hours

The Contractor must provide Contract Activities during the State’s normal working hours Monday – Friday, 7:00 a.m. to 6:00 p.m. EST, and possible night and weekend hours depending on the requirements of the project.

The Advantage Suite solution is available around the clock, exceeding the specified window of 7 AM – 6 PM, Monday through Friday. The database will be unavailable for a short time the morning following the monthly updates, while the Data Manager and analysts validate the database. The Data Manager will inform the State of the database update schedule and will follow up with a notice that the update is complete and the database is available for use. The standard monthly downtime, occurs over a weekend, so it will not impact availability during the State’s standard working hours.

3.4. Key Personnel

- A. 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 subject to Section 3.4E and F.
- B. The Contractor must appoint the following individuals who will be directly responsible for the day-to-day operations of the Contract (“Key Personnel”). Key Personnel must be specifically assigned to the State account, be knowledgeable on the contractual requirements, and respond to State inquires within 2 business days. Contractor must have assigned not less than the following Key Personnel:
 - 1. Senior Account Manager (SAM) solely dedicated to the Plan Sponsor whose role and responsibilities include:
 - a. Serving as the single point of accountability for all projects initiated between the Contractor and the Plan Sponsor
 - b. Availability at a location in Michigan to be determined by the Plan Sponsor and availability upon Plan Sponsor’s request
 - c. Authority to make day-to-day decisions regarding service issues. The Contractor must also provide escalation procedures and contact information for issues which need to be escalated above the SAM.



- d. Ability within the Contractor’s organization to obtain and leverage the use of Contractor’s resources, both direct and indirect, as are necessary, including but not limited to the following:
 - i. Timely issue resolution
 - ii. Consultative Services
 - iii. Timeliness of reporting and annual reviews
 - iv. Frequency of meetings/plan updates
 - v. Cultivates multi-level client relationships.
 - vi. Manages contract renewal activities
 - vii. Understands primary business objectives
 - viii. Maintains consistent and regular communications.
 - ix. Prepares and presents regular performance reviews, including identification of cost drivers, recommendations for cost savings opportunities, utilization changes, cost implications, and vendor industry news.
 - x. Maintains a complete understanding of contract terms, including and not limited to the monitoring and reporting of performance guarantees.
- e. Designating one back-up to the SAM, whose role and responsibilities must include: involvement in account management and who is capable of performing the responsibilities of the SAM in the event that the SAM is unavailable; the Contractor’s SAM back-up must be familiar with all specific requirements of this Contract; this back-up role may be filled by another key-staff person.

Contractor’s SAM:

Eric Poston, MS

Contractor’s Backup SAM:

Ronda Daugherty, MA

- 2. Implementation Project Plan Manager: Contractor must provide an experienced project plan manager to manage the project implementation during the Implementation Period, in accordance with Section 1.2.

Contractor’s Implementation Project Plan Manager:

Willard Bink, MBA, PMP

- 3. Data Analyst, who will assist with running reports and answering questions.

Contractor’s Data Analyst:

Angela Hua, MPH, Analytic Consultant

- 4. Database manager, who will be responsible for data quality uploads and checking.

Contractor’s Database manager:

Rainier L. Galinato, MSE, BSE, Data Management Associate

- C. The Contractor must identify Key Personnel, indicate where they will be physically located,



describe the functions they will perform and provide current chronological resumes.

Role	Name	Functions	Location
SAM	Eric Poston	Primary point of contact, manages all account team activities related to this contract.	Midway, Kentucky
Backup SAM	Ronda Daugherty	Serves as the secondary point of contact/backup to the SAM, and also provides consulting expertise for the analysts and ORS	Jackson, Michigan
Implementation Project Manager	Will Bink	Prepares the project plan and coordinates project activities for this contract.	Denver, Colorado
Data Analyst	Angela Hua	Provides analytic consulting and analytic support for the ORS users under this contract.	Grand Rapids, Michigan
Database Manager	Rainier Galinato	Maintains the ORS database, performs the monthly updates, and works with the ORS data suppliers to ensure high-quality data is received and loaded into the database.	Ann Arbor, Michigan

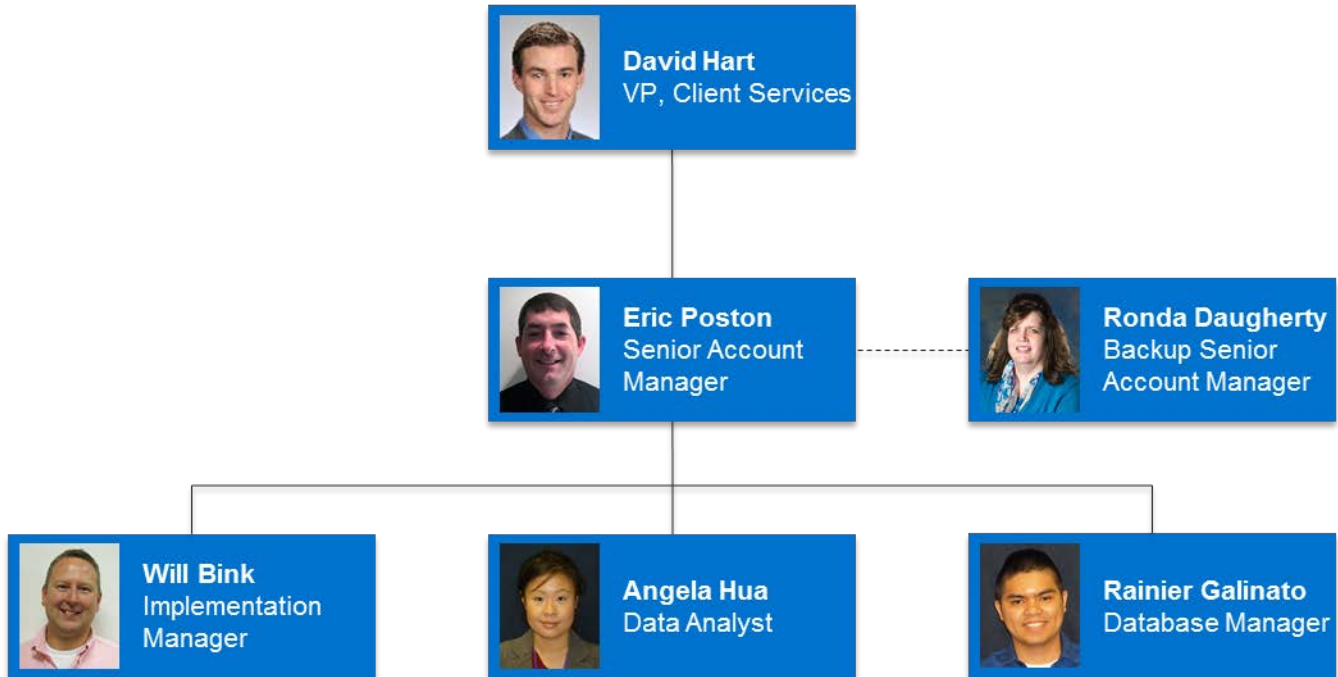
- D. Key Personnel must be made available to the Plan Sponsor at Contractor’s Michigan office (or at another location in Michigan as approved by Plan Sponsor or PM, as designated by the State) on a reasonably frequent basis (as determined or scheduled by Plan Sponsor or PM, as designated by the State).
- E. The State has the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, introduce the individual to the State’s Project Manager, and provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. The State may require a 30-calendar day training period for replacement personnel.
- F. Contractor will not remove any Key Personnel from their assigned roles on this Contract without the prior written consent of the State. The Contractor’s removal of Key Personnel without the prior written consent of the State is an unauthorized removal (“Unauthorized Removal”). An Unauthorized Removal does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation, or for cause termination of the Key Personnel’s employment. Any Unauthorized Removal may be considered by the State to be a material breach of this Contract, in respect of which the State may elect to terminate this Contract for



- cause under Termination for Cause in the Standard Terms.
- G. It is further acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of this 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 Termination for Cause, Contractor will issue to the State the corresponding credits set forth below (each, an "Unauthorized Removal Credit"):
1. For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the credit amount will be \$25,000.00 per individual if Contractor identifies a replacement approved by the State and assigns the replacement to shadow the Key Personnel who is leaving for a period of at least 30 calendar days before the Key Personnel's removal.
 2. If Contractor fails to assign a replacement to shadow the removed Key Personnel for at least 30 calendar days, in addition to the \$25,000.00 credit specified above, Contractor will credit the State \$833.33 per calendar day for each day of the 30 calendar-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 Unauthorized Removal Credits that may be assessed per Unauthorized Removal and failure to provide 30 calendar days of shadowing will not exceed \$50,000.00 per individual.
- H. Contractor acknowledges and agrees that each of the Unauthorized Removal Credits assessed above: (i) is a reasonable estimate of and compensation for the anticipated or actual harm to the State that may arise from the Unauthorized Removal, which would be impossible or very difficult to accurately estimate; and (ii) may, at the State's option, be credited or set off against any fees or other charges payable to Contractor under this Contract.
- I. The Plan Sponsor reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the Plan Sponsor, to be unacceptable. The Plan Sponsor's request must be written with reasonable detail outlining the reasons for the removal request. Additionally, the Plan Sponsor'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 Plan Sponsor 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 Plan Sponsor's required removal. If any incident with removed personnel results in delay not reasonably anticipatable under the circumstances and which is attributable to the Plan Sponsor, the applicable SLAs for the affected Service will not be counted for a time as agreed to by the parties.

3.5. Organizational Chart

Contractor's Organizational Chart:



3.6. Disclosure of Subcontractors

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

- A. The legal business name; address; telephone number; a description of subcontractor’s organization and the services it will provide; and information concerning subcontractor’s ability to provide the Contract Activities.
- B. The relationship of the subcontractor to the Contractor.
- C. Whether the Contractor has a previous working experience with the subcontractor. If yes, provide the details of that previous relationship.
- D. A complete description of the Contract Activities that will be performed or provided by the subcontractor.

3.7. Security

The Contractor will be subject the following security procedures:

- A. The Contractor’s staff may be required to make deliveries to or enter State facilities. The Contractor must adhere to State Security provisions. The State may require the Contractor’s personnel to wear State issued identification badges.
- B. Additional Security procedures for data are described in Section 7.
- C. The Contractor must explain any additional security measures in place to ensure the security of State facilities, including (a) how it intends to ensure the security of State facilities, (b) whether it uses uniforms and ID badges, etc., (c) the company that will perform background checks, and (d) the scope of the background checks:
- D. All Contractor’s personnel are required to acknowledge receiving and understanding our Information Security Policy, and third-party consultants, contractors, and vendors must sign a Confidentiality Agreement that requires them to comply with this Information Security Policy.



4. Project Management

4.1. Project Plan/Implementation Plan

- A. The Contractor must carry out this project under the direction and control of the Plan Sponsor. All transition and implementation plans for use during the Implementation Period are subject to the approval of the Plan Sponsor and the Project Manager (PM).
- B. There must be continuous liaising between the Plan Sponsor and Contractor during the Implementation Period and over the course of this Contract. The Program Manager and Plan Sponsor will meet with the Contractor's SAM for initial review and updated status of the Contractor's work plan periodically during the Implementation Period. The meetings will provide for reviewing progress and providing necessary guidance to the Contractor regarding the timing of activities and solving issues or problems.
- C. The Contractor must provide an Implementation Plan in order to commence Services, which will begin on March 1, 2018. The Implementation Plan and the corresponding timeline or calendar must describe in detail:
 - 1. All major project milestones; the anticipated outcomes for each milestone; and, all tasks, duties, or responsibilities to be completed during the Implementation.
 - 2. Contractor's project management approach, and discuss in detail any identifying methods, tools, and processes, intended for oversight and completion of the implementation.
 - 3. Any anticipated issues/changes, when they may arise, and how those issues will be conveyed to the Plan Sponsor, and include suggested resolution or risk mitigation strategies to the issue(s).
 - 4. A detailed protocol and escalation communication process; the plan must also provide escalation procedures and contact information for issues that may need to be escalated above the Senior Account Manager (SAM).
 - 5. Any additional information or considerations for Services to begin March 1, 2018 and continue thereafter for the life of this Contract.
 - 6. This plan must include a detailed discussion on how to manage a transition from the current contractor.
 - 7. This plan must include a detailed discussion on how the Contractor will integrate with other vendors that work with Plan sponsor or provide data feeds to Plan Sponsor, including but not necessarily limited to, non-Medicare Medical, Medicare Medical, PBM, Dental, Vision, Healthcare and Actuarial Consultant, and HMO vendors. Some sample data feeds can be found in Schedule G, H, I, and J.
- D. The Contractor must submit a final implementation plan to the Program Manager and Plan Sponsor within five State-business days from contract award date, including Contractor's project plan management approach and detailed explanation of any identifying methods, tools, and processes, intended for oversight and completion of the implementation for March 1, 2018. The PM will provide final approval of implementation plan within 14-days after submission.

4.2. Meetings

All agendas and meeting materials created by the Contractor for meetings as required below must be provided to Plan Sponsor at least 5 Days prior to the meeting. The Contractor must attend the following meetings:

- A. Monthly work plan meeting. This meeting is onsite at the Plan Sponsor office or by conference



- call. The purpose is to review operational concerns and provide status on ongoing projects. The Contractor and Plan Sponsor will jointly create work plan agenda, facilitate the meeting and maintain notes.
- B. Quarterly Services Planning Meeting. This meeting will be held onsite at Plan Sponsor’s location, unless otherwise specified by Plan Sponsor. The purpose of this meeting will be to walk-through the Quarterly and Annual Review Report (see Section 4.2C and Section 4.2D). The Contractor must create the agenda, facilitate the meeting, and maintain notes. This meeting must be held in person.
 - C. Once per contract Site Visit. This meeting is onsite at the Contractor’s facility. Contractor must host up to 6 representatives from the Plan Sponsor for a site visit to tour the facility and meet with Contractor’s staff. Any travel and accommodations expenses for State employees will be covered by the Contractor. Contractor must create the agenda and facilitate the tour.
 - D. Additional meetings may be requested by the Plan Sponsor on an as-needed basis at Plan Sponsor’s sole discretion. Plan Sponsor will determine the location of these meetings. The Contractor must make account team and all necessary subject matter experts available for these meetings.
 - E. The Contractor must provide representation, and may be required to participate in, all MPSERS board and committee meetings.
 - F. The State may request other meetings, as it deems appropriate.

4.3. Reporting

The Contractor must submit, to the ORS, the following written reports:

- A. Master Health Care Plan Management Report;
 - 1. Provide a master health care plan management report annually, including 50 printed and bound copies. The report will be used to provide a comprehensive review of the MPSERS’ Plans and to report on areas of special interest in the health care plan. The reports must be developed and run by Contractor. Plan Sponsor will assist with review and gathering all data necessary to complete the report which is not stored in the database.
 - 2. The format of the report will be mutually agreed upon by Plan Sponsor and Contractor, and the format is subject to change annually based on Plan Sponsor needs.
 - 3. Provide a comprehensive analysis of the master health care plan management report. Provide the MPSERS with analysis and suggestions on future steps.
 - 4. Provide presentations to MPSERS’ Board as needed, including of the health care plan management report.
- B. Provide a list of standard reports with each update of the database(s), which show performance and trends. Should include, but not be limited to the following areas:
 - 1. Net pay per participant;
 - 2. Inpatient and outpatient payments;
 - 3. Basic indicators of inpatient price and use;
 - 4. Trend analysis for key geographic or divisional subgroups;
 - 5. Performance in focus areas.

Contractor’s Advantage Suite provides more than 40 standard reports as templates that can be used as is or modified and stored for re-use. Many of these reports are useful for evaluating and managing population health; there are report templates on cost, use, the



prevalence of chronic conditions, and quality of care. The following table provides the list of available reports:

Table 5. Advantage Suite Reports

SELECTED REPORTS THAT SUPPORT COST AND UTILIZATION ANALYSIS

Financial Monthly Trend Report by Claim Type displays the monthly trend in the net cost of providing healthcare benefits for all available data. Use this report to monitor changes in claim and non-claim-related costs by type.

Plan Benchmark Comparison displays per-member-per-month financial indicators by plan group compared to benchmark values for the most recent rolling year. Use this report to identify plan groups with costs that exceed national benchmarks.

Prescription Drug Price Monthly Trend displays the monthly trend in prescription drug prices for the most recent 36 months. Use this report to monitor trends in the average price per script. Increases in price can result from the combination of increases in the price of each drug as well as a shift to using more expensive drugs.

Utilization Change Analysis by Plan displays the year-to-year change in key utilization indicators by Plan Group for the most recent rolling year compared to the previous rolling year. Use this report to monitor changes in utilization.

Price and Utilization Rates Report displays key inpatient, outpatient, or prescription drug utilization information compared to the previous rolling year. Use this report to compare utilization trends.

Pharmacy Utilization Metrics displays the year-to-year change in prescription drug utilization rates by specialty category and place of supplier for the most recent rolling year compared to the previous rolling year. Use this report to identify which categories are more effective at managing drug cost.

SELECTED REPORTS THAT SUPPORT EMPLOYEE EDUCATION AND COMMUNICATION EFFORTS

Avoidable Admissions Analysis displays acute inpatient admission information including price, utilization, and length-of-stay statistics by avoidable admit category for the most recent rolling year. Avoidable conditions are those that would generally not result in inpatient admissions if appropriate prior treatment occurred. Use this report to identify potential issues with access to primary care; if issues exist, then you can target an education campaign to ensure more effective use of services.

Preventive Screening Benchmark Comparison displays prevalence rates for cholesterol screening, colon cancer screening, mammograms, cervical cancer screening, well-child visits, and well-baby visits by plan group compared to benchmark values for the most recent rolling year. Use this report to monitor each plan's preventive screening rates as compared to our MarketScan benchmarks.

Preventive Screening Change Analysis displays the year-to-year change in prevalence rates for cholesterol screening, colon cancer screening, mammograms, cervical cancer screening, well-child visits, and well-baby visits for the most recent rolling year compared to the previous rolling year. Use this report to monitor each plan's preventive screening rates to measure improvement over time. Education programs can help employees understand the importance of preventive screening so they can work in concert with their physicians.

SELECTED REPORTS THAT INCORPORATE BENCHMARK COMPARISONS

Chronic Conditions Benchmark Comparison Report displays prevalence rates for chronic diseases such as Asthma, Diabetes, and Hypertension compared to benchmark values for the most recent rolling year. Use this report to identify chronic diseases that are higher than the national norm that should be targeted for better management through disease management programs.

Inpatient Monthly Trend displays the monthly trend in key acute inpatient cost and utilization indicators for the most recent 24 months. Use this report to monitor inpatient acute-care cost and utilization each month.

Inpatient Utilization Benchmark Comparison displays key acute inpatient utilization information compared to benchmark values for the most recent rolling year. Use this report to compare inpatient hospital utilization to national benchmarks.

SELECTED REPORTS THAT SUPPORT PLAN DESIGN AND CONTRIBUTION AMOUNTS

Employee Change Analysis by Employee Status displays the year-to-year change in the number of employees by employee status for the most recent rolling year compared to the previous rolling year. Use this report to monitor changes in employee coverage.

Patient Cost Distribution Report displays the number of patients by ranges of net payments for the most recent rolling year. Use this report to examine possible changes in benefit plan design or to identify the percentage of patients who had high costs. Add a subset to this report to view payment distributions for a particular group of patients.



Eligibility by Relationship Analysis displays the year-to-year change in the number of members, and it includes a breakdown of either members or employees by Net Pay or Allowed Amount by relationship status for the most recent rolling year compared to the previous rolling year. Use this report to monitor changes in eligibility.

Eligibility by Plan Type Analysis displays the year-to-year change in the number of employees, members net pay and allowed amount by plan type for the most recent rolling year compared to the previous rolling year. Use this report to monitor changes in eligibility.

Eligibility Demographic Report displays the average number of members by age group and gender. Use this report to understand the demographics of the covered population.

SELECTED CLINICAL REPORTS

Inpatient DRG Benchmark Comparison Report displays key acute inpatient utilization information by DRG compared to benchmark values for the most recent rolling year. Use this report to identify those DRGs that result in high inpatient cost and utilization. Drill down to diagnosis for more details.

Risk Profile Analysis displays the number of members assigned to each Diagnostic Cost Group risk category and relevant demographic and utilization metrics for the most recent DCG time period.

Preventive Screening Rates displays the year-over-year change in prevalence rates for cholesterol screening, colon cancer screening, mammograms, and cervical cancer screening compared to benchmark values. Use this report to monitor each plan's preventive screening rates as compared to Dynamic Adjusted benchmarks.

Top Conditions Report shows the top 10 clinical conditions, episodes, or inpatient clinical conditions ranked by either current net pay, visits, or allowed amount. Use this report to identify the most prevalent conditions in the covered population and the associated costs.

Top Drugs displays key prescription drug price and utilization information for either the top therapeutic classes or the top products by either net pay, days' supply, scripts, or allowed amount. Use this report to identify trends or potential over use/cost associated with certain drugs.

Inpatient MDC Cost and Utilization Report displays key acute inpatient admission financial and utilization information by MDC for the most recent rolling year. Use this report to identify those diagnostic categories that result in high inpatient cost and utilization. Drill down to DRG or diagnosis for more details.

Office Visit Monthly Trend Report displays the monthly trend in the number of visits in an office setting per 1000 members for the most recent 24 months. Use this report to monitor office visits each month.

Outpatient MDC Utilization Report displays utilization rates for office visits, ER visits, and outpatient visits by MDC for the most recent rolling year. Use this report to identify those diagnostic categories that result in high outpatient utilization. Compare office visits to ER visits to determine if care is being provided in the appropriate setting. Drill down to diagnosis for more details.

SELECTED REPORTS THAT SUPPORT QUALITY OF CARE ANALYSES

Avoidable Admissions Analysis displays acute inpatient admission information including price, utilization, and length-of-stay statistics by avoidable admit category for the most recent rolling year. Avoidable conditions are those that would generally not result in inpatient admissions if appropriate prior treatment occurred. Use this report to identify potential issues with primary care access.

Quality Metrics Report displays utilization and cost information about inpatient acute admissions, acute care readmissions within 15 days, prevalence rates for asthma, HbA1c, and LDL screenings. Use this report to analyze the change in quality metrics year over year.

Chronic Conditions Benchmark Comparison Report displays prevalence rates for chronic diseases such as Asthma, Diabetes, and Hypertension compared to benchmark values for the most recent rolling year. Use this report to identify chronic diseases that are higher than the national norm and should be targeted for better management through disease management programs.

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

Chronic Conditions Utilization Change Analysis displays utilization information for chronic diseases such as Asthma, Diabetes, and Hypertension for the most recent rolling year compared to the previous rolling year. Use this report to monitor the effectiveness of disease management programs in lowering utilization and to identify where improvements need to be made or new programs implemented.



Complications of Previous Treatment Analysis displays prevalence and price information by plan for the most recent rolling year. Complications of previous treatment are based on ICD-10 complication of surgical and medical care diagnosis codes. Use this report to identify where higher quality of care could have resulted in lower costs and better patient satisfaction.

Multiple Admissions Analysis displays key utilization and cost information for members with three or more acute inpatient admissions within a 12-month period for the most recent rolling year. Use this report to identify patients whose care could be managed better to reduce the number of admissions.

Preventive Screening Benchmark Comparison Report displays prevalence rates for cholesterol screening, colon cancer screening, mammograms, cervical cancer screening, well =-child visits, and well-baby visits by plan group compared to benchmark values for the most recent rolling year. Use this report to monitor each plan's preventive screening rates as compared to our MarketScan benchmarks.

Readmissions Analysis displays utilization and cost information about acute care readmissions within 15 days. A readmission within 15 days is defined as an acute care admission that started within 15 days of a previous acute care discharge for the same individual and was not identified as a transfer.

SELECTED PROVIDER PROFILING REPORTS

Top 100 PCP Profile displays key indicators for the top 100 primary care providers (PCPs) for the most recent rolling year. Use this report to identify PCPs with very high payments.

Top 100 Physicians displays key cost and utilization information for the top 100 physicians, sorted by payments, for the most recent rolling year. Use this report to identify physicians with very high payments. To investigate further, create a subset of the top 10 physicians from this report and apply it to the Top 10 Procedures report.

Top 300 Hospital Profile displays acute inpatient admission utilization information by hospital, sorted by cost, for the most recent rolling year. Use this report to identify hospitals with very high payments.

SELECTED FINANCIAL MANAGEMENT REPORTS

Financial Monthly Trend Report by Claim Type displays the monthly trend in the net cost of providing healthcare benefits for all available data. Use this report to monitor changes in claim and non-claim-related costs by type.

High Cost Patient Report displays net payments for the top 100 patients ranked by total payments made for medical and drug services for the most recent rolling year. Use this report to identify patients with very high costs.

IBNR Claims Turnaround Analysis displays payments reported by incurred date (row) against payments reported by paid date (column) to determine payment lag for the two most recent rolling years. Use this report to create claims triangles for claims completion. This is very helpful for capitation rate setting and budget forecasting.

Claims Distribution Report displays the number of patients by ranges of net payment Med and Rx for the most recent rolling year. Use this report identify the percentage of patients who had high costs, non-users, and cost migration information.

Drug Costs Report displays the annual trend of payments for prescriptions by brand/generic or by retail/mail order. Use this report to monitor the shift in drug spending from retail to mail order, in consideration of generic and brand dispensing.

- C. Provide a dashboard with each update of the database(s), which shows performance and trend analysis. Should include, but not be limited to the following areas:
 - 1. Net pay per participant;
 - 2. Inpatient and outpatient payments;
 - 3. Basic indicators of inpatient price and use;
 - 4. Trend analysis for key geographic or divisional subgroups;
 - 5. Performance in focus areas.

Contractor has standard dashboards templates available, or Contractor can create a custom monthly dashboard to meet the State's needs. Contractor will work with the State to identify the key metrics, including those noted above, to include in a monthly dashboard.
- D. Provide a monthly report with each update of the database(s), which shows performance and trends. Should include, but not be limited to the following areas:



1. Net pay per participant;
 2. Inpatient and outpatient payments;
 3. Basic indicators of inpatient price and use;
 4. Trend analysis for key geographic or divisional subgroups;
 5. Performance in focus areas.
 6. Significant changes in normal Plan Sponsor experience.
- E. SSAE No. 16
1. Contractor must have either a Type II Statement of Auditing Standards (“SAS”) 70 or a Statement on Standards for Attestation Engagements (SSAE) No. 16, conducted annually.
 2. Contractor must supply Plan Sponsor with an annual copy of the results of this audit within 45 Days of completion of the report.
 3. Contractor must provide, to Plan Sponsor, mutually agreed upon additional information pertaining to internal controls, upon request.
 4. Contractor must provide Plan Sponsor with a mutually agreed upon corrective action plan on all actionable items and provide regular updates on those items until they are resolved.
 5. If Contractor’s current SSAE-16 or SAS-70 has qualifications, the Contractor must provide the Plan Sponsor with the corrective action plan and provide regular updates until issues have been corrected.

5. Ordering

5.1. Authorizing Document

The appropriate authorizing document for the Contract will be Master Agreement (MA), Delivery Order (DO) Release, and Program Manager Approval.

6. Invoice and Payment

6.1. Invoice Requirements

- A. All invoices submitted to the State must include: (a) date; (b) purchase order; (c) quantity; (d) description of the Contract Activities; (e) unit price; (f) shipping cost (if any); and (g) total price. Overtime, holiday pay, and travel expenses will not be paid.
- B. Out-of-Pocket Expenses
Contractor’s out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for such an expense at the State’s current travel reimbursement rates. See http://www.mi.gov/dmb/0,1607,7-150-9141_13132---,00.html for current rates.
- C. The Contractor must allow for the Plan Sponsor to submit payment for claims and administrative invoices within 10 business days.

6.2. Payment Methods

The State will make payment for Contract Activities via electronic funds transfer (EFT)

7. Additional Requirements – Data Security

- A. Contractor must comply with all applicable requirements of HIPAA, as amended. Contractor must sign Plan Sponsor’s Business Associate Agreement, a sample of which is provided in Schedule F – Business Associate Agreement
- B. Contractor must have a records management policy in place.



- C. Contractor must have a process in place to securely store and maintain physical and electronic records.
- D. Contractor must ensure that all staff or other personnel that handles records are trained on the policies and procedures for keeping the records secure and that retention and disposal is handled appropriately.
- E. Contractor must perform routine self-audit and monitoring activities of their records management program, including monitoring policies and procedures to ensure compliance.
- F. Contractor must have in place a security plan that details that security requirements of the information system, identifies security controls that satisfy those requirements, and enables periodic reviews and/or timely revisions responsible to system and provide to the CCI updates and organizational changes.
- G. Contractor must comply with the compliance requirements of all State and federal laws, including but not limited to:
 - 1. Health Insurance Portability and Accountability Act (HIPAA)
 - 2. Financial Modernization Act of 1999 (Gramm-Leach-Bliley)
 - 3. Michigan Identity Theft Protection Act, MCL 445.61 et seq.
 - 4. Michigan Social Security Number Privacy Act, MCL 445.82 et seq.
- H. Contractor must annually conduct assessments of risks and threats for unauthorized access, use, or disruption on information systems that support the Plan Sponsor.
- I. Contractor must protect the confidentiality, integrity, and availability of State of Michigan data that is generated, accessed, modified, transmitted, stored, disposed, or used by the system, irrespective of the medium on which the data reside and regardless of format (such as in electronic, paper or other physical form).
- J. Contractor must implement measures to provide physical and environmental protection and accountability for tapes, diskettes, printouts, and other media containing Agency personal, confidential and sensitive information to prevent the loss of confidentiality, integrity, or availability of information including data or software, when stored outside the system.
- K. Contractor must limit information system access to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise.
- L. Contractor must have authentication controls and account management (for end-user and administrator accounts) for the application/system, including, but not limited to:
 - 1. Account lock out after specified number of failed login attempts
 - 2. Forced use of strong passwords
 - 3. Forced periodic password change
 - 4. Use of unique user ID
 - 5. Role-based permissions
- M. Contractor must be responsible for ensuring application controls are in place and functioning properly within their organization.
- N. Contractor must have a system auditing policy that creates, protects, and retains information system audit log records.
- O. Contractor must have a system of controls in place when changes (including emergency / non-routine and configuration) to existing IT resources are logged, authorized, tested, approved, and documented.
- P. Contractor must have in place a contingency plan to detect and respond to incidents including those involving potential unauthorized access, use or disclosure of protected information.
- Q. Contractor must have a system of controls in place to restrict physical access to their organization's facilities and data centers to authorized personnel.



- R. Contractor must provide security awareness training required for their employees at a minimum on a semi-annual basis.
- S. Contractor must have security controls employed for web application(s) to provide a high level of security to protect confidentiality of data transmitted over the public internet.
- T. Contractor must have a copy on file of their personnel security policy and related documents describing hiring practices that include mandatory background check procedures.
- U. Contractor must have a documented System Security Plan (SSP), which shall follow the NIST Security Framework in place.
- V. System Security Plan shall describe contractor's compliance (or lack thereof) with each NIST Special Publication 800-53 (rev.4) MODERATE security control. With regards to non-compliance, contractor must document any operational and security risk controls under the responsibility of other parties. This may take the form of a checklist: a responsible, accountable, consulted and informed (RACI) matrix; or some other clearly-defined shared-responsibility model between the contractor and other parties.
- W. **All** data (including backups, etc.) **MUST** reside with the Continental United States.
- X. If third-party hosting/storage of data is utilized, contractor must supply, ANNUAL attestation of compliance with Data Center Standards (e.g. ISO/IEC 27001 certification and/or SOC-1 & SOC-2 reports).



▪ APPENDIX 1, ADDITIONAL OPTIONS

1. Treatment Cost Calculator

If participants are to understand that price variations exist in their treatment options—and ultimately make informed decisions based on this understanding—they need a credible, accurate information resource. And it must be accessible when and where they need it.

Contractor recommends the Treatment Cost Calculator (TCC), an easy-to-use, online tool that provides participants with personalized estimates, helping them to become more confident, informed consumers. The tool addresses cost, quality, education, promotion, and alternative treatment support. It leverages real-time benefit information to calculate out-of-pocket costs, and allows comparisons at the provider- and facility-specific level.

2. Medical and Pharmacy Audits

Benefit plan audits performed by Contractor typically discover that anywhere from 5 to 8 percent of claims are paid incorrectly because of issues ranging from coding errors, to lack of quality control, to fraud and abuse, to administrator system setup issues.

Contractor offers a suite of flexible solutions that can be tailored to fit the objectives of the State. In addition, Contractor offers a consultative approach that helps interpret the results, makes recommendations, and coaches on how to best work with administrator(s) to make corrections and improvements.

Contractor will provide pricing for the audit services upon request. Costs depend on the scope, number of years, and number of medical and pharmacy administrators being audited.

3. Vulnerability Assessment

Contractor's solution includes assessing the State's claims and encounters for the previous year, along with a one-year "look back" of claims. Contractor subjects the claims/encounters first to NCCI, MUE, Inpatient Only, and other industry-standard edits and audits to determine if FFS adjudication system and managed care organizations (MCOs) provide tight controls in claims payments, a process that requires the application of hundreds of thousands of edits/audits. Next, Contractor determines if MCOs are paying in accordance with the benefit plan. Finally, Contractor runs the data through our comprehensive set of fraud, waste, and abuse algorithms to identify potential fraud and overpayments.

At the end of this process, the State receives web-based, summary-level executive dashboards displaying results for all providers and an Assessment Results and Recommendations Report containing:

An Executive Overview defining the work completed, high-level findings, and recommended next steps

A description of the analytics performed

A summary of findings that identifies all potential overpayments by category:

Potentially Recoverable Overpayments.

Billing Errors.

Long-Term Savings Opportunities.

Interesting Observations.

Detailed results sorted by line of business and representing the greatest amount of potential overpayments attributable to fraud, waste, and abuse; the report presents the details of identified billing issues for each line of business

Deliverables include recommended actionable steps the State can take or by engaging Contractor's assistance.



STATE OF MICHIGAN

Contract No. 171 18000000126

Health Insurance Database Management System and Consulting for Michigan Public School Employees Retirement System (MPERS)

SCHEDULE B PRICING MATRIX

1. Pricing includes all costs, including but not limited to, any one-time or set-up charges, fees, and all requirements included in Schedule A 1. General Requirements – Fixed Price (e.g.,).
2. The Contract will be for a four-year period with service commencing March 1, 2018, and ending February 28, 2022. Firm prices are to be quoted for each of the four years. The price quoted each year must be firm for the period March 1 of that year through February 28 of that year. Prices are to be quoted on a flat monthly fee for all services specified by this Contract.

Per Month Administration Fee

	2018	2019	2020	2021
Fixed Price: Schedule A Section 1. General Requirements – Fixed Price	\$ 25,417	\$ 26,167	\$ 26,916	\$ 27,750
Unit Price: Schedule A Section 1.1 General Requirements – Unit Price	Manager \$294	\$300 \$242	\$307 \$248	\$315 \$254
Optional Unit Price A: Additional consulting, research, and report-writing services on a per hour basis	Sr. Consultant \$237 Consultant \$191 Data Mgmt \$185 Analyst \$170	\$195 \$189 \$174	\$200 \$193 \$178	\$205 \$197 \$182



<p>Optional Unit Price D: Fraud, Waste, and Abuse capabilities not included in the fixed price offering</p>	<p>1. Targeted Study -\$45,000 - \$55,000 2. Data Driven Study - \$45,000 - \$55,000 3. Vulnerability Assessment - \$195,000 - \$245,000 4. Package of 5 custom algorithms from Advantage Suite - \$8,000 - \$10,000</p>	<p>1. Targeted Study -\$45,000 - \$55,000 2. Data Driven Study - \$45,000 - \$55,000 3. Vulnerability Assessment - \$195,000 - \$245,000 4. Package of 5 custom algorithms from Advantage Suite - \$8,000 - \$10,000</p>	<p>1. Targeted Study - \$50,000 - \$60,000 2. Data Driven Study - \$50,000 - \$60,000 3. Vulnerability Assessment - \$200,000 - \$250,000 4. Package of 5 custom algorithms from Advantage Suite - \$10,000 - \$12,000</p>	<p>1. Targeted Study - \$50,000 - \$60,000 2. Data Driven Study - \$50,000 - \$60,000 3. Vulnerability Assessment - \$200,000 - \$250,000 4. Package of 5 custom algorithms from Advantage Suite - \$10,000 - \$12,000</p>
<p>Optional Unit Price E. Inclusion of State Health plan data</p>	<p>\$7,500 to \$15,000 per data feed depending on source and complexity</p>	<p>\$7,500 to \$15,000 per data feed depending on source and complexity</p>	<p>\$7,500 to \$15,000 per data feed depending on source and complexity</p>	<p>\$7,500 to \$15,000 per data feed depending on source and complexity</p>
<p>Optional Unit Price F: Dedicated Key Personnel position</p>	<p>\$ 189,000 for Analyst level full time staff</p>	<p>\$ 193,000 for Analyst level full time staff</p>	<p>\$ 197,000 for Analyst level full time staff</p>	<p>\$ 201,000 for Analyst level full time staff</p>



STATE OF MICHIGAN

STANDARD CONTRACT TERMS

This STANDARD CONTRACT (“**Contract**”) is agreed to between the State of Michigan (the “**State**”) and Truven Health Analytics LLC (“**Contractor**”), a Delaware Limited Liability Company. This Contract is effective on March 1, 2018 (“**Effective Date**”), and unless terminated, expires on February 28, 2022.

This Contract may be renewed for up to four (4) additional one (1) year period(s). Renewal is at the sole discretion of the State and will automatically extend the Term of this Contract. The State will document its exercise of renewal options via Contract Change Notice.]

The parties agree as follows:

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

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

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

Contractor must also be clearly identifiable while on State property by wearing identification issued by the State, and clearly identify themselves whenever making contact with the State.

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



If to State: Jillian Yeates 525 W. Allegan St., Lansing, MI 48933 yeatesj@michigan.gov 517-284-7019	If to Contractor: Legal Department 100 Phoenix Drive Ann Arbor, MI 48108 horne@us.ibm.com 410-476-1229
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3. **Contract Administrator.** The Contract Administrator for each party is the only person authorized to modify any terms of this Contract, and approve and execute any change under this Contract (each a “**Contract Administrator**”):

State: Jillian Yeates 525 W. Allegan St., Lansing, MI 48933 yeatesj@michigan.gov 517-284-7019	Contractor: Helen Orme 100 Phoenix Drive Ann Arbor, MI 48108 horne@us.ibm.com 410-476-1229
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4. **Program Manager.** The Program Manager for each party will monitor and coordinate the day-to-day activities of the Contract (each a “**Program Manager**”):

State: Anthony Estell 530 W. Allegan St., Lansing, MI 48933 estella@michigan.gov 517-284-4555	Contractor: Eric Poston 100 Phoenix Drive Ann Arbor, MI 48108 Eric.poston@us.ibm.com 502-603-8146
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5. **Performance Guarantee.** Contractor must at all times have financial resources sufficient, in the opinion of the State, to ensure performance of the Contract and must provide proof upon request. The State may require a performance bond (as specified in Schedule A) if, in the opinion of the State, it will ensure performance of the Contract.

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

Required Limits	Additional Requirements
Commercial General Liability Insurance	
Minimal Limits: \$1,000,000 Each Occurrence Limit \$1,000,000 Personal & Advertising Injury Limit \$2,000,000 General Aggregate Limit	Contractor must have their policy endorsed to add “the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents” as additional insureds.



<p>\$2,000,000 Products/Completed Operations</p> <p><u>Deductible Maximum:</u> \$50,000 Each Occurrence</p>	
<p>Automobile Liability Insurance</p>	
<p><u>Minimal Limits:</u> \$1,000,000 Per Occurrence</p>	<p>Contractor must have their policy: (1) endorsed to add “the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents” as additional insureds; and (2) include Hired and Non-Owned Automobile coverage.</p>
<p>Workers' Compensation Insurance</p>	
<p><u>Minimal Limits:</u> Coverage according to applicable laws governing work activities.</p>	<p>Waiver of subrogation, except where waiver is prohibited by law. However waiver of subrogation does not apply in instances of gross negligence on the part of the State where gross negligence is defined to mean conduct so reckless as to demonstrate a substantial lack of concern for whether an injury results. Nothing herein shall be construed to waive any law regarding sovereign immunity, or any other immunity, restriction, or limitation on recovery provided by law.</p>
<p>Employers Liability Insurance</p>	
<p><u>Minimal Limits:</u> \$500,000 Each Accident \$500,000 Each Employee by Disease \$500,000 Aggregate Disease.</p>	
<p>Professional Liability (Errors and Omissions) Insurance</p>	
<p><u>Minimal Limits:</u> \$3,000,000 Each Occurrence \$3,000,000 Annual Aggregate</p> <p><u>Deductible Maximum:</u> \$50,000 Per Loss</p>	<p>Contractor will carry Professional Liability Errors and Omissions insurance.</p> <p>Contractor must have their policy: (1) covering actual or alleged breach of duty, neglect, error, misstatement, misleading statements or omission, solely for acts or omissions committed by the Contractor in providing professional services for customer; and (2) cover information security and privacy liability, privacy</p>



	notification costs, regulatory defense and penalties, and website media content liability.
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If any of the required policies provide **claims-made** coverage, the Contractor must: (a) provide coverage with a retroactive date before the effective date of the contract or the beginning of Contract Activities; (b) maintain coverage and provide evidence of coverage for at least three (3) years after completion of the Contract Activities; and (c) if coverage is canceled or not renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective date, Contractor must purchase extended reporting coverage for a minimum of three (3) years after completion of work.

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

This Section is not intended to and is not be construed in any manner as waiving, restricting or limiting the liability of either party for any obligations under this Contract (including any provisions hereof requiring Contractor to indemnify, defend and hold harmless the State).

7. **Reserved.**

8. **Reserved.**

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

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

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

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



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

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

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

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

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

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

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

17. RESERVED.

18. RESERVED.

19. RESERVED.

20. Terms of Payment. Invoices must conform to the requirements communicated from time-to-time by the State. All undisputed amounts are payable within 45 days of the State's receipt. Contractor may only charge for Contract Activities performed as specified in Schedule A. Invoices must include an itemized



statement of all charges. The State is exempt from State sales tax for direct purchases and may be exempt from federal excise tax, if Services purchased under this Agreement are for the State's exclusive use. Notwithstanding the foregoing, all prices are inclusive of taxes, and Contractor is responsible for all sales, use and excise taxes, and any other similar taxes, duties and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by the State under this Contract.

The State has the right to withhold payment of any disputed amounts until the parties agree as to the validity of the disputed amount. The State will notify Contractor of any dispute within a reasonable time. Payment by the State will not constitute a waiver of any rights as to Contractor's continuing obligations, including claims for deficiencies or substandard Contract Activities. Contractor's acceptance of final payment by the State constitutes a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still disputed.

The State will only disburse payments under this Contract through Electronic Funds Transfer (EFT). Contractor must register with the State at <http://www.michigan.gov/SIGMAVSS> to receive electronic fund transfer payments. If Contractor does not register, the State is not liable for failure to provide payment. Without prejudice to any other right or remedy it may have, the State reserves the right to set off at any time any amount then due and owing to it by Contractor against any amount payable by the State to Contractor under this Contract.

21. **Liquidated Damages.** Liquidated damages, if applicable, will be assessed as described in Schedule A.
22. **Stop Work Order.** The State may suspend any or all activities under the Contract at any time. The State will provide Contractor a written stop work order detailing the suspension. Contractor must comply with the stop work order upon receipt. Within 90 calendar days, or any longer period agreed to by Contractor, the State will either: (a) issue a notice authorizing Contractor to resume work, or (b) terminate the Contract or purchase order. The State will not pay for Contract Activities, Contractor's lost profits, or any additional compensation during a stop work period.
23. **Termination for Cause.** The State may terminate this Contract for cause, in whole or in part, if Contractor, as determined by the State: (a) endangers the value, integrity, or security of any location, data, or personnel; (b) becomes insolvent, petitions for bankruptcy court proceedings, or has an involuntary bankruptcy proceeding filed against it by any creditor; (c) engages in any conduct that may expose the State to liability; (d) breaches any of its material duties or obligations; or (e) fails to cure a breach within the time stated in a notice of breach. Any reference to specific breaches being material breaches within this Contract will not be construed to mean that other breaches are not material.

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

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



- 24. Termination for Convenience.** The State may immediately terminate this Contract in whole or in part without penalty and for any reason, including but not limited to, appropriation or budget shortfalls. The termination notice will specify whether Contractor must: (a) cease performance of the Contract Activities immediately, or (b) continue to perform the Contract Activities in accordance with Section 25, Transition Responsibilities. If the State terminates this Contract for convenience, the State will pay all reasonable costs, as determined by the State, for State approved Transition Responsibilities.
- 25. Transition Responsibilities.** Upon termination or expiration of this Contract for any reason, Contractor must, for a period of time specified by the State (not to exceed 180 calendar days), provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the Contract Activities to continue without interruption or adverse effect, and to facilitate the orderly transfer of such Contract Activities to the State or its designees. Such transition assistance may include, but is not limited to: (a) continuing to perform the Contract Activities at the established Contract rates; (b) taking all reasonable and necessary measures to transition performance of the work, including all applicable Contract Activities, training, equipment, software, leases, reports and other documentation, to the State or the State's designee; (c) taking all necessary and appropriate steps, or such other action as the State may direct, to preserve, maintain, protect, or return to the State all materials, data, property, and confidential information provided directly or indirectly to Contractor by any entity, agent, vendor, or employee of the State; (d) transferring title in and delivering to the State, at the State's discretion, all completed or partially completed deliverables prepared under this Contract as of the Contract termination date; and (e) preparing an accurate accounting from which the State and Contractor may reconcile all outstanding accounts (collectively, "**Transition Responsibilities**"). This Contract will automatically be extended through the end of the transition period.
- 26. General Indemnification.** Contractor must defend, indemnify and hold the State, its departments, divisions, agencies, offices, commissions, officers, and employees harmless, without limitation, from and against any and all actions, claims, losses, liabilities, damages, costs, attorney fees, and expenses (including those required to establish the right to indemnification), arising out of or relating to: (a) any breach by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable) of any of the promises, agreements, representations, warranties, or insurance requirements contained in this Contract; (b) any infringement, misappropriation, or other violation of any intellectual property right or other right of any third party; (c) any bodily injury, death, or damage to real or tangible personal property occurring wholly or in part due to action or inaction by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable); and (d) any acts or omissions of Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable).

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

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

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



Attorney General.

- 27. Infringement Remedies.** If, in either party's opinion, any piece of equipment, software, commodity, or service supplied by Contractor or its subcontractors, or its operation, use or reproduction, is likely to become the subject of a copyright, patent, trademark, or trade secret infringement claim, Contractor must, at its expense: (a) procure for the State the right to continue using the equipment, software, commodity, or service, or if this option is not reasonably available to Contractor, (b) replace or modify the same so that it becomes non-infringing; or (c) accept its return by the State with appropriate credits to the State against Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.
- 28. Limitation of Liability and Disclaimer of Damages.** (a) Limitation of Liability: IN NO EVENT WILL EITHER PARTY'S AGGREGATE LIABILITY TO THE OTHER FROM ANY AND ALL CAUSES RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR BY STATUTE OR OTHERWISE, FOR ANY CLAIM RELATED TO OR ARISING UNDER THIS CONTRACT, EXCEED \$5,000,000. (b) Disclaimer of Damages: IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL OR SIMILAR DAMAGES EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. (c) Exceptions. Subsections (a) (Limitation of Liability) and (b) (Disclaimer of Damages) above, shall not apply to: (i) Contractor's obligation to indemnify under **Sections 26(b) or (c)**; (ii) Contractor's obligation to indemnify under Section 31e(g) shall not exceed \$10,000,000 and (iii) damages arising from either party's gross negligence, bad faith, or intentional misconduct. Nothing herein shall be construed to waive any law regarding sovereign immunity, or any other immunity, restriction, or limitation on recovery provided by law.
- 29. Disclosure of Litigation, or Other Proceeding.** Contractor must notify the State within 14 calendar days of receiving notice of any litigation, investigation, arbitration, or other proceeding (collectively, "**Proceeding**") involving Contractor, a subcontractor, or an officer or director of Contractor or subcontractor, that arises during the term of the Contract, including: (a) a criminal Proceeding; (b) a parole or probation Proceeding; (c) a Proceeding under the Sarbanes-Oxley Act; (d) a civil Proceeding involving: (1) a claim that might reasonably be expected to adversely affect Contractor's viability or financial stability; or (2) a governmental or public entity's claim or written allegation of fraud; or (e) a Proceeding involving any license that Contractor is required to possess in order to perform under this Contract.
- 30. RESERVED.**
- 31. State Data.**
- a. Ownership. The State's data ("**State Data**," which will be treated by Contractor as Confidential Information) includes: (a) the State's data collected, used, processed, stored, or generated as the result of the Contract Activities; (b) personally identifiable information ("**PII**") collected, used, processed, stored, or generated as the result of the Contract Activities, including, without limitation, any information that identifies an individual, such as an individual's social security number or other government-issued identification number, date of birth, address, telephone number, biometric data, mother's maiden name, email address, credit card information, or an individual's name in combination with any other of the elements here listed; and, (c) personal health information ("**PHI**") collected, used, processed, stored, or generated as the result of the Contract Activities, which is defined under the Health Insurance Portability and Accountability Act (HIPAA) and its related rules and regulations. State Data is and will remain the sole and exclusive



property of the State and all right, title, and interest in the same is reserved by the State. This Section survives the termination of this Contract.

- b. Contractor Use of State Data. Contractor is provided a limited license to State Data for the sole and exclusive purpose of providing the Contract Activities, including a license to collect, process, store, generate, and display State Data only to the extent necessary in the provision of the Contract Activities. Contractor must: (a) keep and maintain State Data in strict confidence, using such degree of care as is appropriate and consistent with its obligations as further described in this Contract and applicable law to avoid unauthorized access, use, disclosure, or loss; (b) use and disclose State Data solely and exclusively for the purpose of providing the Contract Activities, such use and disclosure being in accordance with this Contract, any applicable Statement of Work, and applicable law; and (c) not use, sell, rent, transfer, distribute, or otherwise disclose or make available State Data for Contractor's own purposes or for the benefit of anyone other than the State without the State's prior written consent. This Section survives the termination of this Contract.
- c. Extraction of State Data. Contractor must, within a mutually agreeable number of business days of the State's request, provide the State, without any additional charge and without any conditions or contingencies whatsoever (including but not limited to any additional payment of any fees due to Contractor), an extract of the State Data in the format specified by the State. However, the State may only request an extract of State Data at no additional charge once per quarter (being one request every three months).
- d. Backup and Recovery of State Data. Unless otherwise specified in Schedule A, Contractor is responsible for maintaining a backup of State Data and for an orderly and timely recovery of such data. Unless otherwise described in Schedule A, Contractor must maintain a contemporaneous backup of State Data that can be recovered within two (2) hours at any point in time.
- e. Loss or Compromise of Data. In the event of any act, error or omission, negligence, misconduct, or breach on the part of Contractor that compromises or is suspected to compromise the security, confidentiality, or integrity of State Data or the physical, technical, administrative, or organizational safeguards put in place by Contractor that relate to the protection of the security, confidentiality, or integrity of State Data, Contractor must, as applicable: (a) notify the State as soon as practicable but no later than twenty-four (24) hours of becoming aware of such occurrence; (b) cooperate with the State in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by the State; (c) in the case of PII or PHI, at the State's sole election, (i) with approval and assistance from the State, notify the affected individuals who comprise the PII or PHI as soon as practicable but no later than is required to comply with applicable law, or, in the absence of any legally required notification period, within five (5) calendar days of the occurrence; or (ii) reimburse the State for any costs in notifying the affected individuals; (d) in the case of PII, provide third-party credit and identity monitoring services to each of the affected individuals who comprise the PII for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twenty-four (24) months following the date of notification to such individuals; (e) perform or take any other actions required to comply with applicable law as a result of the occurrence; (f) pay for any costs associated with the occurrence, including but not limited to any costs incurred by the State in investigating and resolving the occurrence, including reasonable attorney's fees associated with such investigation and resolution; (g) without limiting Contractor's obligations of indemnification as further described in this Contract, indemnify, defend, and hold harmless the State for any and all claims, including reasonable attorneys' fees, costs, and incidental expenses, which may be suffered by, accrued



against, charged to, or recoverable from the State in connection with the occurrence (h) be responsible for recreating lost State Data in the manner and on the schedule set by the State without charge to the State; and (i) provide to the State a detailed plan within ten (10) calendar days of the occurrence describing the measures Contractor will undertake to prevent a future occurrence. Notification to affected individuals, as described above, must comply with applicable law, be written in plain language, not be tangentially used for any solicitation purposes, and contain, at a minimum: name and contact information of Contractor's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Contractor has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Contractor. The State will have the option to review and approve any notification sent to affected individuals prior to its delivery. Notification to any other party, including but not limited to public media outlets, must be reviewed and approved by the State in writing prior to its dissemination. This section survives termination or expiration of this Contract.

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

- a. Meaning of Confidential Information. For the purposes of this Contract, the term "**Confidential Information**" means all information and documentation of a party that: (a) has been marked "confidential" or with words of similar meaning, at the time of disclosure by such party; (b) if disclosed orally or not marked "confidential" or with words of similar meaning, was subsequently summarized in writing by the disclosing party and marked "confidential" or with words of similar meaning; and, (c) should reasonably be recognized as confidential information of the disclosing party. The term "Confidential Information" does not include any information or documentation that was: (a) subject to disclosure under the Michigan Freedom of Information Act (FOIA); (b) already in the possession of the receiving party without an obligation of confidentiality; (c) developed independently by the receiving party, as demonstrated by the receiving party, without violating the disclosing party's proprietary rights; (d) obtained from a source other than the disclosing party without an obligation of confidentiality; or, (e) publicly available when received, or thereafter became publicly available (other than through any unauthorized disclosure by, through, or on behalf of, the receiving party). For purposes of this Contract, in all cases and for all matters, State Data is deemed to be Confidential Information.
- b. Obligation of Confidentiality. The parties agree to hold all Confidential Information in strict confidence and not to copy, reproduce, sell, transfer, or otherwise dispose of, give or disclose such Confidential Information to third parties other than employees, agents, or subcontractors of a party who have a need to know in connection with this Contract or to use such Confidential Information for any purposes whatsoever other than the performance of this Contract. The parties agree to advise and require their respective employees, agents, and subcontractors of their obligations to keep all Confidential Information confidential. Disclosure to a subcontractor is permissible where: (a) use of a subcontractor is authorized under this Contract; (b) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the subcontractor's responsibilities; and (c) Contractor obligates the subcontractor in a written contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor or any subcontractor may be required to execute a separate agreement to be bound by the provisions of this Section.



- c. Cooperation to Prevent Disclosure of Confidential Information. Each party must use its best efforts to assist the other party in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limiting the foregoing, each party must advise the other party immediately in the event either party learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Contract and each party will cooperate with the other party in seeking injunctive or other equitable relief against any such person.
- d. Remedies for Breach of Obligation of Confidentiality. Each party acknowledges that breach of its obligation of confidentiality may give rise to irreparable injury to the other party, which damage may be inadequately compensable in the form of monetary damages. Accordingly, a party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies which may be available, to include, in the case of the State, at the sole election of the State, the immediate termination, without liability to the State, of this Contract or any Statement of Work corresponding to the breach or threatened breach.
- e. Surrender of Confidential Information upon Termination. Upon termination of this Contract or a Statement of Work, in whole or in part, each party must, within 5 calendar days from the date of termination, return to the other party any and all Confidential Information received from the other party, or created or received by a party on behalf of the other party, which are in such party's possession, custody, or control; provided, however, that Contractor must return State Data to the State following the timeframe and procedure described further in this Contract. Should Contractor or the State determine that the return of any Confidential Information is not feasible, such party must destroy the Confidential Information and must certify the same in writing within 5 calendar days from the date of termination to the other party. However, the State's legal ability to destroy Contractor data may be restricted by its retention and disposal schedule, in which case Contractor's Confidential Information will be destroyed after the retention period expires.

33. Data Privacy and Information Security.

- a. Undertaking by Contractor. Without limiting Contractor's obligation of confidentiality as further described, Contractor is responsible for establishing and maintaining a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that is designed to: (a) ensure the security and confidentiality of the State Data; (b) protect against any anticipated threats or hazards to the security or integrity of the State Data; (c) protect against unauthorized disclosure, access to, or use of the State Data; (d) ensure the proper disposal of State Data; and (e) ensure that all employees, agents, and subcontractors of Contractor, if any, comply with all of the foregoing. In no case will the safeguards of Contractor's data privacy and information security program be less stringent than the safeguards used by the State, and Contractor must at all times comply with all applicable State IT policies and standards, which are available to Contractor upon request.
- b. Audit by Contractor. No less than annually, Contractor must conduct a comprehensive independent third-party audit of its data privacy and information security program and provide such audit findings to the State.
- c. Right of Audit by the State. Without limiting any other audit rights of the State, the State has the right to review Contractor's data privacy and information security program prior to the commencement of Contract Activities and from time to time during the term of this Contract.



During the providing of the Contract Activities, on an ongoing basis from time to time and without notice, the State, at its own expense, is entitled to perform, or to have performed, an on-site audit of Contractor's data privacy and information security program. In lieu of an on-site audit, upon request by the State, Contractor agrees to complete, within 45 calendar days of receipt, an audit questionnaire provided by the State regarding Contractor's data privacy and information security program.

- d. Audit Findings. Contractor must implement any required safeguards as identified by the State or by any audit of Contractor's data privacy and information security program.
- e. State's Right to Termination for Deficiencies. The State reserves the right, at its sole election, to immediately terminate this Contract or a Statement of Work without limitation and without liability if the State determines that Contractor fails or has failed to meet its obligations under this Section.

34. RESERVED.

35. RESERVED.

36. Records Maintenance, Inspection, Examination, and Audit. The State or its designee may audit Contractor to verify compliance with this Contract. Contractor must retain, and provide to the State or its designee and the auditor general upon request, all financial and accounting records related to the Contract through the term of the Contract and for 4 years after the latter of termination, expiration, or final payment under this Contract or any extension ("**Audit Period**"). If an audit, litigation, or other action involving the records is initiated before the end of the Audit Period, Contractor must retain the records until all issues are resolved.

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

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

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



- 38. Conflicts and Ethics.** Contractor will uphold high ethical standards and is prohibited from: (a) holding or acquiring an interest that would conflict with this Contract; (b) doing anything that creates an appearance of impropriety with respect to the award or performance of the Contract; (c) attempting to influence or appearing to influence any State employee by the direct or indirect offer of anything of value; or (d) paying or agreeing to pay any person, other than employees and consultants working for Contractor, any consideration contingent upon the award of the Contract. Contractor must immediately notify the State of any violation or potential violation of these standards. This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.
- 39. Compliance with Laws.** Contractor must comply with all federal, state and local laws, rules and regulations.
- 40. RESERVED.**
- 41. RESERVED.**
- 42. Nondiscrimination.** Under the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, Contractor and its subcontractors agree not to discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex, height, weight, marital status, or mental or physical disability. Breach of this covenant is a material breach of this Contract.
- 43. Unfair Labor Practice.** Under MCL 423.324, the State may void any Contract with a Contractor or subcontractor who appears on the Unfair Labor Practice register compiled under MCL 423.322.
- 44. Governing Law.** This Contract is governed, construed, and enforced in accordance with Michigan law, excluding choice-of-law principles, and all claims relating to or arising out of this Contract are governed by Michigan law, excluding choice-of-law principles. Any dispute arising from this Contract must be resolved in Michigan Court of Claims. Contractor consents to venue in Ingham County, and waives any objections, such as lack of personal jurisdiction or *forum non conveniens*. Contractor must appoint agents in Michigan to receive service of process.
- 45. Non-Exclusivity.** Nothing contained in this Contract is intended nor will be construed as creating any requirements contract with Contractor. This Contract does not restrict the State or its agencies from acquiring similar, equal, or like Contract Activities from other sources.
- 46. Force Majeure.** Neither party will be in breach of this Contract because of any failure arising from any disaster or acts of god that are beyond their control and without their fault or negligence. Each party will use commercially reasonable efforts to resume performance. Contractor will not be relieved of a breach or delay caused by its subcontractors. If immediate performance is necessary to ensure public health and safety, the State may immediately contract with a third party.
- 47. Dispute Resolution.** The parties will endeavor to resolve any Contract dispute in accordance with this provision. The dispute will be referred to the parties' respective Contract Administrators or Program Managers. Such referral must include a description of the issues and all supporting documentation. The parties must submit the dispute to a senior executive if unable to resolve the dispute within 15 business days. The parties will continue performing while a dispute is being resolved, unless the dispute precludes performance. A dispute involving payment does not preclude performance.



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

- 48. Media Releases.** News releases (including promotional literature and commercial advertisements) pertaining to the Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions of the State.
- 49. Website Incorporation.** The State is not bound by any content on Contractor's website unless expressly incorporated directly into this Contract.
- 50. Entire Agreement and Order of Precedence.** This Contract, which includes Schedule A – Statement of Work, and expressly incorporated schedules and exhibits, is the entire agreement of the parties related to the Contract Activities. This Contract supersedes and replaces all previous understandings and agreements between the parties for the Contract Activities. If there is a conflict between documents, the order of precedence is: (a) first, this Contract, excluding its schedules, exhibits, and Schedule A – Statement of Work; (b) second, Schedule A – Statement of Work as of the Effective Date; and (c) third, schedules expressly incorporated into this Contract as of the Effective Date. **NO TERMS ON CONTRACTOR'S INVOICES, ORDERING DOCUMENTS, WEBSITE, BROWSE-WRAP, SHRINK-WRAP, CLICK-WRAP, CLICK-THROUGH OR OTHER NON-NEGOTIATED TERMS AND CONDITIONS PROVIDED WITH ANY OF THE CONTRACT ACTIVITIES WILL CONSTITUTE A PART OR AMENDMENT OF THIS CONTRACT OR IS BINDING ON THE STATE FOR ANY PURPOSE. ALL SUCH OTHER TERMS AND CONDITIONS HAVE NO FORCE AND EFFECT AND ARE DEEMED REJECTED BY THE STATE, EVEN IF ACCESS TO OR USE OF THE CONTRACT ACTIVITIES REQUIRES AFFIRMATIVE ACCEPTANCE OF SUCH TERMS AND CONDITIONS.**
- 51. Severability.** If any part of this Contract is held invalid or unenforceable, by any court of competent jurisdiction, that part will be deemed deleted from this Contract and the severed part will be replaced by agreed upon language that achieves the same or similar objectives. The remaining Contract will continue in full force and effect.
- 52. Waiver.** Failure to enforce any provision of this Contract will not constitute a waiver.
- 53. Survival.** The provisions of this Contract that impose continuing obligations, including warranties and representations, termination, transition, insurance coverage, indemnification, and confidentiality, will survive the expiration or termination of this Contract.
- 54. Contract Modification.** This Contract may not be amended except by signed agreement between the parties (a "**Contract Change Notice**"). Notwithstanding the foregoing, no subsequent Statement of Work or Contract Change Notice executed after the Effective Date will be construed to amend this Contract unless it specifically states its intent to do so and cites the section or sections amended.