

REQUEST FOR PROPOSALS (RFP)

ISSUE DATE: August 1, 2008

RFP NO. OHB08-3

TITLE: Third Party Administrator Services for Flexible Reimbursement Accounts

ISSUING AGENCY: Commonwealth of Virginia
Department of Human Resource Management
James Monroe Building, 13th Floor
101 North 14th Street
Richmond, Virginia 23219

Contract Participation: Under the authority of the Code of Virginia 2.2-4304. Cooperative Procurement, it is the intent of this solicitation and resulting contract(s) to allow for cooperative purchasing by Commonwealth of Virginia State Agencies. A list of all Commonwealth of Virginia State Agencies (Agencies) is available at http://www.virginia.gov/cmsportal3/government_4096/state_website_list.html

Participation in this cooperative procurement is strictly voluntary, and does not preclude participating Agencies from using other contracts or competitive processes. The resultant contract(s) will be extended to the Agencies to purchase at contract prices in accordance with contract terms. The Contractor shall notify the Lead Agency in writing of all Agencies accessing the contract, and provide quarterly usage reports to the Lead Agency.

No modification of this contract or execution of a separate contract is required to participate. Participating Agencies shall place their own orders directly with the Contractor(s) and shall fully and independently administer their use of the contract(s) to include contractual disputes, invoicing and payments without direct administration from the Lead Agency.

The Lead Agency shall not be held liable for any costs or damages incurred by any other participating Agencies as a result of any authorization by the Contractor to extend the contract. It is understood and agreed that the Lead Agency is not responsible for the acts or omissions of other Agencies and will not be considered in default of the Agreement no matter the circumstances.

PERIOD OF CONTRACT: From July 1, 2009 through June 30, 2011 with four additional one-year renewal options.

Sealed proposals for furnishing services described herein will be received subject to the conditions cited herein until 2:00 p.m., Monday, September 8, 2008

All Inquiries Must Be In Writing And Should Be Directed To:

Mr. William G. Gregory
Department of Human Resource Management
James Monroe Building, 13th Floor
101 North 14th Street
Richmond, Virginia 23219
Fax Number: 804-225-2790

SEND ALL PROPOSALS DIRECTLY TO THE ISSUING AGENCY ADDRESS SHOWN ABOVE.

Note: This public body does not discriminate against faith-based organizations in accordance with the Code of Virginia, § 11-35.1 or against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

In compliance with this Request for Proposals, and to all the conditions imposed therein and hereby

incorporated by reference, the undersigned offers and agrees to furnish materials and services in accordance with the attached signed proposal or as mutually agreed upon by subsequent negotiation.

Name and Address Of Firm:

_____	Date: _____
_____	By: _____
_____	(PRINTED NAME)
_____ Zip Code _____	_____
	(SIGNATURE IN INK)
	Title: _____
Fax Number: (____) _____	Telephone:(____) _____

PRE-PROPOSAL CONFERENCE: An Optional pre-proposal conference will be held on Monday, August 11, 2008, 10:00 a.m. at the James Monroe Building. Conference Room B, Lobby Level (Reference Paragraph 5.9)

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1.0 PURPOSE

The purpose of this Request for Proposals (RFP) is to solicit sealed proposals to establish a contract through competitive negotiations for third party administrator (TPA) services relating to the Commonwealth's cafeteria benefits plan. The Department of Human Resource Management (Department or DHRM) of the Commonwealth of Virginia wishes to continue to offer a dependent care reimbursement plan and a medical reimbursement plan and seeks a contractor to provide the administrative services for these plans.

2.0 BACKGROUND

2.1 The Department established a flexible benefits plan for the Commonwealth of Virginia employees with the first plan year effective July 1, 1990. Effective January 1, 1996, the plan year was changed to a calendar year basis. On July 1, 2004, the plan year was returned to a fiscal year and all foreseeable future plan years will continue on that basis. The current contract with Fringe Benefits Management Co. (FBMC) is scheduled to run through June 30, 2009.

2.2 The Commonwealth's Flexible Benefits Plan consists of three parts: (1) Premium Conversion, (2) Dependent Care Reimbursement Accounts and (3) Medical Reimbursement Accounts. The services procured under this RFP pertain only to the two reimbursement account plans. There are approximately 95,000 eligible employees in the Commonwealth. The current enrollment in Dependent Care Reimbursement accounts is 1,300 and there are 10,450 enrolled in Medical Reimbursement accounts.

2.3 Currently, employees of over 200 state agencies, located across the state are eligible to participate in the Commonwealth's Flexible Reimbursement Accounts Program. **Included in the state agencies are seven institutions of higher education and four authorities that have decentralized their payroll activities from the central payroll system. As a result, anyone submitting a proposal must have the capability of processing enrollee contribution information from multiple sources.**

2.4 Policy Regarding Participation of Small, Women, and Minority Owned Businesses

2.4.1 It is the policy of the Commonwealth of Virginia to contribute to the establishment, preservation, and strengthening of small businesses and businesses owned by women and minorities and to encourage their participation in State procurement activities. The Commonwealth encourages contractors to provide for the participation of small businesses and businesses owned by women and minorities through partnerships, joint ventures, subcontracts, and other contractual opportunities. Submission of a report of past efforts to utilize the goods and services of such businesses and plans for involvement on this contract are required. By submitting a proposal, offerors certify that all information provided in response to this RFP is true and accurate. Failure to provide information required by this RFP will ultimately result in rejection of the proposal.

2.4.2 All information requested by this RFP on the ownership, utilization, and planned involvement of small businesses, women owned businesses, and minority owned businesses must be submitted. If an offeror fails to submit all information requested, the purchasing agency will require prompt submission of missing information after the receipt of vendor proposals in order for a non-compliant proposal to be considered.

3.0 TASKS

3.1 Establish two separate reimbursement plans for Commonwealth of Virginia enrollees.

3.2 Administer Medical and Dependent Care Reimbursement Accounts

- 3.2.1 Construct appropriate master files from enrollment information. Present enrollment is done mainly through the Department's web based enrollment system with minimum use of enrollment forms. All enrollment records will be retrieved by the contractor from the Department's File Transfer Protocol (FTP) file.
- 3.2.2 After enrollment, provide participants notice of the reimbursement accounts and their agencies with a verification of participation and the amount(s) elected.
- 3.2.3 Record and update changes in the master files as contribution information is received from the Department of Accounts (DOA) and the decentralized payroll systems. Payrolls are processed and updates are expected semi-monthly. If a scheduled contribution is not received for an individual account(s), suspend that account's activity, as appropriate, and request clarification from their agency. Release the suspended account only after the correct contribution or related election change has been received.
- 3.2.4 Develop, print, and distribute to appropriate agencies any and all forms required for all tasks.
- 3.2.5 Receive and track requests for payment (claims) from participants.
- 3.2.6 Verify documentation and determine conformance of the claim to IRS regulations, DHRM regulations and instructions and the DHRM's plan documents.
- 3.2.7 Determine that the claim is valid with respect to the object of expense and the date of incurrence and the eligibility of the claimant.
- 3.2.8 Record and code claims in sufficient detail to permit required reporting and to avoid duplicate payments.
- 3.2.9 Screen claims prior to payment to uncover potentially duplicate claims. Checking for duplicate claims must be an automated feature of the payment system. Investigate and resolve potential duplicates.
- 3.2.10 Produce payment checks and remittance statements for individuals that clearly explain the nature of the payment being made, plan year to date activity and account balances. If a claim is being denied partially or in its entirety, the statement should clearly explain the basis of the denial and advise the claimant of how the claim may be perfected or to whom the denial may be appealed.
- 3.2.11 Within thirty days of the close of each calendar quarter, mail to each participant a statement disclosing the status of his/her account as of the end of the quarter. If your normal practice is for fewer mailings, indicate such as a demurrer in your General section of Exhibit One and provide the reasons for your practice. DHRM will consider modifying the requirements of this task based on logic and successful experience.
- 3.2.12 Mail to participants on or about 60 days prior to the end of each plan year a statement of balances alerting participants of possible forfeitures.
- 3.2.13 Process claims for ninety (90) days after the close of the plan year. Except during the first and the last year of the contract, process claims simultaneously for more than one plan year (that is, claims for the current plan year and claims for the ninety day "run out" period of the previous plan year). Control and report claim payments by plan year. During this ninety day period, mail to participants whose accounts have balances, a statement of the account as soon as practical after the close of the first month of the run out period, but no later than 15 days.
- 3.2.14 Conduct an initial training program for approximately six hundred agency benefits administrators in fifteen training sessions at five locations around the State in the operations of the

reimbursement accounts program. Quantities expressed here are approximate. Note that it is acceptable to the State to conduct training via the web.

3.2.15 Provide educational materials and standard election and revision forms for each Open Enrollment during the life of the contract if required by the Department.

3.2.16 Prepare an administrative plan manual with provisions for updates, for the use of your processors which is Commonwealth of Virginia plan specific, including as a minimum the reporting requirements, standards, processing procedures and policies. Provide a draft of this manual to DHRM for approval at least 30 days prior to start of contract.

3.3 Banking

3.3.1 Open a special account at a bank acceptable to both parties, which account shall be used solely for the operations of the plans covered by this RFP. Ownership of all funds shall reside with the Commonwealth. The contractor, however, shall have authority to disburse funds under its own signature. Funds dispersed from this account must be for participant reimbursements only.

3.3.2 Write benefit checks, as required, from the special bank account and also provide for benefits to be paid by direct deposit to enrollees bank account at enrollees option.

3.3.3 Process deposits and other monies as received into the special bank account and post all individual sub-accounts. The Contractor must post actual amounts withheld to individual accounts.

3.3.4 Reconcile the special bank account on a monthly basis within 45 days of the monthly closing date of the account. Provide a copy of the monthly bank statement along with a copy of the reconciliation to DHRM. Identify cleared payments, whether by check, direct deposit or debit card, by plan year and account type.

3.3.5 Safeguard check stock and control signature authority according to best GAAP equivalent business practices. Account for all wasted, voided and manual checks.

3.3.6 Secure appropriate bonding and errors and omissions insurance so as to indemnify the Commonwealth in case of fraud or embezzlement.

3.3.7 Provide DHRM with an audited reconciliation of the bank account within 45 days of the end of the runout period at the end of each plan year. The Contractor shall also provide balances and listing of all outstanding checks.

3.3.8 Provide DHRM with a monthly accounting of all disbursements, by plan year and account, type,

3.3.9 The Contractor shall provide forfeiture balances and listing of all stale-dated checks within 45 days of the end of the runout period at the end of each plan year.. The Contractor shall also perform due diligence for reissuance of these checks to the proper party prior to reporting the balance to DHRM.

3.4 Confirm eligibility of claimants and the availability of funds.

3.5 Process payments accurately and timely. Advise the Department's contract representative (paragraph 8.8) within two working days whenever there are problems in the system which may create public inquiries, such as system breakdowns, missed payment cycles, or egregious errors.

3.6 Develop a claims payment schedule that conforms to or exceeds a semi-monthly cycle. Include a copy of this schedule with each enrollee's confirmation statement (3.2.2).

- 3.7 Produce demand letters for collecting any amounts due from participants and process refunds for participants as required.
- 3.8 Produce and maintain payment registers and associated documents that provide a clear and complete audit trail of the entire process by account type and plan year.
- 3.9 Develop, supply, and distribute materials educating participants and potential participants about the respective programs.
- 3.10 Provide a toll free number for the use of participants to obtain general information regarding the respective programs and specific information about account balances and transactions. This number shall be activated no later than sixty days prior to the effective date of the first plan year.
- 3.11 Answer inquiries, whether by phone or by mail, accurately, politely and timely.
- 3.12 Operate a call tracking system which allows for the measurement of the number of calls abandoned, wait time, etc.
- 3.13 Provide or arrange for the provision of educational materials, as required herein or agreed to by the Department, at sites throughout the State. This task includes all design, typeset, printing, overprinting and distribution costs. No additional costs shall be billed outside of this contract.
- 3.14 Within 180 days of the end of each plan year, have performed by an outside auditor, an audit of the plan year's activity and provide the Department with the results.
- 3.15 Provide a website with a direct link to the Department's Office of Health Benefits web page.
- 3.16 Have the ability to administer a section 132 qualified Transportation Fringe Benefit Program to include mass transit and parking for the Commonwealth if requested.
- 3.17 Administer future salary reduction plans (such as 125 or 132) if requested by the Department.
- 3.18 Offer FRA participants the ability to request a debit card via a web application, customer service center or form.
- 3.19 Provide FRA participants that elect the debit card with a monthly statement of activity.
- 3.20 Provide all FRA participants with on-line access to account balance, claim status and the ability to submit claims electronically.
- 3.21 Provide all FRA participants the ability to request direct deposit for all claim payments via a web application, customer service center or form.
- 3.22 Have the ability to accept a claim file(s) for out of pocket expenses associated with the health plan and auto process these claims upon the participant's request.
- 3.23 Have the ability to integrate and/or coordinate claim reimbursement with a Health Reimbursement Arrangement medical plan design.

4.0 STANDARDS OF PERFORMANCE

- 4.1 Strict adherence to the applicable sections of IRS Code and the requirements of the Department's plan documents is required.
- 4.2 Strict adherence to the Contractor's payment schedule, as agreed to by the Department, is required.

- 4.3 Mailing of the year end notice (see 3.2.12) no earlier than 70 days and no later than 50 days prior to the end of the plan year is required.
- 4.4 All complete paper claims shall be processed and paid within 5 to 7 business days of receipt. All documentation for debit card transactions should be validated within 5 to 7 business days of receipt.
- 4.5 Contractor shall maintain a claim payment accuracy that exceeds 99% for financial accuracy and 95% for non-financial processing accuracy of all claims processed in each measured period of the contract.
- 4.6 Correspondence from beneficiaries shall be date stamped on the day it is received, and shall be answered within 10 business days.
- 4.7 No more than 5% of telephone calls may be abandoned in any week.
- 4.8 The average time that callers are left on hold shall be less than 30 seconds.
- 4.9 Contractor must provide the report contents as agreed to and adhere strictly to the agreed upon reporting time frames.
- 4.10 Contractor must adhere strictly to the agreed upon implementation schedule.
- 4.11 Contractor must comply with Health Insurance Portability and Accountability Act of 1996 (HIPAA) regulations, including, but not limited to 45 CFR Section 160.103.
- 4.12 Contractor must update the Master files within 3 business days upon the date of receipt of a processable eligibility file from the Commonwealth.
- 4.13 Contractor must post contributions to customer accounts within 3 business days upon the date of receipt of processable payroll files from the Commonwealth.

5.0 PROCUREMENT PROCEDURES

5.1 METHOD OF AWARD

- 1. In accordance with the Virginia Public Procurement Act (VPPA) Virginia Code se 2.2-4300 et. Seq, the Department shall select two or more offerors deemed to be fully qualified and best suited among those offerors submitting proposals. The selection of offerors will be based on the evaluation factors including price, included in this RFP. Negotiations shall be conducted with the selected offerors, unless the Department has made a determination in writing that only one offeror is fully qualified, or that one offeror is clearly more highly qualified than the others under consideration. Price shall be considered when selecting finalists for negotiation, but shall not be the sole determining factor.
- 2. After negotiations have been conducted with each selected offeror, the Department shall select the offeror which, in its opinion, has made the best proposal. The Department shall award the contract to that offeror. The Department may cancel this RFP, or reject proposals at any time prior to an award. The Department is not required to furnish a statement of the reason why a particular offeror was not deemed to have made the best proposal (Section 2.2-4359 D, Code of Virginia).

Should the Department determine in writing, and in its sole discretion, that only one offeror is fully qualified, or that one offeror is clearly more highly qualified than the others under consideration, a contract may be negotiated and awarded to that offeror. The contract will incorporate by reference all the requirements, terms and conditions of this RFP and the contractor's proposal, except as either or both may be amended through negotiation.

4. The successful offeror will be required to execute a Business Associate Agreement. (See Exhibit Four)

5.2 SUBMISSION OF WRITTEN PROPOSALS

1. All proposals must be responsive to both the task descriptions and contractual requirements contained herein. Proposals must be typed. An original, a **redacted** and five copies shall be delivered in a sealed box, and **labeled as a proposal**, with the words "**Do Not Open**" prominently displayed on the face of the box. Proposals must be received no later than 2:00 p.m., as determined by the Department in its sole discretion, on September 8, 2008 by

Mr. William G. Gregory
Department of Human Resource Management
James Monroe Building, 13th Floor
101 North 14th Street
Richmond, Virginia 23219

5.3 MODIFICATION OF PROPOSALS

Any changes, amendments or modifications of an offeror's proposal prior to the deadline for receipt of proposals must be in writing and submitted in the same manner as the original proposals. All modifications must be labeled conspicuously as a change, amendment, or modification of the previously submitted proposal. Changes, amendments, or modifications of proposals will not be considered after the deadline for receipt of proposals, except when modifications are requested by the Department.

5.4 RIGHT TO SUBMITTED MATERIALS

Upon submission to the Department, all responses, inquiries, or correspondence relating to this RFP, and all other reports, charts, displays, schedules, exhibits, and other documentation submitted by the offerors shall become the property of the Department.

5.5 INQUIRIES CONCERNING THE RFP

Any communication concerning this RFP or any resulting contracts must be addressed in writing to:

Mr. William G. Gregory
Department of Human Resource Management
James Monroe Building, 13th Floor
101 North 14th Street
Richmond, Virginia 23219
Fax Number: (804) 225-2790

5.6 PUBLIC INSPECTION OF PROCUREMENT RECORDS

Proposals will be subject to public inspection only in accordance with Section 2.2-4342 of the Code of Virginia.

5.7 CLARIFICATION OF PROPOSAL INFORMATION

The Department reserves the right to request verification, validation or clarification of any information contained in any of the proposals. This clarification may include checking references and securing other data from outside sources, as well as from the offeror.

5.8 REFERENCE TO OTHER MATERIALS

The offeror cannot compel the Department to consider any information except that which is contained in its proposal, or which is offered in response to a request from the Department. The offeror should rely

solely on its proposal. The Department, however, reserves the right, in its sole discretion, to take into consideration its prior experience with offerors and information gained from other sources.

5.9 OPTIONAL PRE-PROPOSAL CONFERENCE

An optional pre-proposal conference will be held at 10:00 a.m. on Monday, August 11, 2008, in the James Monroe Building, Conference Room B, Lobby Level, 101 North 14th Street, Richmond, Virginia. The purpose of this conference is to allow potential offerors an opportunity to present questions and to obtain clarification relative to any facet of this procurement.

While attendance at this conference will not be a prerequisite to submitting a proposal, Offerors who intend to submit a proposal are encouraged to attend. Any changes resulting from this conference will be issued in a written addendum to the RFP. Attendance at the conference will be documented by the representative's signature on the attendance roster.

It is requested that any known questions regarding the RFP be faxed to William G. Gregory prior to date of conference to facilitate the conference. The fax number is (804) 225-2790.

Offerors should bring a copy of this RFP to the conference. Any changes, which result from this conference, will be issued in a written addendum to the RFP.

5.10 TIMETABLE

RFP Published	August 1, 2008
Optional Pre-Proposal Conference	August 11, 2008
Proposals Due, 2:00 P.M.	September 8, 2008
Notice of Intent to Award	October 31, 2008

6.0 FORM OF RESPONSE & CRITERIA FOR EVALUATION

- 6.1 Offeror shall execute the face sheet of this RFP and return same with the proposal along with all addenda that are issued.
- 6.2 An original proposal, **a redacted** and five copies are required. Refer to paragraph 5.2.1 for additional requirements.
- 6.3 Offeror must answer all questions, address all issues, and furnish all of the information required in Exhibit One.
- 6.4 Offeror must answer all questions and furnish all information required in Exhibit Two.
- 6.5 The offeror should be prepared to make an oral presentation as part of the negotiation process, should the Department decide to enter into negotiations with the offeror.
- 6.6 The criteria and weighting for award in no particular order include the following:

	<u>Criteria</u>	<u>Weighting (%)</u>
1.	Financial and Organizational Stability	15
2.	Experience and Qualifications of Staff	5
3.	Administrative Capabilities	30
4.	Implementation Plans	15
5.	Price	15

7.0 DELIVERABLES

7.1. The contractor shall deliver only those services resulting from this RFP which are mutually agreed upon by the Department and the contractor. Claims payments to enrollees will be funded to contractor upon receipt of documented invoice from contractor in line with the agreed upon payment cycle. The administrative fees will be invoiced to the Department on a monthly basis. The Department will accept and pay only for those services which meet the quality standards required by the contract and which have been fully rendered.

7.2 REPORTS

7.2.1 UTILIZATION OF SMALL BUSINESSES AND BUSINESSES OWNED BY WOMEN AND MINORITIES

1. Periodic Progress Reports/Invoices. Within sixty days of each six months' operation under this contract, disclose the actual dollars contracted to be spent to-date with such businesses, and the total dollars planned to be contracted with such businesses on this contract. This information shall be provided separately for small businesses, women-owned businesses and minority-owned businesses.
2. Final Actual Involvement Report: The contractor will submit, prior to completion of the contract and prior to final payment, a report on the actual dollars spent with small businesses, women-owned and minority-owned businesses during the performance of this contract. At a minimum, this report shall include for each firm contracted with and for each such business class (i.e., comparison of the total actual dollars spent on this contract with the planned involvement of the firm and business class as specified in the proposal, and the actual percent of the total estimated contract value. A suggested format is as follows:

Business Class: Small, Women-Owned or
Minority-Owned

<u>FIRM NAME, ADDRESS AND PHONE NUMBER</u>	<u>TYPE SERVICES</u>	<u>GOODS/ ACTUAL DOLLARS</u>	<u>PLANNED DOLLARS</u>	<u>%OF TOTAL CONTRACT</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
TOTALS FOR BUSINESS CLASS		_____	_____	_____

7.2.2 The contractor shall deliver to DHRM within the first 15 days of each contract year a report providing total enrollees by plan and agency showing each individual election amount and summarized by plan.

7.2.3 The contractor shall deliver a monthly report within 30 days of the end of each calendar quarter providing the status of each individual account including contributions, payments, annual elections and account balances. This information should also be summarized for each plan.

7.2.4 The contractor shall deliver separate comprehensive reports by May 15 of each year for

the previous plan year's operations for each account. In addition to statistical information, these reports shall include an evaluation of the program with recommendations for improvement.

7.2.5 The Contractor shall deliver a monthly report detailing the number of calls received, abandoned, hold time and wait time for the previous month.

8.0 SPECIAL TERMS AND CONDITIONS

8.1 COST LIMITS

The contractor is responsible for all the costs of implementing and administering the program. The Department is responsible for ensuring that the contractor receives payment of all fees that are established pursuant to the contract which results from this RFP. Any cost incurred by the contractor to address the tasks and responsibilities identified in this RFP which exceeds the contractually established fees is the risk of the contractor.

8.2 ELIGIBILITY FOR PROGRAM

The Department shall determine which employees are eligible for the Program.

8.3 TERM/RENEWAL OF CONTRACT

The first term of this contract shall be July 1, 2009 through June 30, 2011. Thereafter, the Commonwealth may renew this contract for four additional one-year periods under the terms and conditions of the original contract except as stated in 1.below. Price increases may be negotiated only at the time of renewal. The contractor shall submit any proposed increases in prices 60 days prior to the expiration date of the contract period. Written notice of the Commonwealth's intention to renew shall be given approximately 90 days prior to the expiration date of the contract.

1. If the Commonwealth elects to exercise the option to renew the contract for an additional one-year period, the contract price(s) for the additional one year shall not exceed the contract price(s) of the last year of the original contract increased/decreased by no more than the percentage increase/decrease of the "Producer" Price Index category for all printed materials, and "Services" category, for all other contract prices, of the CPI-W section of the Consumer Price Index of the United States Bureau of the Labor Statistics for the latest twelve months for which statistics are available.

8.4 CANCELLATION OF CONTRACT

The Department reserves the right to cancel and terminate any resulting contract, in part or in whole without penalty, upon 60 days written notice to the contractor. Any contract cancellation notice shall not relieve the contractor of the obligation to deliver and/or perform on all outstanding orders issued prior to the effective date of cancellation.

8.5 PAYMENTS

The contractor shall invoice the Department at each claims payment cycle for claims paid during the prior cycle and each month for the administrative fees. Payment will be made by the Department within 30 days of receipt of an approved invoice or according to payment terms as negotiated. Refer to Exhibit Three for information pertaining to the Commonwealth's EDI payment method which will be the preferred method of payment for the administrative fees.

8.6 MAILINGS AND NOTICES

Notices to all enrollees shall be in a form acceptable to the Department. The contractor agrees to supply

Flex Administrators (staff located in state agencies who assist in the administration of the program) with all necessary forms and supplies. All notices shall be mailed first class and in an envelope readily identifiable as Commonwealth of Virginia Benefits information. Notices and other mailings must be approved by the Department prior to distribution to enrollees. A mailing list by agency will be provided to the successful offeror at the time a contract is awarded.

8.7 AUDITS

The contractor shall have provided, by either its internal audit staff or by an external independent auditor, an audit of agreed upon scope of each previous year's plan activity and deliver to DHRM a certified copy within 180 days of the end of each plan year.

The contractor shall cooperate with and assist the Department and the Department's auditors, who may be employees of the Department, employees of other contractors, or agents of the Department, in the conduct of any program audits. This assistance shall include the provision of secure, quiet office space, including furnishings and telephones needed by the auditors.

The contractor agrees to retain all books, records, and other documents relative to the contract which results from this RFP for five (5) years after final payment, or until the conclusion of any audit by the Commonwealth, whichever is sooner. The Department, its authorized agents, and other State Auditors, shall have full access to, and the right to examine, any of the contractor's records, books, computer documentation and other materials relevant to the contract which results from this RFP.

8.8 CONTRACT REPRESENTATIVES

Both the Department and the contractor shall appoint a contract representative who shall ensure that the provisions of this contract are adhered to.

8.9 CERTIFIED CORPORATE ANNUAL REPORTS

Within 120 days of the close of its fiscal year, the contractor shall furnish to the Department an annual report of its consolidated operations. This report shall be certified by an independent auditor.

8.10 CONFIDENTIALITY OF INFORMATION

The contractor shall treat all information utilized in its performance of the contract as confidential, personal information. The contractor shall handle all confidential information in accordance with the Government Data Collection and Decimation Act, Virginia Code Section 2.2-3800 et seq. All files, computer databases and other records developed or maintained pursuant to the execution of the contract are the property of the Department, and shall be delivered to the Department upon demand. The contractor merely serves as the custodian of the files, and acts as agent for the Department in the payment for services and the performance of other assigned tasks, including assisting the Department with requests under the Virginia Freedom of Information Act, Virginia Code Section 2.2-3700 et seq.

8.11 SEVERABILITY

In the event any portion of the contract shall be determined by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed void and the remainder of the contract shall continue in full force and effect.

8.12 FORCE MAJEURE

Neither party shall be deemed to be in default of any of its obligations hereunder, if, and so long as, it is prevented from performing such obligations by an act of war, hostile foreign action, nuclear explosion, earthquake, hurricane, tornado, or other catastrophic natural event or act of God.

8.13 SUBCONTRACTING

The contractor is fully responsible for all work performed under the contract. The contractor may not

assign, transfer, or subcontract any interest in the contract, without prior written approval of the Department. The contractor shall require all subcontractors to comply with all provisions of this RFP. The contractor will be held liable for contract compliance for all duties and functions whether performed by the contractor or any subcontractor.

8.14 DISPUTES

In accordance with section 2.2-4363 of the Code of Virginia, disputes arising out of the contract, whether for money or other relief, may be submitted by the contractor for consideration by the Department. Disputes must be submitted in writing, with all necessary data and information, to the Director of the Department of Human Resource Management at the James Monroe Building, 12th Floor, 101 North 14th Street, Richmond, Virginia 23219. Disputes will not be considered if submitted later than sixty (60) days after the final payment is made by the Department under the contract. Further, no claim may be submitted unless written notice of the contractor's intention to file the dispute has been submitted at the time of the occurrence or at the beginning of the work upon which the dispute is based. The Department shall render a final written decision regarding the dispute not more than ninety (90) days after the dispute is submitted, unless the parties agree to an extension of time. If the Department does not render its decision within 90 days, the contractor's sole remedy will be to institute legal action, pursuant to section 2.2-4364 of the Code of Virginia. The contractor shall not be granted relief as a result of any delay in the Department's decision.

During the time that the parties are attempting to resolve any dispute, each party shall proceed diligently to perform its duties.

8.15 CONTRACTOR AFFILIATION

If an affiliate (as defined below in this paragraph) of the contractor takes any action which, if taken by the contractor, would constitute a breach of the contract, the action taken by the affiliate shall be deemed a breach by the contractor. "Affiliate" shall mean a "parent," subsidiary or other company controlling, controlled by, or in common control with the contractor, subcontractor or agents of the contractor.

8.16 TRANSFER OF FILES

If for any reason the Department decides to no longer contract with the contractor, the contractor agrees to transfer to the party designated by the Department, at no cost, all data, records, computer files, other files, and materials of any sort that were maintained for the Commonwealth. The contractor agrees to assist the Department at no cost in understanding, using, and transferring all files and records, including those maintained in computer language.

8.17 ADVERTISING

In the event a contract is awarded as a result of this RFP, the contractor shall not advertise that the Commonwealth of Virginia, or any agency or institution of the Commonwealth, has purchased, or uses its products or services.

8.18 INDEMNIFICATION

The contractor agrees to indemnify, defend, and hold harmless the Commonwealth of Virginia, its officers, agents, and employees from any claims, damages, and actions of any kind or nature, whether at law or in equity, arising from or caused by the use of any services of any kind or nature furnished by the contractor, provided that such liability is not attributable to the sole negligence of the Department.

8.19 DRUG FREE WORK PLACE

The contractor acknowledges and certifies that it understands that the following acts by the contractor, its employees, and/or agents performing services on state property are prohibited:

- A. The unlawful manufacture, distribution, dispensing, possession or use of alcohol or drugs; and

- B. Any impairment or incapacitation from the use of alcohol or drugs (except the use of legal drugs for legitimate medical purposes).

The contractor further acknowledges and certifies that it understands that a violation of these prohibitions constitutes a breach of contract any may result in default action being taken by the Commonwealth in addition to any criminal penalties that may result from such conduct.

8.20 MONEY AND SECURITIES INSURANCE

Contractor shall maintain an Insurance Policy obtained from an insurance company licensed to conduct crime insurance business in the home state of the contractor and which has earned an A.M. Best Company, Inc. rating of A or better, as reflected in their most current publication, covering all money and property entrusted to the contractor by the Commonwealth of Virginia, with limits of coverage of not less than \$250,000 for Loss Inside the Premises Coverage and not less that \$250,000 for Loss Outside the Premises Coverage, naming the Commonwealth of Virginia as additional named insured. Certificate of such protection must be presented to the Department prior to the start of the service showing name of insurance company, limits and type of coverage, term of coverage, additional insured provision and name and address of licensed insurance agent. The contractor agrees to maintain such policy until the completion of the contract and until all money and property of the Commonwealth are remitted to the Commonwealth.

8.17 IDENTITY/DATA THEFT:

The Contractor assures that any and all personal information and data obtained as a result of performing contractual duties associated with this contract shall be held in strict confidence. Such information shall not be divulged without written permission from the individual and this Agency.

1. All personal information whether electronic or hard copy shall be stored in a manner that will prevent intrusion by unauthorized persons.
2. All intrusions or suspicion of intrusion into secured files containing personal information shall be reported to the Agency within 24 hours of detection.
3. All remedies suggested by the Contractor shall be approved by the Agency prior to being implemented.

9.0 GENERAL TERMS AND CONDITIONS

9.1 VENDOR'S MANUAL

This solicitation is subject to the provisions of the Commonwealth of Virginia Vendor's Manual and any revisions thereto, which are hereby incorporated into this contract in their entirety. A copy of the manual is normally available for review at the Department's office on the 13th floor of the James Monroe Building. In addition, a copy can be obtained from the Department of General Services' Division of Purchases and Supply by calling (804) 786-3845.

9.2 APPLICABLE LAWS AND COURTS

This solicitation and any resulting contract shall be governed in all respects by the laws of the Commonwealth of Virginia, and any litigation with respect thereto shall be brought in the courts of the Commonwealth. The contractor shall comply with all applicable federal, state, and local laws, rules, and regulations.

9.3 ANTI-DISCRIMINATION

By submitting their proposals, offerors certify to the Commonwealth that they will conform to the

provisions of the Federal Civil Rights Act of 1964, as amended, as well as the Virginia Fair Employment Contracting Act of 1975, as amended, where applicable, the Virginians with Disabilities Act, the Americans with Disabilities Act, and Section 2.2-4311 of the Virginia Public Procurement Act.

In every contract over \$10,000 the provisions in 1 and 2 below apply:

1. During the performance of this contract, the contractor agrees as follows:
 - a. The contractor will not discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin, or disabilities, except where religion, sex or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the contractor. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.
 - b. The contractor, in all solicitations or advertisements for employees placed by or on behalf of the contractor, will state that such contractor is an equal opportunity employer.
 - c. Notices, advertisements, and solicitations placed in accordance with federal law, rule, or regulation shall be deemed sufficient for the purpose of meeting these requirements.
2. The contractor will include the provisions of 1 above in every subcontract or purchase order over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

9.4 ETHICS IN PUBLIC CONTRACTING

By submitting their proposals, offerors certify (1) that their proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other offeror, supplier, manufacturer, or subcontractor in connection with their proposal, and (2) that they have not conferred on or promised, any public employee having official responsibility for this procurement transaction, any payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, unless consideration of substantially equal or greater value was exchanged.

9.5 IMMIGRATION REFORM AND CONTROL ACT OF 1986

By submitting their proposals, offerors certify that they do not and will not, during the performance of this contract, employ illegal alien workers or otherwise violate the provisions of the federal Immigration Reform and Control Act of 1986.

9.6 DEBARMENT STATUS

By submitting their proposals, offerors certify that they are not currently debarred by the Commonwealth of Virginia from submitting proposals for the type of goods or services covered by this solicitation, nor are they an agent of any person or entity that is currently so debarred.

9.7 ANTITRUST

By entering into a contract, the contractor conveys, sells, assigns, and transfers to the Commonwealth of Virginia all rights, title, and interest in and to all causes of the action it may now have or hereafter acquire under the antitrust laws of the United States and the Commonwealth of Virginia, relating to the particular goods or services purchased or acquired by the Commonwealth of Virginia under said contract.

9.8 MANDATORY USE OF STATE FORM AND TERMS AND CONDITIONS

Failure to submit a proposal on the official state form provided for that purpose may be a cause for rejection of the proposal. Modification of or additions to the General Terms and Conditions of the solicitation may be cause for rejection of the proposal; however, the Commonwealth reserves the right to decide, on a case by case basis, in its sole discretion, whether to reject such a proposal.

9.9 CLARIFICATION OF TERMS

If any prospective Offeror has questions about the specifications or other solicitation documents, the prospective Offeror should contact T.J. Clayton no later than five working days before the due date. Any revisions to the solicitation will be made only by addendum issued by the Department.

9.10 PAYMENT

1. **To Prime Contractor:**

- a. Invoices for items ordered, delivered and accepted shall be submitted by the contractor directly to the payments address shown on the purchase order/contract. All invoices shall show the state contract number and/or purchase order number; social security number (for individual contractors) or the federal employer identification number (for proprietorships, partnerships, and corporations).
- b. Any payment terms requiring payments in less than 30 days will be regarded as requiring payment 30 days after invoice or delivery, whichever occurs last. This shall not affect offers of discounts for payment in less than 30 days, however.
- c. All goods or services provided under this contract or purchase order, that are to be paid for with public funds, shall be billed by the contractor at the contract price, regardless of which public agency is being billed.
- d. The following shall be deemed to be the date of payment: the date of postmark in all cases where payment is made by mail, or the date of offset when offset proceedings have been instituted as authorized under the Virginia Debt Collection Act.

2. **To Subcontractors:**

- a. A contractor awarded a contract under this solicitation is hereby obligated:
 - (1) To pay the subcontractor(s) within seven (7) days of the contractor's receipt of payment from the Commonwealth for the proportionate share of the payment received for work performed by the subcontractor(s) under the contract; or
 - (2) To notify the agency and the subcontractor(s) in writing, of the contractor's intention to withhold payment and the reason.
- b. The contractor is obligated to pay the subcontractor(s) interest at the rate of one percent per month (unless otherwise provided under the terms of the contract) on all amounts owed by the contractor that remain unpaid seven (7) days following receipt of payment from the Commonwealth, except for amounts withheld as stated in (2) above. The date of mailing of any payment by U.S. Mail is deemed to be payment to the addressee. These provisions apply to each sub-tier contractor performing under the primary contract. A contractor's obligation to pay an interest charge to a subcontractor may not be construed to be an obligation of the Commonwealth.

9.11 PRECEDENCE OF TERMS

Paragraphs 9.1 - 9.16 of these General Terms and Conditions shall apply in all instances. In the event there is a conflict between any of the other General Terms and Conditions and any Special Terms and Conditions in this solicitation, the Special Terms and Conditions shall apply.

9.12 QUALIFICATIONS OF OFFERORS

The Commonwealth may make such reasonable investigations as deemed proper and necessary to determine the ability of the offeror to perform the services and the offeror shall furnish to the Commonwealth all such information and data for this purpose as may be requested. The Commonwealth

reserves the right to inspect offeror's physical facilities prior to award to satisfy questions regarding the offeror's capabilities. The Commonwealth further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such offeror fails to satisfy the Commonwealth that such offeror is properly qualified to carry out the obligations of the contract and to provide the services contemplated therein.

9.13 TESTING AND INSPECTION

The Commonwealth reserves the right to conduct any test/inspection it may deem advisable to assure supplies and services conform to the specification.

9.14 ASSIGNMENT OF CONTRACT

A contract shall not be assignable by the contractor in whole or in part without the written consent of the Commonwealth.

9.15 CHANGES TO THE CONTRACT

Changes can be made to the Contract in any one of the following ways:

1. The parties may agree in writing to modify the scope of the contract. An increase or decrease in the price of the contract resulting from such modification shall be agreed to by the parties as a part of their written agreement to modify the scope of the contract.
2. The Department may order changes within the general scope of the contract at any time by written notice to the contractor. Changes within the scope of the contract include, but are not limited to such things as services to be performed, the method of packing or shipment and the place of delivery or installation. The contractor shall comply with the notice upon receipt. The contractor shall be compensated for any additional costs incurred as the result of such order and shall give the Department a credit for any savings. Said compensation shall be determined by one of the following methods:
 - a. By mutual agreement between the parties in writing; or
 - b. By agreeing upon a unit price or using a unit price set forth in the contract, if the work to be done can be expressed in units, and the contractor accounts for the number of units of work performed, subject to the Department's right to audit the contractor's records and/or to determine the correct number of units independently; or
 - c. By ordering the contractor to proceed with the work and to keep a record of all costs incurred and savings realized. A markup for overhead and profit may be allowed if provided by the contract. The same markup shall be used for determining a decrease in price as the result of savings realized. The contractor shall present the Department with all vouchers and records of expenses incurred and savings realized. The Department shall have the right to audit the records of the contractor as it deems necessary to determine costs or savings. Any claim for an adjustment in price under this provision must be asserted by written notice to the Department within thirty (30) days from the date of receipt of the written order from the Department. If the parties fail to agree on an amount of adjustment, the question of an increase or decrease in the contract price or time for performance shall resolve in accordance with the procedures for resolving disputes provided by the Disputes Clause (paragraph 8.15) of this contract or, if there is none, in accordance with the disputes provisions of the Commonwealth of Virginia's Vendor's Manual. Neither the existence of claim or a dispute resolution process, litigation or any other provision of this contract shall excuse the contractor from promptly complying with the changes ordered by the Department or with the performance of the contract generally.

9.16 DEFAULT

In case of failure to deliver goods or services in accordance with the contract terms and conditions, the Commonwealth, after due oral or written notice, may procure them from other sources and hold the contractor responsible for any resulting additional purchase and administrative costs. This remedy shall be in addition to any other remedies which the Commonwealth may have.

9.17 INSURANCE

By signing and submitting a proposal under this solicitation, the offeror certifies that if awarded the contract, it will have the following insurance coverages at the time the contract is awarded. The offeror further certifies that the contractor and any subcontractors will maintain these insurance coverages during the entire term of the contract and that all insurance coverages will be provided by insurance companies authorized to sell insurance in Virginia by the Virginia State Corporation Commission.

INSURANCE COVERAGES AND LIMITS REQUIRED:

1. Worker's Compensation - Statutory requirements and benefits.
2. Employers Liability - \$100,000.
3. Commercial General Liability - \$1,000,000 combined single limit. The Commonwealth of Virginia is to be named as an additional insured with respect to the services being procured.

EXHIBIT ONE

**COMMONWEALTH OF VIRGINIA
EMPLOYEE HEALTH BENEFITS PROGRAM PROCUREMENT**

FLEXIBLE REIMBURSEMENT ACCOUNT Questionnaire

Completion of this questionnaire and its referenced supporting attachments will constitute each offeror's Technical and Cost Proposals for the following plans described in this RFP:

Dependent Care Reimbursement Account.

Medical Reimbursement Accounts.

Please provide a direct response to all of the questions below and follow directions for submission of supporting attachments. Attachments should be provided, in order, following your Questionnaire responses. Please note that Cost Proposal related information (Section V following and its attachments) must be submitted under separate cover. If a given response is lengthy or redundant to more than one question, provide a brief cross reference to an attachment (or the similar response to another question). Your responses should be contained in a loose-leaf notebook and not be bound. Data, especially audited data, are preferred to simple assertions. Systems, and other well organized, clear charts or exhibits may serve in lieu of narrative.

General

1. The RFP describes Task and Benefit Specifications (Section 3 Items); Standards of Performance (Section 4); Deliverables (Section 7); and, relies heavily on IRS regulations for administering and processing flexible reimbursement accounts.. Under the appropriate evaluation section below, you will be requested to affirm that you will fully comply and meet these specifications as stated. Be advised that failure to identify any deviation in response to the appropriate question constitutes a representation on the offeror's part that the specifications will be met precisely as written. Your response must also contain any demurrals and the reasons therefore. The absence of demurrals shall constitute a representation that the offeror will provide services and reports exactly as requested by the Department. The absence of an implementation plan (see Question IV.1 below) constitutes a representation that the offeror is capable of providing the services and reports exactly as requested as of the day the proposal is submitted. As your written response to this question, state that you understand and have complied with this requirement.
2. Please complete Exhibit Two (small, women-owned , and minority-owned business). State the location in your proposal of your response to this requirement here.

I. Financial and Organizational Stability (15 points)

This section asks offerors to describe factors that demonstrate their financial and organizational stability.

1. Provide a brief background of the flexible reimbursement account administration portion of your organization, including:
 - a. Full legal name, and trade name if applicable; and location of the processing and member services center involved with this contract. Provide information on the primary services offered by your firm at this location and number of employees involved with the administration of reimbursement accounts.

- b. History and parent organizational ties, if applicable. Include the number of years that reimbursement account administrative services have been provided. Show this for each type of account administered.
- c. The number of employers and employees covered as of January 1, 2008 by type of reimbursement account. Show government and private employers separately.
- d. Submit evidence of appropriate liability insurance protection, and other requested insurance.
- e. Disclose the nature of any pending judgments for malpractice claims.
- f. Please submit as Attachment 1, a copy of the offeror's last three years of audited financial statements (balance sheet, income statement, flow of funds).

If any of the above material is lengthy, you may provide it in a clearly referenced attachment. However, you must respond briefly to each item in the text of your response.

- 2. Provide the name, title, and phone number of three references for which you provide similar services. Include the number of employees or members covered and services provided. Preferably, they should be public entities, with scope and responsibility similar to that of this contract. Include the same information for two former clients who have discontinued your services in the past two years.

II. Experience and Qualifications of Staff (5 points)

- 1.
 - a. Identify the accountable senior person (including title and office location and phone number) who will be responsible for managing the relationship with the Contractor, including these negotiations.
 - b. Please provide the following staffing information for the administration facility you are proposing:

	<u>As of 1/1/07</u>	<u>As of 1/1/08</u>
1) Number of FRA customers		
2) Number of FRA accounts		
3) Number of Full Time (FTE) Customer Service Representatives		
4) Number of FTE Claims Processors		
5) Total (#3 + #4)		
6) 2007 Turnover % for #5		
 - c. Complete Attachment 2, providing an organization chart that will identify key management personnel, their dedicated time allocation to this contract, and the office locations responsible for managing the various duties associated with fulfilling all of the provisions of this contract.
- 2. Should this RFP result in a contract for administering the Commonwealth's program and as a result generate significant enrollment, indicate your willingness to assign account servicing, member services and other administration to a dedicated unit. Define the level of enrollment necessary for you to commit to this step.

III. Administrative Capabilities (30 points)

This section asks offerors to describe different facets of their actual administrative processing.

- 1. Processing System

- a. What is the name of the system to be used if awarded the contract? How long have you processed on this system? Will it be available for a live demonstration during a site visit in October, 2008?
 - b. What is the maximum number of individual accounts for the largest employer presently being processed on the above system?
 - c. Provide a system flow chart, describing all key interfaces, and submit as Attachment 3.
 - d. Describe the automated claims history contained within the system and automated duplicated claims edits.
 - e. Have you had a Statement of Auditing Standard #70 (SAS 70) audit? If so, provide a copy of the most recent audit results. If not, do you plan to have a SAS 70 audit in the near future? When?
 - f. Are membership records, enrollee contribution and claims histories and claims processing done on the same system? Does a processor/customer service representative have on line access to all segments of an enrollee's current plan information?
 - g. Is the claim system updated in real time for debit card transactions? If not, please explain how the employee account balance is updated for hardcopy claims and debit card transactions.
 - h. Describe your fraud/security access procedures and the frequency of internal audit evaluation of compliance with these procedures.
2. Web Capabilities
- a. Can participants access account balance, claim status and claims history on line?
 - b. Can participants submit claims on-line including scanning and attaining receipts?
 - c. Describe your security measures for the on-line service.
3. Member Services
- a. Provide the number of enrollees presently having access to your toll free customer service line(s). Provide usage for 3 most recent months.
 - b. Do you presently do customer satisfaction surveying/assessment? If so describe the methodology.
 - c. Provide as Attachment 4 the most recent two years' (or other meaningful periods') customer satisfaction results, if available.
- 4 .Reporting
- a. Provide a sample of the standard reports available to DHRM labeled as Attachment 5. Indicate those which you would recommend for our use.
 - b. Is ad-hoc reporting available upon request?
 - c. Provide as Attachment 6, a flow chart for a sample contract year, the frequency and type of reports which you would normally provide to a customer similar to the Commonwealth.

4. Standards of performance

Affirm in the chart below, and provide sample reports as Attachment 7, that you can meet the following process standards.

Standard	Can Meet		Can Report (samples attached as Attachment)	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
a. Correspondence and claims control within one business day.				
b. 100% of claims processed within 5 business days of receipt.				
c. Number of claims paid inaccurately financially shall not exceed 1% in measured period of the contract.				
d. Number of claims paid inaccurately for non financial processing shall not exceed 5% in any measured period of the contract.				
e. Correspondence answered within 10 business days.				
f. Lost calls not to exceed 5% of calls during any one week period.				
g. Average telephone holding time of no more than 30 seconds.				
h. All required mailings to enrollees are within the designated time periods.				
i. All DHRM reports are provided within five working days of the date due.				
j. Process participant contribution files within 3 business days of receipt.				

5. Enrollment

Describe the standard process that your firm uses to handle the open enrollment process. Include election medium, transfer processes, and verification with employer. What are the time requirements normally used?

6. Banking

- a. Describe your preferred banking arrangements including any pre-funding of a bank account.
- b. Would you be able to handle a ZBA account which funds claims daily as the payments (checks, direct deposits or debit transactions) clear the payment account?
- c. If you require the bank account to be pre-funded, how do you determine the amount?
- d. Describe your invoicing process and/or payment requirements for program fees, such as pre-funding, bank services fees and administrative fees.
- e. Would you be able to provide separate monthly accounting of cleared payments, by account type and plan year?

7. Financial

These questions address those controls in addition to the system related procedures referenced in III.1.g.

- a. Describe the financial controls used to safeguard against employee and client fraud and abuse.
- b. Identify the frequency and scope of all internal and external audits.

8. Debit Card Service

- a. Explain how your debit card works, with particular attention to how transactions are substantiated and claims are processed.
- b. Will your FRA Debit Card integrate with third party vendors (including Rx Vendors)?
- c. Can any additional electronic information be added to the debit card such as the health plan name, copays, or other plan information?
- d. Who issues your FRA Debit card? What kind of card is it (MasterCard, Visa, etc.)?
- e. If a member's debit card is denied at the point of service, what is the recommended action?

9. Does your firm currently administer a section 132 qualified Transportation Benefit Account including mass transit and parking? If so, briefly describe the most common one and identify a current customer.

10. Does your firm currently coordinate with a health plan vendor and accept an out of pocket claim file if the FRA is secondary?

IV. **Implementation Plans (15 points)**

1. Provide a PERT or similar chart, labeled as Attachment 8, showing the time frame with all critical points from date of award through end of first month of contract year.
2. Provide, labeled as Attachment 9, your proposed claim payment schedule for each account.

V. **Price (15 points)**

This information must be submitted under separate cover clearly labeled COST PROPOSAL.

1. Provide a complete cost exhibit based on how your firm would invoice the State for services.

FSA Cost Worksheet - 2009 and 2010

	Monthly Assumed Volume	2009 Monthly Cost	2009 Annual Cost	2010 Monthly Cost	2010 Annual Cost
Implementation Set-Up Fee (If Any)	1	\$0	\$0	\$0	\$0
Annual Set-Up Fee (If Any)	1	\$0	\$0	\$0	\$0
Basic Monthly Administration Health Care Fee	10,450				
Basic Monthly Administration Dependent Care	1,300				
New Member Mailing and Packet	90	\$0	\$0	\$0	\$0
Debit Card Fee (If Applicable)	6,000	\$0	\$0	\$0	\$0
Web Access for Participant Inquiry		\$0	\$0	\$0	\$0
Printing (If Applicable)		\$0	\$0	\$0	\$0
Postage (If Applicable)		\$0	\$0	\$0	\$0
Annual Statement (If Applicable)		\$0	\$0	\$0	\$0
Other					
Total Cost		\$0	\$0	\$0	\$0
Separate Optional Services:					
Benefit Fairs		\$0	\$0	\$0	\$0
Discrimination Testing		\$0	\$0	\$0	\$0
Ad hoc reporting		\$0	\$0	\$0	\$0
Communications/enrollment (non-passive)		\$0	\$0	\$0	\$0

FSA Cost Worksheet - 2011 and 2012

	Monthly Assumed Volume	2011 Monthly Cost	2011 Annual Cost	2012 Monthly Cost	2012 Annual Cost
Implementation Set-Up Fee (If Any)	1	\$0	\$0	\$0	\$0
Annual Set-Up Fee (If Any)	1	\$0	\$0	\$0	\$0
Basic Monthly Administration Health Care Fee	10,450				
Basic Monthly Administration Dependent Care	1,300				
New Member Mailing and Packet	90	\$0	\$0	\$0	\$0
Debit Card Fee (If Applicable)	6,000	\$0	\$0	\$0	\$0
Web Access for Participant Inquiry		\$0	\$0	\$0	\$0
Printing (If Applicable)		\$0	\$0	\$0	\$0
Postage (If Applicable)		\$0	\$0	\$0	\$0
Annual Statement (If Applicable)		\$0	\$0	\$0	\$0
Other					
Total Cost		\$0	\$0	\$0	\$0
Separate Optional Services:					
Benefit Fairs		\$0	\$0	\$0	\$0
Discrimination Testing		\$0	\$0	\$0	\$0
Ad hoc reporting		\$0	\$0	\$0	\$0
Communications/enrollment (non-passive)		\$0	\$0	\$0	\$0

2. If there is a different combined price for the Basic Monthly Administration Fee other than quoted above for a person enrolling in both the Medical Reimbursement Account and the Dependent Care Reimbursement Account, provide it below:

2009 _____ 2010 _____

2011 _____ 2012 _____

3. Does your basic monthly administration fee apply to both the healthcare and dependent care accounts if an employee is enrolled in both?

VI. Participation of Small, Women and Minority Owned Businesses (20 Points)

Complete the information required on Exhibit 2

Attachment 2



TPA Organization Chart

Provide an organization chart, including title, percent of time allocated to this contract, and office location, that:

1. Identifies key personnel - i.e., those managers and supervisors who directly support this contract. Be sure to include, at least, the following functions:
 - a. Senior Corporate Officer with ultimate decision making authority for this contract.
 - b. Account Manager.
 - c. Administration Manager and first line supervisors (Claim, Billing, Customer Service, etc.).
 - d. Internal Audit Manager
2. If, in the foreseeable future, there is a reasonable chance that any of these individuals will be reassigned, retire, or otherwise be unavailable to fulfill the duties described herein, please identify the replacement(s). Also, provide all of the requested information about any such individual.
3. Provide, as an attachment to your chart, resumes for these individuals. Resumes should clearly identify the number of years performing directly related activities and reference current, similarly situated customers.

EXHIBIT TWO
Small Business Subcontracting Plan

Definitions

Small Business: "Small business " means an independently owned and operated business which, together with affiliates, has 250 or fewer employees, or average annual gross receipts of \$10 million or less averaged over the previous three years. Note: This shall not exclude DMBE-certified women- and minority-owned businesses when they have received DMBE small business certification.

Women-Owned Business: Women-owned business means a business concern that is at least 51% owned by one or more women who are citizens of the United States or non-citizens who are in full compliance with United States immigration law, or in the case of a corporation, partnership or limited liability company or other entity, at least 51% of the equity ownership interest is owned by one or more women who are citizens of the United States or non-citizens who are in full compliance with United States immigration law, and both the management and daily business operations are controlled by one or more women who are citizens of the United States or non-citizens who are in full compliance with the United States immigration law.

Minority-Owned Business: Minority-owned business means a business concern that is at least 51% owned by one or more minority individuals or in the case of a corporation, partnership or limited liability company or other entity, at least 51% of the equity ownership interest in the corporation, partnership, or limited liability company or other entity is owned by one or more minority individuals and both the management and daily business operations are controlled by one or more minority individuals.

All small businesses must be certified by the Commonwealth of Virginia, Department of Minority Business Enterprise (DMBE) by the due date of the solicitation to participate in the SWAM program. Certification applications are available through DMBE online at www.dmbv.org (Customer Service).

Offeror Name: _____

Preparer Name: _____ **Date:** _____

Instructions

- A. If you are certified by the Department of Minority Business Enterprise (DMBE) as a small business, complete only Section A of this form. This shall not exclude DMBE-certified women-owned and minority-owned businesses when they have received DMBE small business certification.
- B. If you are not a DMBE-certified small business, complete Section B of this form. For the offeror to receive credit for the small business subcontracting plan evaluation criteria, the offeror shall identify the portions of the contract that will be subcontracted to DMBE-certified small business in this section. Points will be assigned based on each offeror's proposed subcontracting expenditures with DMBE certified small businesses for the initial contract period as indicated in Section B in relation to the offeror's total price.

Section A

If your firm is certified by the Department of Minority Business Enterprise (DMBE), are you certified as a (**check only one below**):

- _____ Small Business
- _____ Small and Women-owned Business
- _____ Small and Minority-owned Business

Certification number: _____ Certification Date _____

Section B

Populate the table below to show your firm's plans for utilization of DMBE-certified small businesses in the performance of this contract. This shall not exclude DMBE-certified women-owned and minority-owned

EXHIBIT THREE

The Commonwealth prefers to make payment to the successful offeror via EDI where applicable. Financial Electronic Data Interchange Guide (EDI) is found on Web location below, please note you will need Adobe Acrobat Reader Software to view this document.

<http://www.doa.state.va.us/procedures/GeneralAccounting/EDI/tradingpartnerguide.pdf>

EXHIBIT FOUR

Office of State Health Benefits Programs
of the
Department of Human Resource
Management

H I PAA Privacy
Business Associate
Agreement
With

Effective Date:

1. PREAMBLE

Pursuant to the Health Insurance Portability and Accountability Act ("HIPAA") of 1996, and its implementing regulation, the Standards for Privacy of Individually Identifiable Health Information, 65 Fed. Reg. Section 84,462 et seq. (Dec. 28, 2000) and all subsequent provisions and Federal guidance ("HIPAA Privacy Rule"), the Commonwealth of Virginia's Office of Health Benefits Programs ("Covered Entity"), and ., a corporation, ("Business Associate"), (jointly "the Parties"), wish to enter into this Business Associate Agreement ("Agreement") that addresses the requirements of the HIPAA Privacy Rule with respect to "business associates" as that term is defined in that Rule.

This Agreement is intended to ensure that the Business Associate will establish and implement appropriate safeguards (including certain administrative requirements) for "Protected Health Information" (as defined in the HIPAA Privacy Rule and copied below) that the Business Associate may create, receive, use, or disclose in connection with certain functions, activities, or services (collectively "Services") to be provided by Business Associate to Covered Entity. These Services are identified in a separate agreement between the Parties entitled OHB05-1 and dated July 1, 2005 ("Service Agreement").

The Parties acknowledge and agree that in providing Services, Business Associate will create, receive, use, or disclose Protected Health Information. In connection with Business Associate's creation, receipt, use, or disclosure of Protected Health Information, Business Associate, and Covered Entity hereby agree as follows:

II. DEFINITIONS

- (a) *General definitions.* All capitalized terms used but not otherwise defined in this Agreement shall have the same meaning as those terms in 45 CFR §§ 160.103 and 164.501.
- (b) *Specific definitions.*
- (i) *Individual.* "Individual" shall have the same meaning as the term "individual" in 45 CFR § 164.501 and shall include a person who qualifies as a personal representative in accordance with 45 CFR § 164.502(g).
 - (ii) *Privacy Rule.* "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, Subparts A and E.
 - (iii) *Protected Health Information.* "Protected Health Information" ("PHI") shall mean individually identifiable health information maintained and transmitted in any form or medium, including, without limitation, all information (including demographic, medical, and financial information), data, documentation, and materials that is created or received by a health care provider, health plan, employer, or health care clearinghouse, and relates to: (A) the past, present, or future physical or mental health or condition of an individual; (B) the provision of health care to an individual; or (C) the past, present, or future payment for the provision of health care to an individual, and that identifies or could reasonably be used to identify an individual. Protected Health Information does not include health information that has been de-identified in accordance with the standards for de-identification provided for in the Privacy Rule.
 - (iv) *Designated Record Set.* "Designated Record Set" shall mean a group of records maintained by or for the Covered Entity that is:
 - (A) The enrollment, payment, claims adjudication, and case or medical management record systems maintained by or for a health plan; or
 - (B) Used, in whole and in part, by or for the Covered Entity to make decisions about individuals.

For purposes of this paragraph, the term record means any item, collection, or grouping of information that includes Protected Health Information and is maintained, collected, used, or disseminated by or for the Covered Entity.

(v) *Data Aggregation*. "Data Aggregation" shall mean, with respect to Protected Health Information created or received by the Business Associate in its capacity as the Business Associate of the Covered Entity, the combining of such Protected Health Information by the Business Associate with the Protected Health Information received by the Business Associate in its capacity as business associate of another entity to permit data analyses that relate to the health care operations of the respective entities.

(vi) *Required By Law*. "Required By Law" shall have the same meaning as the term "required by law" in 45 CFR § 164.501.

(vii) *Secretary*. "Secretary" shall mean the Secretary of the Department of Health and Human Services ("HHS") or his designee.

III. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE

- (a) Business Associate agrees to not use or further disclose Protected Health Information other than as permitted or required by the Agreement or as Required By Law.
- (b) Business Associate agrees to use appropriate safeguards to prevent use or disclosure of the Protected Health Information other than as provided for by this Agreement.
- (c) Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to the Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Agreement.
- (d) Business Associate agrees to report to Covered Entity any use or disclosure of the Protected Health Information not provided for by this Agreement.
- (e) Business Associate agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity agrees to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such information.
- (f) Business Associate agrees to provide access, at the request of Covered Entity, and in the time and manner designated by Covered Entity, to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 CFR § 164.524.
- (g) Business Associate agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that the Covered Entity directs or agrees to pursuant to 45 CFR § 164.526 at the request of Covered Entity or an Individual, and in the time and manner designated by Covered Entity.
- (h) Business Associate agrees to make internal practices, books, and records relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity available to the Covered Entity, or at the request of the Covered Entity to the Secretary, in a time and manner designated by the Covered Entity or the Secretary, for purposes of the Secretary determining Covered Entity's compliance with the Privacy Rule.
- (i) Business Associate agrees to document such disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR § 164.528.
- (j) Business Associate agrees to provide to Covered Entity or an Individual, in the time and manner designated by Covered Entity, information collected in accordance with Section III (i) of this Agreement, to permit Covered Entity to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR § 164.528.
- (k) Business Associate agrees to: (i) implement the administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that

it creates, receives, maintains, or transmits on Covered Entity's behalf; (ii) Ensure that any agent, including a subcontractor, to whom it provides such information agrees to implement reasonable and appropriate standards to protect the information; and (iii) agrees to report to Covered Entity any security incident of which it becomes aware that involves the information. Business Associate agrees that the obligations set forth in Section III (k) shall be implemented by the final compliance date for the Security Standards to the extent required by law.

IV. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE

- (a) *General Uses and Disclosures.* Business Associate agrees to create, receive, use, or disclose Protected Health Information only in a manner that is consistent with this Agreement or the Privacy Rule and only in connection with providing Services to the Covered Entity identified in the Service Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Covered Entity. In providing Services, Business Associate, for example, will be permitted to use and disclose Protected Health Information for "treatment, payment and health care operations" in accordance with the Privacy Rule.
- (b) *Other Uses and Disclosures:*
- (i) Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate.
 - (ii) Except as otherwise limited in this Agreement, Business Associate may disclose Protected Health Information for the proper management and administration of the Business Associate, provided the disclosures are Required By Law or the Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as required by law or for the purpose for which it was disclosed to the person, and the person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.
 - (iii) Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information to provide Data Aggregation services to Covered Entity as permitted by 42 CFR § 164.504(e)(2)(i)(B).

V. OBLIGATIONS OF THE COVERED ENTITY

- (a) *Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions:*
- (i) Covered Entity shall provide Business Associate with the notice of privacy practices that Covered Entity produces in accordance with 45 CFR § 164.520, as well as any changes to such notice.
 - (ii) Covered Entity shall provide Business Associate with any changes in, or revocation of, permission by Individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses and disclosures.
 - (iii) Covered Entity shall notify Business Associate of any restriction to the use or disclosure of Protected Health Information that Covered Entity has agreed to in accordance with 45 CFR § 164.522.
- (b) *Permissible Requests by Covered Entity.* Covered Entity shall not request Business Associate to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by Covered Entity, except Protected Health Information for those activities performed by the Business Associate in accordance with the provisions of the Service Agreement between the parties.

VI. TERM AND TERMINATION

- (a) *Term.* The Term of this Agreement shall be effective as of April 1, 2003, and shall terminate when all of the Protected Health Information provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy Protected Health Information, protections are extended to such information, in accordance with the Termination provisions in this Section.
- (b) *Termination for Cause.* Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall provide an opportunity for Business Associate to cure the breach or end the violation. If Business Associate does not cure the breach or end the violation within the time agreed to by the Parties, or if Business Associate has breached a material term of this Agreement and cure is not possible, Covered Entity may terminate this Agreement [and the applicable Sections of the Service Agreement] upon written notice to Business Associate.
- (c) *Effect of Termination:*
 - (i) Except as provided in paragraph (c)(ii) of this Section IV, upon Termination of this Agreement for any reason, Business Associate shall return or destroy all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the Protected Health Information.
 - (ii) In the event that Business Associate determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of Protected Health Information is infeasible, Business Associate shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for as long as the Business Associate maintains such Protected Health Information.

VII. MISCELLANEOUS

- (a) *Regulatory References.* A reference in this Agreement to a section in the Privacy Rule means the section as in effect or as amended and for which compliance is required.
- (b) *Amendment.* The Parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Rule and the Health Insurance Portability and Accountability Act, Public Law 104-191.
- (c) *Survival.* The respective rights and obligations of Business Associate under Section VI(c)(i)&(ii) of this Agreement shall survive the termination of this Agreement.
- (d) *Interpretation:*
 - (i) Any ambiguity in this Agreement shall be resolved in favor of a meaning that permits Covered Entity to comply with the Privacy Rule.
 - (ii) In the event of an inconsistency between the provisions of this Agreement and the Privacy Rule, as may be amended from time to time, as a result of interpretations by HHS, a court, or another regulatory agency with authority over the Parties, the interpretation of HHS, such other court or regulatory agency shall prevail.
 - (iii) In the event provisions of this Agreement differ from those mandated by the Privacy Rule but are nonetheless permitted by the Rule, the provisions of this Agreement shall control.
- (e) *Complete Integration.* This Agreement constitutes the entire agreement between the parties and supersedes all prior negotiations, discussions, representations, or proposals, whether oral or written, unless expressly incorporated herein, related to the subject matter of the Agreement. Unless expressly provided otherwise herein, this Agreement may not be

modified unless in writing signed by the duly authorized representatives of both parties. If any provision or part thereof is found to be invalid, the remaining provisions shall remain in full force and effect.

- (f) *Successors and Assigns.* This Agreement will inure to the benefit of and be binding upon the successors and assigns of Covered Entity and Business Associate. However, this Agreement is not assignable by either party without the prior written consent of the other party, except that Business Associate may assign or transfer this Agreement to any entity owned or under common control with Business Associate.
- (g) *Limitation of Liability.* Except as otherwise provided for in the Privacy Rule, neither party shall be liable for other party's loss of profits, attorney's fees or interest, or for any incidental, indirect, special, or consequential damages as a result of this Agreement.
- (h) *No Third Party Beneficiaries.* Except as expressly provided for in the Privacy Rule, there are no third party beneficiaries to this Agreement. Business Associate's obligations are to Covered Entity only.
- (i) *Confidentiality.* Except as otherwise provided for in the Privacy Rule or this Agreement, neither party will disclose the terms of this Agreement to any third party without the other party's written consent.
- (j) *Counterparts.* This Agreement may be executed in two or more counterparts, each of which may be deemed an original.

VIII. ACKNOWLEDGEMENT AND SIGNATURES

THE PARTIES ACKNOWLEDGE THAT THEY HAVE READ THIS AGREEMENT,
UNDERSTAND IT, AND AGREE TO BE BOUND BY ITS TERMS.

For :	For Department of Human Resource Management
By:	By:
Print Name:	Print Name:
Title:	Title:
Date:	Date:

