

**REQUEST FOR PROPOSALS
(RFP)**

ISSUE DATE: August 29, 2007
RFP NO. OWC07-1
TITLE: Workers' Compensation Claims
Administration and Cost Containment Services
ISSUING AGENCY: Commonwealth of Virginia
Department of Human Resource Management
James Monroe Building, 13th Floor
101 North 14th Street
Richmond, Virginia 23219

PERIOD OF CONTRACT: From July 1, 2008 through June 30, 2011, with two 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. October 9, 2007

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:

Zip
Code: _____

Date: _____

By: _____
(PRINTED NAME)

(SIGNATURE IN INK)

Title: _____

Fax Number: () _____

Telephone: () _____

PRE-PROPOSAL CONFERENCE: An Optional pre-proposal conference will be held on September 10, 2007 at 2:00 p.m., at the James Monroe Building. (Reference Paragraph 4.9)

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1.0 Purpose

The purpose of this RFP (Request for Proposals) is to solicit proposals from offerors to provide Workers' Compensation claims administration and cost containment services for all claims activities occurring on or after July 1, 2008 for claims incurred July 1, 1986 and later.

2.0 Background

- 2.1 The Department of Human Resource Management (DHRM) Office of Workers' Compensation (OWC) administers the Workers' Compensation claims and loss control program. The program protects all Commonwealth of Virginia employees from financial loss due to lost work and wages. It also covers medical expenses and other costs associated with a covered (work related) injury sustained arising out of or in the course and scope of employment. These benefits are subject to the provisions of the Virginia Workers' Compensation Act. Claim reports of historical data can be found at <http://www.dhrm.virginia.gov/workerscomp/statisticalreports.html> .
- 2.2 The Contractor's claims staff is located on the 6th floor and the Contractor's loss control services unit is located on the 12th floor of the James Monroe Building. The Contractor has a large secure file and supply area located on the PDS Mezzanine. The Contractor must utilize the office space on the mezzanine, the 6th and 12th floor and will be required to pay rent for their space as well as a portion of the rent allocated to conference rooms and training rooms. The rental charge for FY08 to the Contractor is \$105,827.16. The Contractor must use the services of the DHRM's copy center for all photocopy work. The Copy Center contract will expire June 30, 2008 with three one-year renewal options. FY07's total Contractor's cost for copy work by the copy center was \$44,997.08. The photocopy requirements of the Contractor will be reviewed ninety days prior to the end of the copy center contract. The 6th and 12th floors are secured through the use of security badges restricting access to the floors and the mezzanine area will be secured this fall. The Contractor's computer servers are secured on the 13th floor through the use of locked doors in addition to the overall security of the floor. All prospective Contractor employees must undergo a background check (performed by the Capitol Police) and are required to sign a confidentiality statement.
- 2.3 Agencies are billed on an annual basis for insurance premiums. The Workers' Compensation Program Director provides experience based premium recommendations to the Governor and the General Assembly. They work in consultation with the Department of Planning and Budget to determine the amount to be billed to each agency. The program is funded by premiums on a cash flow basis and is certified as self-insured by the Virginia Workers' Compensation Commission. The Workers' Compensation Program will continue to be completely self-insured.
- 2.4 An independent actuary, currently Oliver Wyman Actuarial Consulting Inc. (Oliver Wyman), annually completes an Actuarial Analysis of the Self-Insurance Fund and every two years evaluates the Workers' Compensation self-insurance program premium structure. During the reviews, Oliver Wyman evaluates claims history, future required

premiums, reserves currently held, estimated future reserve requirements, and fund position. Upon the completion of any review, Oliver Wyman releases a report detailing the work completed, methodologies used, and recommendations.

- 2.5 DHRM Fiscal Department provides financial statements to the OWC for the Workers' Compensation Administrative Program and is responsible for verification of financial statements and reconciliation of accounts.
- 2.6 The OWC contracts for an annual Statement of Auditing Standards (SAS) 70 audit on the Contractor and the medical bill adjudicator Subcontractor. All claims processing procedures and internal control environments are established, subject to the DHRM/OWC's approval and are audited by the program's external auditor, currently Cherry, Bekaert, and Holland. A copy of the report is distributed to the Contractor.

3.0 Statement of Needs

- 3.1 The specific services provided by the selected vendor, will include claims administration services (with specific delegated authorities to be negotiated), program administrative support, medical preferred provider network, medical record and bill imaging, medical bill adjudication including reductions to the prevailing community rate as authorized by the Virginia Workers' Compensation Act, provider bill review, utilization review, discount prescription drug, supplies and apparatus program, surveillance, field investigation, loss control/safety consulting and training services, one dedicated staff to develop learning management system courses and narration, payroll classification audit, field medical and vocational placement, telephonic nurse consultant, initial telephonic and on line new claim reporting intake program, and claims system client reporting program. All services included in the proposal shall be included in the comprehensive annual fee by service and shall include a guaranteed full time dedicated staff except as authorized in the RFP. Services to include surveillance, additional staff above start level, payroll classification audit, field investigation, IME, FCE, and other special claims or loss control services not identified above may be priced on a per service/per hour/per item basis.
- 3.2 Initial marketing, promotion and statewide seminars are included as part of the expectations of the State as part of this agreement. Materials and staffing to accomplish this initial promotional effort should be included in the vendor's cost proposal. Compliance with specific directives of the State's Contract Administrator shall also be included in the tasks prescribed under this contract.
- 3.3 The State shall contract with a vendor who will establish a dedicated claims and loss control administration and cost containment processing center housed on the mezzanine, sixth and twelfth floor of the Monroe Building at 101 N. 14th Street, Richmond, Virginia (state site). All services provided under the contract shall be housed on the state site unless otherwise agreed.

3.4 The following is a preliminary description of the major tasks and required services involved for developing the end product of this project. The Contractor is not, however, constrained from supplementing this listing with additional steps, subtasks, or elements deemed necessary to permit the development of alternative approaches for the application of proprietary analytical techniques.

3.4.1 Program Philosophy: It is understood that the Contractor, including the work of any sub-Contractors thereon, focuses on delivering consultative services to the injured worker, employer, treating physician and other parties active in delivering services to the injured employee. The Contractor's role, and each of its Subcontractors, is to consult with the physician and other involved parties to assure that a full disclosure of all options and consequences is known prior to the determination of the final decisions regarding medical services and return to work. The program philosophy shall embody a cooperative relationship between participating parties. Should the Contractor or any of its Subcontractors, conclude that medical care recommended by the treating physician is not appropriate, the traditional avenues of IME, peer review, and hearings before the Virginia Workers' Compensation Commission are to be used to resolve such matters. The DHRM Office of Workers' Compensation (DHRM/OWC) and the Office of the Attorney General retains the authority over all matters in litigation.

3.4.2 Claims and Loss Control Management: It is the Contractor's responsibility to provide and manage a full time dedicated staff to provide workers' compensation claims case management in accordance with the Workers' Compensation Act of Virginia and accepted industry standards. In addition, the Contractor is responsible for providing a staff of full time dedicated loss control professionals to analyze the claims, evaluate risks, develop inspection programs, and develop and conduct training programs. The contract shall include a claims management system for Workers' Compensation that includes the ability to track and report on all claims activities by the Purchasing Agency and by all human resource, payroll, and loss control agency customers. The Contractor is responsible for assuring that all cases are properly investigated and managed by a supervisory staff.

3.4.3 Contract Administrator and Contractor Account Director: Each party shall appoint a contract administrator who shall be diligent in securing faithful performance of this contract. The Department hereby appoints Sue Keener, Director of Workers' Compensation. State your contract representative. The selected vendor shall assign a Contractor Account Director who will have the primary responsibility for interacting with the State's Contract Administrator and also be responsible for resolving any issues relative to the ongoing operation of this contract. The Contractor Account Director shall be at a level within the organization to be able to make decisions on behalf of the vendor and effect changes that will be upheld by the vendor without incurring delays. All contract, policy and procedure issues involving this contract shall be the responsibility of the State's Contract Administrator and the Vendor's Contractor Account Director to resolve.

3.4.4 Key Personnel: The State reserves the right to approve the Contractor's assignment of Key Personnel to this project and to recommend reassignment of personnel deemed unsatisfactory by the State. The Contractor shall not remove or reassign, without the State's prior written approval, any of the Key Personnel until such time as the Key Personnel have completed all of their planned and assigned responsibilities in connection with performance of the Contractor's obligations under this Contract. The Contractor agrees that the continuity of Key Personnel is critical and agrees to the continuity of Key Personnel. Removal of Key Personnel without the written consent of the State may be considered by the State to be a material breach of this Contract. The prohibition against removal or reassignment shall not apply where Key Personnel must be replaced for reasons beyond the reasonable control of the Contractor including but not limited to illness, disability, resignation or termination of the Key Personnel's employment.

a. The State and the Contractor agree that the positions assigned to the contract and listed below are full time, 100% dedicated Key Personnel for purposes of this Contract located on site at the Purchasing Agency's location (other than those with*). Those employees designated by** shall be supervised by and report directly to the Purchasing Agency:

- Contractor Account Director
- Claims Manager
- Nurse Consultant
- STD/LTD Disability Coordinator **
- Medical and Vocational Services Mgr.
- Medical and Vocational Services Assistant
- Field Medical and Vocational Service Consultants to handle caseload of 355 files *
- Mail, clerical, image management, claims assistants, medical bill adjudicators, and administrative support and supervisors sufficient to support the program
- WC Program Assistant**
- Learning Management Specialist**
- IT Manager
- Loss Control Manager**
- Minimum of 1 loss control specialist
- Minimum of 4 claim supervisors
- Minimum of 22 benefit coordinators (claims adjusters-lost time, medical only, medical only investigation, and 500 week files)
- Receptionist

3.4.5 Audits: The Commonwealth of Virginia will require the Contractor and/or sub-Contractors to submit to a SAS 70 audit and other financial and performance audits from outside companies to assure both the financial viability of the workers' compensation claims management programs and the operational viability. These audits will require the Contractor to provide any assistance, claim file access, information system access, staff access, and space access to the party selected to perform the indicated audit. These audits may be performed annually. In addition, the Auditor of Public Accounts for the Commonwealth of Virginia may choose to perform an audit based on the vendor's contractual relationship with the Commonwealth of Virginia. In such cases, the Contractor is required to provide the same support and cooperation as if the audit was being

performed by a company selected by the State's Contract Administrator. In either situation, the State's Contract Administrator will be involved. The Contractor agrees to implement recommendations as suggested by the audits within six months of report issuance at no cost to the Purchasing Agency.

- 3.4.5 Coordination with Commonwealth's Virginia Sickness and Disability Short and Long Term Disability Program (VSDP): The Contractor's STD/LTD Disability Coordinator shall oversee and support the communications between the workers' compensation program and the VSDP's Third Party Administrator (currently UNUM). In addition, the claims system shall be required to maintain a file of active participants in the VSDP Program supplied by the VRS on a monthly basis. This file shall maintain information on every participant in the VSDP program. The eligibility file layout shall include the following information: 3 digit agency code, SSN, First Name, Middle Initial, Last Name, Address, Date of birth, Gender, Date of Hire under current agency code. In addition, each new claim shall upon entry, flag the claim as VSDP eligible in a unique claim field. In addition, another field must be created for each claim that maintains information on whether the employee has filed a VSDP claim for the specific workers' compensation claim. The field shall be titled VSDP claim filed and the field choice shall be "yes" or "no".
- 3.4.6 View rights to claim system by VSDP's Short and Long Term Disability Specialists: By July 1, 2008, the claims system must be capable of granting a unique user right for five to seven VSDP TPA Specialists to access specific claims where the VSDP claim filed field has "yes" selected. The VSDP TPA Specialist shall have access to view only agreed upon file information. At a minimum the specialist shall be able to view sufficient information to determine if the claim has been accepted or denied, injury information, accident/injury description, the amounts of any indemnity benefits paid and the benefit period, the indemnity pay through date, the name of anyone responsible for case management, information on return to work to include effective date and type (modified/full/same employer/different employer, modified duty approved or denied by same employer, out of work). File notes of agreed upon categories shall be viewable by the specialists and shall be negotiated as part of the contract.
- 3.4.7 Staffing: The selected vendor shall assure that there is adequate staffing to support all claims processing and support services required by the Commonwealth of Virginia. It is expected that the selected vendor will assure that caseloads for recurring and litigated claims will be consistent with industry standards as described in various industry publications. It is expected that lost time benefit coordinators' lost-time caseloads will not exceed 130 open cases except for the lost time 500 week desk. (The 500 week desk shall be a unique claim handler who is assigned cases that have been deemed "500 weeks" and require minimum oversight with a caseload between 300 to 350.) Medical only compensable (including indemnity claims where the statute of limitations has

run on indemnity benefits) claim volume shall at a maximum be limited to 425. Medical only investigation claims caseloads shall not exceed 130 files. To the extent case loads are determined by the State to be in excess of that necessary to provide the services required by the State, it is expected that the State and the Contractor will meet and reach a consensus as to appropriate case loads or agree upon staff increases/decreases to assure appropriate services are provided. In the event consensus cannot be achieved, the recommendations of the State, with adequate industry data for support, will be instituted.

3.4.8 Turnaround Times and Accuracy: The selected vendor will be required to provide services as described in the RFP on an accurate and timely basis. Claim accuracy will be defined by industry standards. It is the expectation of the State that all claims will be processed with at least 95% accuracy. Payment accuracy must meet or exceed 99%. The time frames specified in this RFP will be minimum acceptable limits and the Contractor is encouraged to exceed these minimum requirements as part of their proposal. Three-point contact on Lost Time Claims shall at a minimum be made within 1 business day from date of receipt by the Contractor or within one business day of identification that a medical only claim shall need to transfer to lost time. This three-point contact shall include contact with the employee, the employer/supervisor/agency HR, and the treating provider. Three-point contact is defined as multiple attempts at phone contact with the Injured Worker, the physician, and the employer/supervisor/agency HR clearly documented in file notes to include the times and phone numbers called. The standard for Medical Only Investigation claims is multiple attempts at two-point contact within one business day of receipt. Two-point contact is defined as multiple attempts at contact with the Injured Worker and employing Agency clearly documented in file notes to include the times and phone numbers called. Should the compensability decision on a medical only investigation claim involve medical information, 24 hour contact with the medical provider shall be required. Other timing definitions shall be contained in the specific task descriptions contained below. All applicable State regulations regarding timely reporting and notification requirements shall be the responsibility of the Contractor on behalf of the Commonwealth of Virginia.

3.4.9 Defense Litigation Coordination: Contractor shall copy all notices of Referral to the Docket to the Purchasing Agency within 2 days of receipt. The Contractor shall assure benefit coordinator's physical presence at all times as required by the Office of the Attorney General or the Purchasing Agency. Once it is apparent that an employee has filed a claim for benefits, the Contractor is responsible for notifying the Purchasing Agency by creating a contested claim memorandum providing all supporting material and defenses. Within 7 calendar days the Contractor shall complete the contested claim report laying out all facts of the case and the defense strategies suggested. It shall be submitted with a transcribed recorded statement to the Purchasing Agency for review. The Purchasing Agency shall review the paperwork and if sufficient shall authorize that it be forwarded to the appropriate division of the Attorney

General, as identified by the State's contract administrator. The specific process for this notification to occur and the forms and protocols shall be established by the Attorney General and the State's Contract Administrator, and provided to the Contractor. Any disagreement with the process, documentation or the procedures will be resolved between the vendor's Contractor Account Director and the State's Contract Administrator. The Contractor shall provide timely and accurate file documentation to the Attorney General in the form and nature defined by the Office of the Attorney General. Once a claim is in litigation, the responsibility for the claim rests with the Office of the Attorney General and the staff attorney assigned to the claim. It is the responsibility of the Contractor to provide any and all support requested by the designated Attorney General representative in an accurate and timely manner satisfactory to the Attorney General subject to agreement between the vendor's Contractor Account Director and the State's Contract Administrator. It is anticipated that the Contractor will continue to monitor and provide supporting information for all claims in litigation.

- 3.4.10 Claim File Documentation: Claim files shall be documented accurately with all relevant information associated with the particular claim. Sections shall be established in the claim file to adequately distinguish between required documentation, Commission filings and communications, medical information (if not stored in an electronic method), payments, litigation information, etc. Information shall be placed in the open claim file within one business day of receipt in the office as measured by the date stamp. Information shall be placed in the closed claim file within 5 business days of receipt as measured by the date stamp after review to confirm that no action is required. Adequate and accurate documentation is required so as to support any decisions that are being made relative to the claim. Documentation, wherever possible, shall be maintained in the claim computer system. The Contractor shall pay no bills until they have been reviewed, evaluated and determined to be causally related to the injury and covered under the Virginia Workers' Compensation Act.
- a. All claims shall be processed in accordance with the Virginia Workers' Compensation Act and policy manual policy and procedures.
 - b. The Contractor shall be delegated authority to issue payments without the Purchasing Agency approval for medical bills and indemnity payments only on any bill less than \$10,000.
 - c. The Contractor shall be delegated authority to make compensability decisions on medical only claims.
 - d. Claim files shall be reviewed by a supervisor and assigned the day received. At a minimum within 10 calendar days from receiving the claim in the office there shall be case documentation requirements including but not limited to a compensability assessment, action plan, reserve analysis, medical and bill utilization review if applicable, return to work or transitional

employment potential, employer information, treating provider information, and any other documentation that will assist in providing a clear and accurate picture of the true claim status.

e. The system shall accurately track the number of lost days and days of restricted work for each claim.

3.4.11 Investigation: Investigations shall be initiated by the Contractor within one (1) work day of receipt of the Employer's Accident Report using the three pronged contact system (i.e., injured worker, doctor, Commonwealth location) to determine if compensability is to be acknowledged or questioned. Physician reports shall be requested immediately. All appropriate documentation shall be made a part of the permanent claim file. Information shall be obtained, if applicable, from:

- | | |
|-------------------|---------------|
| 1) Commonwealth | 4) Police |
| 2) Injured worker | 5) Physicians |
| 3) Witnesses | 6) Hospitals |

Recorded statements shall be taken from the injured worker, Commonwealth, and/or witnesses or if requested by the Commonwealth of Virginia depending upon the individual case and its individual circumstances. Recorded statements may be suggested for the following situations:

- | | |
|---------------------------------|---------------------------------|
| 1) Fatality | 7) Questionable compensability |
| 2) Heart attack | 8) Serious occupational disease |
| 3) Severe injury | 9) Cumulative trauma |
| 4) Mental disorders | 10) Factual disputes |
| 5) Possible subrogation | 11) Back injuries |
| 6) Known pre-existing condition | 12) Carpal Tunnel Syndrome |

If a compensability decision cannot be made within 30 days of receipt of an Employer's Accident Report, a letter shall be sent to the employee, the human resources representative and the medical provider after 30 days and every 30 days thereafter notifying them of the specific reason a decision cannot be made and shall seek assistance. It shall be the responsibility of the benefit coordinator to continue to aggressively call all parties weekly in an attempt to obtain information so that a compensability decision can be made as soon as possible. The human resource representative and the injured worker shall be personally called within 24 hours of a compensability decision and notified of every claim decision by the benefit coordinator verbally. All claim acceptance/denials shall be confirmed in writing and by phone with the employee and a copy of the letter will be sent to the human resource representative, the Virginia Workers' Compensation Commission, and the panel physician within 24 hours of decision.

3.4.12 Payment of Benefits: All medical payments shall be made in accordance with Commonwealth of Virginia Workers' Compensation statutes. Invoices shall be confirmed through medical reports and other proper documentation (a copy of which will be maintained in the claim file or imaging system) before they are paid. All invoices shall be approved, signed, and dated by the benefit coordinator and processed using the Contractor's automatic adjudication system. This system, through computerized data coupled with the review by trained personnel, insures that all invoices prior to payment are reviewed for relationship to the allowed conditions in the claim, appropriateness of treatment, and are from the recognized attending physician(s). If the charges are unrelated, they shall remain unpaid and an explanation returned to the provider and the employee with reason for lack of payment.

All indemnity payments shall be made upon receipt of signed agreements to commence the payment of benefits. The benefit coordinators shall be responsible for immediately submitting agreements to the Virginia Workers' Compensation Commission for entry of an award. No death benefits shall be paid without receiving the award from the Commission. All benefits must be paid within the timeframes required by the Virginia Workers' Compensation Commission. Each claim, in which ongoing disability benefits are anticipated, shall be diaried on the Contractor's compensation diary system. Prior to the payment of compensation, on a regularly scheduled basis, contact shall be made with the appropriate Commonwealth of Virginia personnel and the physician to discuss return to work strategies and the injured workers' prognosis for full recovery. All compensation payments shall be made only after receipt of appropriate documentation from the injured worker's recognized attending physician indicating the extent of injury, length of disability, and causal relationship of injury to the job or alleged work related incident (copy of which shall be maintained).

If a claim has been accepted as compensable, but payment of benefits cannot be made due to lack of required documentation, the injured worker shall be contacted by the Contractor by telephone and advised of the reason for the delay. If, after 30 days, a payment on an accepted claim cannot be made, the Contractor shall provide information by letter to the employee and the insured Agency as to what remaining information is needed to issue the payment. Mileage payments shall be issued to injured workers within 14 days of receipt of documentation necessary to authorize payment. Should the benefit coordinator be unable to issue payment, a letter shall be sent to the injured worker explaining what information is needed to issue payment with a copy to the agency.

3.4.13 Action Plan: All claims, other than medical only compensable less than \$1,000, shall have an action plan written providing the who, what, why, when and how entered into the Contractor's narrative computer system or completed in memorandum form and placed in the claim file within five (5) work days of receipt of the initial report of injury. The action plan shall then be updated as

circumstances dictate but at a minimum of every 60 days. The plan shall indicate the additional work anticipated (e.g., litigation, rehabilitation, surveillance, etc.) and expected time frame to complete these items. The 500 week desk claims may have updated action plans every 6 months.

- 3.4.14 Reserving: Workers' Compensation reserves shall be established by the Contractor within three (3) business days of receipt of the Employer's Accident Report, entered into the Contractor's computer system, and shall reflect the expected ultimate cost based upon all information in the file or known at the time the reserve is established. Each claim file shall contain reserve calculation sheets and/or reserve comments on the computerized narrative log relative to initial and ongoing reserves. The Purchasing Agency will play an integral part in the establishment and ongoing review of reserves. Reserves greater than \$100,000, and subsequent increases of \$100,000 shall require a large loss report and pre-approval by the Purchasing Agency within 30 days of identification that the case is expected to cross another \$100,000 threshold.
- 3.4.15 Claims Subrogation/Recoveries/Offsets: The Contractor shall pursue recovery from all appropriate Commonwealth agencies, and responsible third parties (including Anthem reimbursals on denied claims). All cases involving possible third-party liability and second injury fund recoveries shall be fully investigated within 60 days of notice of accident or information indicating possible recovery.
- 3.4.16 Settlement Authority: The Contractor shall have zero settlement authority from the Purchasing Agency. This means that no offer of settlement either of a claim or arising out of a case referred to the Workers' Compensation Commission for hearing shall be extended without first gaining approval from the Purchasing Agency and the Office of the Attorney General. The Contractor shall provide the Purchasing Agency with written recommendations for claim settlements, along with documentation supporting these recommendations. If approved by the Purchasing Agency, the Contractor shall submit the request to the Office of the Attorney General for final approval. The Contractor understands that during the term of the Contract performance period, there are extremely limited funds available for settlements.
- 3.4.17 Agency/Client Surveys: At various times during the term of the Contract, the Purchasing Agency will develop and circulate written surveys to agencies/clients/Office of the Attorney General statewide as a means for gauging their level of satisfaction with the services provided by the Contractor. The Contractor agrees to review survey results and comments and develop and implement plans for corrective action where required by the Purchasing Agency.
- 3.4.18 Employer's Application for Hearing: All employer's applications for hearings shall be provided to the Purchasing Agency for approval prior to filing with the Virginia Workers' Compensation Commission. A memorandum providing the issue(s) in dispute, the evidence to support the application and litigation

strategies shall be provided. A letter to the Virginia Workers' Compensation Commission with the evidence attached as well as a contested claim report and a copy of the claim file (including the transcribed recorded statement if necessary for the application) shall be attached.

- 3.4.19 Cooperation / Assistance with OAG: The Contractor shall assist and cooperate with the Virginia Office of the Attorney General as required. The Contractor is responsible for complying with all instructions within the required time frames as required by the Office of the Attorney General including the current and any amended *Workers' Compensation Protocol*.
- 3.5 The Purchasing Agency reserves the right to have the Contractor remove from handling the Purchasing Agency's account any employee who is performing at a level which is considered unsatisfactory by the Purchasing Agency.
- 3.6 The Purchasing Agency shall reduce the amount of monthly payment to the Contractor for any liquidated damages, overpayment, or positions that are vacant for greater than 30 days.
- 3.7 Cash Management:
- 3.7.1 All records (including all paid bills and invoices) shall be maintained in a secured environment and retained for the entire contract period. Cancelled checks, check copies, document images, or microfilm are to be securely stored, placed in numeric (check number) order, and are the property of the Purchasing Agency. All records, images, and documents shall be made available to the Purchasing Agency upon request and access to such records shall be within twenty-four hours.
- 3.7.2 The Contractor shall be responsible for complying with 1099 regulation issued by the Internal Revenue Service. Compliance shall be during the entire contract period. The Contractor shall be liable for any penalties assessed on 1099 established by the Internal Revenue Service. The Contractor shall provide the Purchasing Agency with an electronic version of the 1099 file it submits to the Internal Revenue Service within 30 days of filing. The Contractor is responsible for researching and reporting to the Purchasing Agency any errors as identified by the IRS.
- 3.7.3 The Purchasing Agency, Contractor, and Department of Treasury will execute a Fiscal Agent Services Agreement. The Contractor shall open a Zero Balance Checking Account at a Virginia Banking Institution from a list provided by the Virginia Department of Treasury and which is mutually agreeable to the Purchasing Agency and Contractor. The Purchasing Agency will fund the Contractor's Zero Balance Checking Account on a daily basis for the amount of checks presented for payment. The Contractor agrees to abide by the Treasurer's Fiscal Agent Services Agreement attached.

- 3.7.4 Contractor shall reimburse the Purchasing Agency for any payments required due to the Contractor's (1) failure to terminate benefits when the Contractor has been notified that an employee has returned to work, (2) penalties related to failure to pay benefits on open awards within timeframes established in 65.2-524, (3) due to Contractor's dishonesty or fraud, (4) due to any duplicate payments issued by the Contractor, or (5) overpayments due to Contractor's failure to monitor/obtain records of employees salary earned on a monthly basis when receiving temporary partial disability benefits.
- 3.7.5 Bank account reconciliations, including the bank statement, are to be complete and delivered to the Purchasing Agency, Fiscal Services Section, by the end of the subsequent month (example: April reconciliation by the end of May).
- 3.7.6 The Contractor shall, for each payment made, maintain for on-line access by the Purchasing Agency the check number, check date, amount of check, payee, federal employer identification number or social security number, claim number associated with the payment, and the date the check cleared the bank.
- 3.7.7 The Purchasing Agency and the Contractor shall meet by June 1, 2008, to develop a set of financial reports to be provided by the Contractor and the frequency the Purchasing Agency will receive such reports.
- 3.7.8 Any check issued to an injured worker shall have an informational stub section that will include check number, check date, check amount, payee, claim number, date of service and name and telephone number of the benefit coordinator.
- 3.7.9 The Purchasing Agency shall conduct with the Contractor's assistance a SAS 70 annual audit report on controls placed in operation and tests of operating effectiveness specific to the services provided to the Department of Human Resource Management. This report shall be prepared by an independent certified public accountant at the expense of the Purchasing Agency.
- 3.7.10 The Purchasing Agency and its representatives, including the Auditor of Public Accounts and his designees, shall have full access to and the right to examine the accounts and records of the program and work papers of the Contractor's accountants and auditors.
- 3.8 Ownership of Post Office Box: During the Contract performance period, the Purchasing Agency shall transfer ownership of P.O. Box 1140 to the Contractor (Contractor to incur all costs of ownership). The Contractor shall be responsible for providing the Purchasing Agency with mail which has been misdirected to the box.
- 3.9 Payroll Audit: The Contractor shall provide the Purchasing Agency with any requested payroll audit on an as needed based subject to an agreed upon fee per project. The

Contractor shall provide services at an hourly rate with a maximum agreed cost per project.

- 3.10 Prescription Drug, Supplies, and Medical Equipment: The Contractor shall provide an easy to use discount prescription drug program which shall include dispensing medication for a 30-day period pre-claim approval (First Fill) on specific categories of claims to be agreed upon. It is understood that the utilization of the pharmacy network by employees is optional and that the Contractor shall diligently and aggressively strive to reduce the cost of durable medical supplies and equipment whenever possible.
- 3.11 Return to Work Review: The Contractor shall assure that all cases are continually reviewed aggressively for return to work in either a full or modified duty capacity as quickly as possible. Field consultants shall be assigned early in the process to assure that return to work occurs as soon as possible.
- 3.12 Independent Medical Examinations: The Contractor shall request independent medical examinations (IMEs) when the treating physician is not cooperating or not in communication, there are only subjective complaints, there is a question of how a physician is handling a case, there is a need to substantiate medical findings, and other criteria as agreed to by the State's Contract Administrator and the Contractor.
- 3.13 Case Management: A medical consultant or medical case manager, defined as an employee with a relevant clinical background in nursing or medicine (RN, MD), shall be considered for utilization at a minimum in the following situations:
 - 3.13.1 When an employee is not responding to treatment.
 - 3.13.2 When, based upon the diagnosis and initial expected recovery period, return to work has not occurred.
 - 3.13.3 When modified duty extends longer than 30 days post-injury with no clear expectation of full duty release by day 40.
 - 3.13.4 When there is a lack of compliance with the medical regimen.
 - 3.13.5 When there is a chemical dependency.
 - 3.13.6 When there is a long-term physiotherapy.
 - 3.13.7 When there is prescription medication dispensed long-term (over 1 year).
 - 3.13.8 When physician visits are more than is typical for the type of injury/illness.
 - 3.13.9 When referrals are more than typical for the type of injury/illness.
 - 3.13.10 When prescriptions are more than typical for the type of injury/illness.
 - 3.13.11 When the case extends substantially beyond the expected resolution date.
 - 3.13.12 When the medical situation is a mix of occupational/non-occupational conditions.
 - 3.13.13 When the employee and/or their support system are not capable of coordinating services, setting appointments or comprehending medical needs.
 - 3.13.14 When the employee does not comply with medical treatment.

- 3.13.15 When an employee has been on modified duty for 60 days and it does not appear that the employee will be released to work within the next 30 days.
- 3.13.16 When an original injury causes a secondary health problem to occur.
- 3.14 Subrogation: The Contractor is required to review and monitor all claims which might involve third-party liability and to pursue subrogation against any and all outside parties for which this subrogation may be appropriate. The vendor must document all subrogation standard operating procedures and aggressively communicate verbally and in writing with the injured workers' attorney. The Contractor shall assure that the Purchasing Agency is notified 30 days prior to the statute of limitations expiration if suit has not been filed by the employee's attorney against a responsible party. The Contractor shall whenever possible rule out subrogation early during the investigation and secure any evidence immediately so that subrogation rights are preserved.
- 3.15 Three Point Contact: The Contractor is required to document all attempts to contact the employee, the designated HR and/or agency supervisor (employer), and the treating provider, within 1 business day from the time the claim is received by the Contractor. The information obtained from this contact shall be accurately documented in the claim system. This information shall form the basis for any subsequent decisions relative to the compensability recommendations of the claim and shall be immediately documented in the claims system. The Contractor is responsible for making compensability decisions on medical only claims and compensability decision recommendations to the State Contract Administrator on behalf of the Commonwealth of Virginia based upon case law and the Virginia Workers' Compensation Act and relevant statutes and policies of the State. This standard applies to lost time claims only. Medical Only Investigate claims will receive a two-point contact within one business day.
- 3.15.1 Contact with Employees: The Contractor shall ensure contact with injured worker within one business day from initial receipt of the claim. As a representative of the Commonwealth of Virginia, contact with employees by the Contractor shall be conducted in a polite and professional manner. Benefit Coordinators or other representatives of the Contractor who fail to conduct themselves in a manner deemed appropriate by the Commonwealth of Virginia shall be removed from the State account. Specific standards for this evaluation, based on customer surveys conducted by the Contractor and the State will be used to evaluate the Contractor's representatives. The Contractor Account Director and Contract Administrator will establish specific evaluation criteria. The Contractor shall assist the Commonwealth of Virginia in developing informational material that informs the employee of their rights under the State's workers' compensation programs and shall assure that information is readily provided to assist employees at times specified by the Purchasing Agency. This standard does not apply to Incident Only claims.
- 3.15.2 Contact with Designated Departmental Representative: The Contractor shall contact the department HR representative or employee's supervisor (depending upon agency preference) within one business day of the receipt of claim. The Contractor will verify claim information and obtain a copy of the employee's Employee Work Profile (job description) and on claims with expected lost time

greater than 7 days will discuss transitional employment opportunities and if requested by agency discuss transitional employment options directly with the employee's supervisor. Communication with the designated departmental representative is expected to be ongoing throughout the process of the claim such that the agency is always aware of the status of the case. This standard applies to Medical Only Investigate and Lost Time claims only.

- 3.15.3 Contact with the Health Care Provider (HCP): The Contractor shall contact the health care treating provider within 1 business day. The Contractor will collect medical information and estimated return to work date and physical capability information. The Contractor shall share with the Health Care Provider the employee's Employee Work Profile (job description) and inform the provider that the state strives to accommodate modified/transitional duty whenever possible. The Contractor requests that the provider give a detailed description of transitional duties that the employee is capable of performing if the provider believes the employee can return to work. This standard applies to Lost Time claims only unless the Medical Only Supervisor otherwise instructs the Benefit Coordinator.
- 3.16 Return to Work: The Commonwealth of Virginia is active in pursuing return-to-work efforts through its disability management program. Initial claims review includes medical evaluation and review (performed by the Contractor's Benefit Coordinators), transitional employment, departmental return-to-work, and external placement. The disability management model used by the Commonwealth of Virginia has four primary components.
 - 3.16.1 Case Management: The Commonwealth of Virginia is promoting case management in each agency throughout state government. Each agency typically has a return to work coordinator who is designated as the individual agency representative responsible for managing the agency's return to work policy. It is the responsibility of the Contractor to assure that all efforts are made to assist the agency personnel and, when requested, to participate when possible in any case management meetings reasonably scheduled by the agency.
 - 3.16.2 Rehabilitation: The Commonwealth of Virginia supports and promotes the use of rehabilitation services as a means to enhance an injured worker's ability to return to work in a more expeditious manner. The Contractor shall support this rehabilitation philosophy and provide the necessary contact and support with the rehabilitation providers to assure that state employees receive the most beneficial rehabilitation services possible consistent with their specific disability situations. The cost of these rehabilitation services shall be included in the monthly charge. Case status reports shall be submitted monthly on every file assigned to Medical and Vocational Services (MVS). Benefit Coordinators shall be responsible for copying reports into the claim system. MVS and benefit coordinators will report to the Purchasing Agency's return to work unit any refusals of return to work where the agency is refusing to bring an employee back to work. Contact with the injured worker shall be, at a minimum, for medical cases once per month in person, generally at physician appointments

and once per month by telephone. For full vocational management job placement cases, contact with the injured worker shall be once every two weeks in person and twice per week by telephone. For non-job placement cases, contact with the injured worker shall be once per month in person and once per week by telephone. MVS staff shall be familiar with and abide by the VWC requirements and regulations regarding vocational rehabilitation. In state cases shall be assigned within 1 business day of receipt from the benefit coordinator and data shall be maintained on a log to confirm date/time of file delivery and date/time of assignment. Sufficient file information shall be faxed/scanned to the consultant the same day so that work can commence immediately. Out-of-state cases shall be assigned within 5 days of delivery from the benefit coordinator. MVS will perform case reviews that are a part of our Quality Assurance program and will include a measure of the frequency of contact with the injured worker. Case reviews will be accomplished on 75% of the caseloads within a quarter. Results, findings, recommendations and action plan will be reported to Contractor and the Purchasing Agency within thirty days of completion of the audit.

- 3.16.3 Return-To-Work: The return-to-work component is a process whereby the employing department attempts to identify areas within the employee's existing department where the employee can return to work with accommodation. The Contractor is required to work with state agency staff in an attempt to promote this return to work effort, and to assure that the information and documentation necessary to assist all parties return employees to work as quickly as possible is shared. If the state agency is unable to place the employee back in their original department, a referral to a field consultant shall be made immediately. It is required that the Contractor maintain ongoing communication to the agency staff so that they are aware of the timeline and likelihood of return to work either with or without restrictions. The human resource representatives must be kept up to date monthly on cases where the employee has not been separated from agency employment and must aggressively work to return an employee to work as quickly as possible.
- 3.16.4 Transitional Employment: The Commonwealth of Virginia has implemented transitional employment throughout state government. This process includes the identification and development of positions sometimes involving temporary assignments which employees are placed into for limited periods of time. These transitional assignments are intended to be temporary and under normal circumstances, the entire transitional employment process will not exceed 90 to 120 days. The Contractor is also required to assist and support the state in further enhancement and development of further transitional employment efforts and work with the physician to return employees to work at the earliest opportunity. As a part of the initial claims handling process, the Contractor's staff shall assist agencies as requested in the creation of transitional employment and the development of physical job requirements will be forwarded to the health care provider for their medical return to work approval.

- 3.17 Documentation Ownership: All claim files and documentation associated with all claim files shall remain the property of the Commonwealth of Virginia. Any software developed by the Contractor utilizing funds provided under this contract will become the property of the Commonwealth of Virginia. Any capital equipment purchased utilizing funds provided under this contract shall become the property of the Commonwealth of Virginia at the end of the contract.
- 3.18 Freedom of Information Act: The Freedom of Information Act applies to information prepared by the Commonwealth of Virginia and which is a form, electronic or hard copy, available for reproduction. Reports need not be created, nor are draft notes or draft documents accessible under the Freedom of Information Act. Any and all requests for information under the Freedom of Information Act which relate to files or data maintained by the Contractor on behalf of the Commonwealth of Virginia shall be directed to the State's Contract Administrator for proper disposition.
- 3.19 Records:
- 3.19.1 No original bill or claim file shall leave the premises of the Department of Human Resource Management Office of Workers' Compensation without prior written approval from the Purchasing Agency. The Benefit Coordinator will take the claim file to a VWC hearing if requested to attend by the Office of the Attorney General. A documenting file note shall be entered into the claim system.
- 3.19.2 All claims records and all information relating to claims shall remain the property of the Commonwealth of Virginia, whether in hard copy or electronic form. The Commonwealth shall have access at all times and without prior notice to the Contractor . The Commonwealth shall whenever possible give the Contractor a reasonable time to produce the file or locate the computer data.
- 3.19.3 The Commonwealth shall have access to all of the Contractor's hard files and all computer files relating to the Purchasing Agency including drafts and working documents at all times and without prior notice to the Contractor. The Commonwealth shall whenever possible give the Contractor a reasonable time to produce the file or locate the computer data.
- 3.19.4 The vendor must comply with all legislated medical information privacy regulations.
- 3.19.5 The Contractor may propose imaging records, imaging medical bills, imaging as a form of file archiving. Any associated cost will be borne by the Contractor. Extensive details of any imaging process proposed will be required as part of this proposal. The current Contractor uses images to maintain medical bill adjudication and medical records management. As part of this new contract, the provider shall be responsible for converting all records currently maintained by Corvel in the Contractor's system.

- 3.20 Records Retention: The Contractor will be required to maintain all claims, financial and accounting records and evidence pertaining to the Contract in accordance with generally accepted principles of accounting and other procedures specified by the Commonwealth of Virginia. Financial and accounting records shall be made available, upon request, to the Commonwealth of Virginia, its designees, or the Virginia Auditor of Public Accounts at any time during the Contract period and any extension thereof, and for three (3) years from the expiration date and final payment on the Contract or extension thereof.
- 3.21 State Reporting Requirements: All reporting requirements contained in the Virginia Workers' Compensation Act, Insurance Regulations, other State Statutes, Federal Legislation, or State Directives shall be the responsibility of the Contractor on behalf of the Commonwealth of Virginia.
- 3.22 Loss Control and Safety: The State may be interested in procuring these services during the contract period. The Commonwealth of Virginia is promoting safety and loss control throughout state agencies and departments. The Contractor shall be responsible for reviewing and analyzing necessary statistics to support loss control/safety training and consulting services. The Contractor shall be responsible for developing loss control/safety educational, training, and promotional material designed to reduce and/or eliminate injuries/illnesses from identified causes. These services may include, but not be limited to safety risk analysis, site hazard inspections, OSHA program reviews, job safety analysis, safety training, ergonomic training, OSHA training, safety supervisor training, technical analysis and support, safety materials, loss control articles and other similar types of safety services. Any loss control/safety consulting or training and promotional material/efforts shall be included in the monthly fee under this contract.
- 3.22.1 The Contractor will carry out their loss control services under the direction and control of the DHRM Office of Workers' Compensation's Loss Control Manager.
- 3.22.2 The Contractor shall assure at least one loss control consultant will be available during normal business hours to handle any urgent requests within a four hour timeframe. Contract loss control staff will be engaged for after work hours catastrophic response via notification by the Purchasing Agency to cell phone or home phone.
- 3.22.3 Monthly meetings will be conducted with the Contractor's project manager or designee for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise. In addition, there will be ongoing communication with the contract team.
- 3.22.4 As agreed upon by the respective contract administrators, the Contractor will submit written summaries of progress outlining the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the State's Contract Administrator; and notification of any significant deviation from previously agreed-upon work plans.

- 3.22.5 For each semi-annual period, the Contractor shall prepare a metric report, which provides a baseline report for analysis of loss prevention and loss reduction program effectiveness. The report will include the following: department/agency code, claim type, number of claims, incident rate, lost days/days away from work, restricted days of work, lost day/restricted days rate, closed claims, closed claim rate, median closed claim duration, total closed claim cost, average closed claim cost, nature of injury and number of each, average duration, average cost, total cost, and projected incident and severity rates, by designated organizational level.
- 3.22.6 The Contractor shall propose an inspection program or other loss control project program that they believe will reduce the claims frequency of the Purchasing Agency.
- 3.23 Training and Education: For all training to be provided by the Contractor, the Purchasing Agency reserves the right to pre-approve all training topics. Training/education may include but is not limited to:
- 3.23.1 At the annual Department of Human Resource Conference and Annual Safety Day, the Contractor's staff shall conduct training modules for the full duration of the event as assigned by the Purchasing Agency.
- 3.23.2 The Contractor's staff shall provide a minimum of one (1) OSHA 30 hour general industry program per year, two (2) OSHA 10 hour general industry programs per year, and 10 hours a month of other training programs at locations and times specified by the Purchasing Agency.
- 3.23.3 Regional educational training shall be offered by the Contractor on a periodic basis. The Contractor shall provide recommendations of what types of educational programs will best support the Commonwealth's program.
- 3.23.4 The Contractor shall develop and provide a series of original specialized loss control educational seminars and technical training sessions as approved by the Purchasing Agency. The Contractor will not be responsible for making classroom arrangements but shall be responsible for photocopying of participant handouts and other classroom materials. The Contractor shall provide speaker notes for each presentation developed.
- 3.23.5 The Contractor shall provide technical expertise to produce and narrate web-based Learning Management System training programs for the Commonwealth of Virginia Knowledge Center. Programs shall be produced using Articulate Presenter, PowerPoint and other software and associated hardware. Program content shall be developed by both Contract and Purchasing Agency staff and will include both live programs converted to web-based programs and programs developed especially for web-based learning.
- 3.23.6 The Contractor shall provide on-site database reporting training at the Purchasing Agency's location for up to 200 people at a mutually agreed upon time and date before July 1, 2008. At a minimum, training material shall include information on

how to use the system, provide report user's manuals for all attendees which shall contain detailed instructions on producing reports.

- 3.23.7 The Contractor shall provide mini-orientation sessions for agency Human Resource personnel upon request of the Purchasing Agency.
- 3.23.8 The Contractor shall write upon request articles for publication. The articles shall be original work written for the unique needs of the Commonwealth of Virginia.
- 3.24 Claims Procedure Manual: The Contractor shall provide a copy of their Virginia Workers' Compensation Claims Procedures Manual which complies with the Workers' Compensation Act. The Manual shall be submitted to the Purchasing Agency for review and approval by April 1, 2008. Any modifications to the procedures must be received in draft form for review and approval by the Purchasing Agency a minimum of 30 calendar days before the scheduled implementation date of July 1, 2008.
- 3.25 System Reporting: Any claim system maintaining information on the Commonwealth's claims shall allow access to the system by all Purchasing Agency staff involved directly in the program. At a minimum, this shall include log in rights for at least seven Purchasing Agency staff. The contract shall include a claims management system for Workers' Compensation that includes the ability to track and report on all claims activities. In addition, any system shall have numerous "canned" reports providing information on cases as well as overall program and agency statistical information. Reporting capability shall include a series of 20 new claims data reports developed by Contractor for use by authorized Contract, Purchasing Agency and Commonwealth of Virginia agency staff. These reports shall be agreed upon by April 1, 2008 and developed, tested and implemented prior to July 1, 2008. The contract pricing shall include development by the Contractor of 12 new reports each year, within 30 days of request by the Purchasing Agency. Reporting capability shall also allow for the creation of ad hoc reports by authorized Contract, Purchasing Agency and Commonwealth of Virginia agency staff. In addition, the Contractor agrees to create special ad hoc reports for the Purchasing Agency within two days of request. Access to a reporting database for up to 500 clients shall be available. It is the preference of the Purchasing Agency that the system provide "push reporting" for agreed upon monthly, quarterly and annual reports to agency contacts to be agreed upon by April 1, 2008. The Purchasing Agency reserves the right to approve access to claims data via the reporting system. The reporting system shall include a means of communicating with all authorized users via email.
- 3.26 Financial Policies and Procedures: By June 1, 2008, the Contractor shall develop financial policies and procedures for review and approval by the Purchasing Agency. Financial policies and procedures will include, but will not be limited to, financial reporting, bank reconciliations, segregation of duties and check processing. Any modifications to the procedures must be received in draft form for review and approval by the Purchasing Agency a minimum of 30 calendar days before the scheduled

implementation date. The Contractor is responsible for ensuring that their internal operating procedures establish and maintain appropriate internal controls.

- 3.27 Preferred provider organization (“PPO”): The Contractor shall provide a copy of their PPO Credentialing and Re-credentialing Guidelines which shall be an integral part of the Contract. The Contractor shall provide the Purchasing Agency with any revisions to the Credentialing and Re-credentialing Guidelines within 30 days of implementation.

It is understood that utilization of the PPO network shall be at the option of the individual State agencies.

3.27.1 The Contractor shall review and make a determination on adding requested providers to the network within 90 calendar days of receiving a written request from a State agency, or provide the Purchasing Agency with a letter of explanation if a physician failed to provide information within the timeframe required. The Contractor shall then provide a written determination to the requesting State agency, along with a copy to the Purchasing Agency, within 3 working days of completing the determination. Approved additional providers shall be added to the PPO by the Contractor within 30 calendar days of completing the determination.

3.27.2 The Contractor shall provide on line a current Preferred Provider Organization (“PPO”) Directory by June 1, 2008.

3.27.3 Upon request, the Contractor shall provide any State agency with three (3) recommended panel physicians on a postable panel document.

3.28 Utilization of State Facilities:

3.28.1 Parking: The Contractor’s staff working in the DHRM/Office of Workers’ Compensation offices may be provided with parking if such parking is available through the Department of General Services. The amount charged by the Purchasing Agency to the Contractor shall be equal to the amount billed by the Department of General Services. As of this date, the rate is \$42.00 per month. The Purchasing Agency shall reduce the monthly payment to the Contractor by the monthly parking amount.

3.28.2 Office Space: The Purchasing Agency will charge the Contractor for any floor space utilized by the Contractor in the performance of the Contract at the rate charged by the Department of General Services. In the event of Contract renewal, the floor space charge per square foot will be adjusted to equal the same rate(s) charged by the Purchasing Agency to other James Monroe Building tenants as of the effective date of renewal. The Purchasing Agency shall reduce the monthly payment to the Contractor by the monthly rent amount. No modifications shall be made to the layout, offices, or workstations without the approval of the Purchasing Agency. All additions, modifications, and

changes shall become the property of the Purchasing Agency upon termination of this contract.

- 3.28.3 Conference Rooms: The Contractor's staff may schedule use of the conference rooms as available at no additional charge above the allocated rent as referenced in section 2.2.
- 3.28.4 Furniture and Fixtures: The Contractor's staff may utilize the Purchasing Agency's office furniture that was utilized by the program's prior Contractor at no additional charge. Other than normal wear and tear, the Contractor shall be responsible for repairing and/or replacing furniture that is damaged through fault of the Contractor's staff.
- 3.28.5 Copy Center: The Contractor must use the Purchasing Agency's copying facilities. The Contractor shall pay the Purchasing Agency the full cost for such use and the Contractor and Purchasing Agency shall prepare a written agreement in advance of such use, specifying the estimated extent of use, cost allocation procedures for actual use and method of billing and payment. Such agreement shall be implemented accordingly.
- 3.28.6 Business Attire: The Contractor agrees to follow the Purchasing Agency's dress code.
- 3.29 State holidays: The Contractor agrees to provide at a minimum office work hours at least equal to those of the state and identical holidays as are provided to Purchasing Agency's employees.
- 3.30 Escrow of all system source codes: The Contractor will agree to escrow the claim system source code and database design through an independent escrow service and shall deposit materials as updates occur always notifying the Purchasing Agency of updates. The Purchasing Agency shall be responsible for payment for the service. The Contractor shall agree that the Purchasing Agency shall be the Beneficiary and that as the beneficiary may request independent testing and verification of the deposit materials at any time. The fee will be paid by the Purchasing Agency upon receipt of the invoice and documentation of the escrow. Any upgrades to the system shall also be submitted into the escrow service and paid for the Purchasing Agency upon receipt of the invoice and documentation of the escrow.
- 3.31 Field Case Management Services: Cases will be referred to the field 30 days after an injury has occurred if an employee has not been returned to work full or modified duty. The benefit coordinator will have the discretion to withhold referrals to the field for an additional 10 days (maximum of 40 days from date of injury) should they believe that a return to work is imminent. It is agreed that all files where return to work has not occurred by 40 days from date of injury shall be referred to the field for aggressive case management.

- 3.32 Nurse Consultant: The on-site nurse consultant monitors any assigned case where the injured worker returned to work under modified duty within 30 days from the date of injury commencing on day 31 post injury through 90 days post injury or 30 days post modified duty release for a subsequent period of disability. The nurse consultant shall have the discretion to continue to handle a modified duty case up to 100 days post injury date (or subsequent period of disability) if the physician has indicated likelihood to approve a full duty release at the next appointment and a medical appointment is occurring prior to 100 days post injury (or subsequent period of disability). The file must be referred to field on the 100th day post injury (or subsequent period of disability) unless a full duty release has occurred. The nurse consultant will follow up on medical visits and work with agencies on any changes to modified duty restrictions. Should an agency refuse to continue work accommodations, the nurse consultant shall immediately notify the return to work unit. The NC will provide treatment reviews (and retrospective reviews) on complex cases not assigned to field case management. The NC shall within 24 hours of assignment complete a review of what is necessary and have a documented action plan in the claims system. On treatment reviews, the Nurse Consultant will make 24 hour contact with the injured worker, the agency and the medical provider, and complete the treatment review request within 2 business days of receipt of completed information. Information needed to complete the treatment review shall be requested by phone with a follow up letter issued that same day with a copy to the IW. Aggressive diaries shall be set so that a decision can be made as quickly as possible. All activities will be documented in the claim system and copies of any letters/faxes sent by Nurse Consultant will be maintained in the claim file/system.
- 3.33 Direct File Charges: The following, which shall be applicable throughout the term of the Contract, are direct file charges and shall not be included in the Contractor's monthly billing:
- Drugs, Supplies and Medical Equipment
 - Surveillance Services
 - Investigation Services
 - Expert Witnesses
 - Home Health Care
 - IME'S
 - FCE'S
 - Other direct charges as agreed to in the contract

4.0 Proposal Preparation And Submission Requirements

- 4.1 All proposals must be responsive to both the task descriptions and contractual requirements contained herein. Proposals, which are deemed to be non-responsive, may not be considered. Proposals must be typed. An original and six (6) copies shall be delivered in a sealed box, and labeled as a proposal, with the words "Do Not Open" prominently displayed on the box. Proposals must be received no later than 2:00 p.m., E.S.T., as determined by the Department in its sole discretion, on October 9, 2007:

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

Each copy of the proposal should be contained in a loose leaf binder where practical. All documentation submitted with the proposal should be contained in that single volume.

- 4.2 Ownership of all data, materials and documentation originated and prepared for the Department pursuant to the RFP shall belong exclusively to the Department and be subject to public inspection in accordance with the Virginia Freedom of Information Act. Trade secrets or proprietary information submitted by an Offeror shall not be subject to public disclosure under the Virginia Freedom of Information Act; however, the Offeror must invoke the protections of Section 2.2-4342 of the Code of Virginia, in writing, at the time the data or other material is submitted. The written notice must specifically identify the data or materials to be protected and state the reasons why protection is appropriate. The proprietary or trade secret material submitted must be identified by some distinct method such as highlighting or underlining and must indicate only the specific words, figures, or paragraphs that constitute trade secret or proprietary information. The classification of an entire proposal document, line item prices and/or total proposal prices as proprietary or trade secrets is not acceptable and will result in rejection of the proposal.

The Department, in its sole discretion, may not consider proposals with unduly broad requests for protection against disclosure.

- 4.3 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.
- 4.4 Oral Presentation: Offerors who submit a proposal in response to this RFP may be required to give an oral presentation of their proposal to the Department. This provides an opportunity for the Offeror to clarify or elaborate on the proposal. This is a fact finding and explanation session only and does not include negotiation. The Department will schedule the time and location of these presentations. Oral presentations are an option of the Department and may or may not be conducted.
- 4.5 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
E-Mail Address: bill.gregory@dhrm.virginia.gov

- 4.6 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.
- 4.7 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.
- 4.8 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.
- 4.9 Optional Pre-Proposal Conference: An optional pre-proposal conference will be held at 2:00 p.m. on September 10, in the James Monroe Building, Main Lobby, Conference Room D, 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.

It is requested that any known questions regarding the RFP be forwarded to William G. Gregory prior to date of conference to facilitate the conference. E-Mail bill.gregory@dhrm.virginia.gov or Fax (804) 225-2790.

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. Offerors should bring a copy of this RFP to the conference. 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.

Anyone desiring a copy of any amendments issued to this RFP including questions and answers arising from the Offerors' conference shall fax a request providing name, firm, address, telephone and fax number to William G. Gregory at (804) 225-2790.

4.10

Timetable:

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|-----------------------------------|---|
| RFP Published: | August 29, 2007 |
| Optional Pre-Proposal Conference: | September 10, 2007, 2:00 p.m. Conference Room D Lobby Level. |
| Proposals Due: | 2:00 P.M. October 9, 2007 |
| Notice of Intent to Award: | On or about November 30, 2007 |
| Oral Presentations: | Week of October 22, 2007 |

4.11 Specific Requirements: Proposals should be as thorough and detailed as possible so that DHRM/OWC may properly evaluate your capabilities to provide the required services. Offerors are required to submit the following items as a complete proposal:

4.11.1 Offeror shall execute the face sheet of this RFP and return same with the proposal.

4.11.2 An original proposal and six copies are required.

4.11.3 Offeror must state agreement to comply with all provisions and requirements of this RFP, must provide details of their claims and loss control process, answer all questions, address all issues, and furnish details of the organizations plans to comply with all aspects of Section 3, Statement of Needs.

4.11.4 Offeror must submit a pricing schedule in the format required in the RFP.

4.11.5 Offeror must answer all questions, address all issues, and furnish all of the information required in Attachment One.

PLEASE NOTE THAT THE OFFEROR'S ADHERENCE TO THE FORM OF RESPONSE REQUESTED BY THIS RFP MAY BE USED TO MEASURE THE CAPABILITY OF THE OFFER.

5.0 Deliverables

5.1 The Contractor shall deliver only those services resulting from this RFP which are mutually agreed upon by the Department and the Contractor. 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.

5.2 Reports: Small Business Subcontracting and Evidence of Compliance.

6.0 Evaluation And Award Criteria

6.1 Responses to this RFP will be evaluated on how well the offeror's proposal responds to the needs of the Commonwealth of Virginia. A number of factors will be considered in making this evaluation.

The Criteria weights are as follows:

| | |
|-----|--|
| 20% | Qualifications and experience of Offeror in providing the services |
| 30% | Specific plans/approach to performing the services. |
| 20% | Participation of small, women-owned and minority owned businesses, and planned utilization of same in the performance of this contract |
| 20% | Price |
| 10% | Performance Guarantees |

- 6.2 The written proposal should indicate the ability of the offeror to understand the problem, meet the terms of the program, assure quality, and reflect projects the Contractor has recently conducted similar to that described in the RFP. Special attention will be given to the completeness of the response to Information Required from Offerors, Questionnaire Responses, and Financial Response and Performance Guarantees.
- 6.3 The written proposal should indicate the offeror's ability to provide a plan for accomplishing the work. The plan should include a detailed narrative description of how the offeror will accomplish the objectives and tasks including a time related display showing events. The marketing, seminar presentations, marketing material and staff to conduct the marketing should be included as part of the implementation work plan. Also indicate the estimated time required of state resources.
- 6.4 The written proposal should indicate the competence of personnel whom the offeror intends to assign to the project. Qualifications will be measured by education and experience, with particular reference to experience on projects similar to that described in the RFP. Emphasis will be placed upon the qualifications of offeror's Account Director, and the Claims Manager as well as that of other key personnel working on this project.
- 6.5 Resumes shall include detailed, chronological work experience, including name and phone number of person or persons we may contact from each project or work assignment. Proposals containing false or misleading statements, or which provide references that do not support an attribute or condition claimed by the offeror, may be rejected. If in the opinion of the State, such condition to mislead the State in its evaluation of the proposal, and the attribute, condition of capability as a requirement of this proposal, the proposal shall be rejected.
- 6.6 Site visits and interviews may also be conducted for those offerors whose proposals are believed to be the strongest responses to the RFP, and that are determined to be the best in terms of meeting the needs of the Commonwealth of Virginia. The result of the RFP evaluation process, possible site visits and interviews will be utilized to recommend a contract award to the offeror that the State believes is most responsive to the needs of the Commonwealth of Virginia.

7.0 Confidentiality Of Data And Information

- 7.1 All financial, statistical, personnel, technical and other data and information relating to the State's operation which are designated confidential by the State and made available to the Contractor in order to carry out this Contract, or which become available to the Contractor in carrying out this Contract, shall be protected by the Contractor from unauthorized use and disclosure through the observance of the same or more effective procedural requirements as are applicable to the State. The identification of all such confidential data and information as well as the State's procedural requirements for protection of such data and information from unauthorized use and disclosure shall be provided by the State in writing to the Contractor. If the methods and procedures employed by the Contractor for the protection of the Contractor's data and information are deemed by the State to be adequate for the protection of the State's confidential information, such methods and procedures may be used, with the written consent of the State, to carry out the intent of this section.
- 7.2 The Contractor shall not be required under the provisions of this section to keep confidential, (1) information generally available to the public, (2) information released by the State generally, or to the Contractor without restriction, (3) information independently developed or acquired by the Contractor or its personnel without reliance in any way on otherwise protected information of the State. Notwithstanding the foregoing restrictions, the Contractor and its personnel may use and disclose any information which it is otherwise required by law to disclose, but in each case only after the State has been so notified, and has had the opportunity, if possible, to obtain reasonable protection for such information in connection with such disclosure.

8.0 Remedies For Breach Of Confidentiality

The Contractor acknowledges that a breach of its confidentiality obligations as set forth in this Contract shall be considered a material breach of the Contract. Furthermore the Contractor acknowledges that in the event of such a breach the State shall be irreparably harmed. Accordingly, if a court should find that the Contractor has breached or attempted to breach any such obligations, the Contractor will not oppose the entry of an appropriate order restraining it from any further breaches or attempted or threatened breaches. This remedy shall be in addition to and not in limitation of any other remedy or damages provided by law.

9.0 Disclosure Of Litigation

- 9.1 The Contractor shall notify the State in its proposal, if it, or any of its Subcontractors, or their officers, directors, or key personnel under this Contract, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriation or deception. Contractor shall promptly notify the State of any criminal litigation, investigations or proceeding which may have arisen or may arise involving the Contractor or any of the Contractor's Subcontractor, or any of the foregoing entities'

then current officers or directors during the term of this Contract and three years thereafter.

- 9.2 The Contractor shall notify the State in its proposal, and promptly thereafter as otherwise applicable, of any civil litigation, arbitration, proceeding, or judgments that may have arisen against it or its Subcontractors during the five years preceding its bid proposal, or which may occur during the term of this Contract or three years thereafter, which involve (1) products or services similar to those provided to the State under this Contract and which either involve a claim in excess of \$250,000 or which otherwise may affect the viability or financial stability of the Contractor, or (2) a claim or written allegation of fraud by the Contractor or any Subcontractor hereunder, arising out of their business activities, or (3) a claim or written allegation that the Contractor or any Subcontractor hereunder violated any federal, state or local statute, regulation or ordinance. Multiple lawsuits and or judgments against the Contractor or Subcontractor, in any amount less than \$250,000 shall be disclosed to the State to the extent they affect the financial solvency and integrity of the Contractor or Subcontractor.
- 9.3 All notices under subsection 9.1 and 9.2 herein shall be provided in writing to the State within fifteen business days after the Contractor learns about any such criminal or civil investigations and within fifteen days after the commencement of any proceeding, litigation, or arbitration, as otherwise applicable. Details of settlements, which are prevented from disclosure by the terms of the settlement, shall be annotated as such. Semi-annually, during the term of the Contract, and thereafter for three years, Contractor shall certify that it is in compliance with this Section. Contractor may rely on similar good faith certifications of its Subcontractors, which certifications shall be available for inspection at the option of the State.
- 9.4 Assurances: In the event that such investigation, litigation, arbitration or other proceedings disclosed to the State pursuant to this Section, or of which the State otherwise becomes aware, during the term of this Contract, causes the State to be reasonably concerned about:
- 9.4.1 the ability of the Contractor or its Subcontractor to continue to perform this Contract in accordance with its terms and conditions, or whether the Contractor or its Subcontractor in performing services is engaged in conduct which is similar in nature to conduct alleged in such investigation, litigation, arbitration or other proceedings, which conduct would constitute a breach of this Contract or violation of Virginia or Federal law, regulation or public policy, then the Contractor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that: (a) the Contractor or its Subcontractor hereunder will be able to continue to perform this Contract in accordance with its terms and conditions, (b) the Contractor or its Subcontractor will not engage in conduct in performing services under this Contract which is similar in nature to the conduct alleged in any such litigation, arbitration or other proceedings.

The Contractor's failure to fully and timely comply with the terms of this section, including providing reasonable assurances satisfactory to the State, may constitute a material breach of this Contract.

10.0 Right To Ownership

All data, materials, documentation and other things prepared or acquired by the Contractor for this contract shall belong exclusively to the state. This includes, but is not limited to, standard operating procedures, claims data, plan performance data, process flowcharts, quality assurance findings, audit findings, and the proposal itself. The state shall also own and retain intellectual property rights covering technology developed as part of the services described herein. Any capital equipment purchased utilizing funds provided under this contract shall remain the property of the Commonwealth of Virginia.

11.0 General Terms And Conditions

- 11.1 Vendors Manual: This solicitation is subject to the provisions of the Commonwealth of Virginia *Vendors Manual* and any changes or revisions thereto, which are hereby incorporated into this contract in their entirety. The procedure for filing contractual claims is in section 7.19 of the *Vendors Manual*. A copy of the manual is normally available for review at the purchasing office and is accessible on the Internet at www.dgs.state.va.us/dps under "Manuals."
- 11.2 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 agency and the Contractor are encouraged to resolve any issues in controversy arising from the award of the contract or any contractual dispute using Alternative Dispute Resolution (ADR) procedures (Code of Virginia, § 2.2-4366). ADR procedures are described in Chapter 9 of the *Vendors Manual*. The Contractor shall comply with all applicable federal, state and local laws, rules and regulations.
- 11.3 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 § 2.2-4311 of the Virginia Public Procurement Act (VPPA). If the award is made to a faith-based organization, the organization shall not discriminate against any recipient of goods, services, or disbursements made pursuant to the contract on the basis of the recipient's religion, religious belief, refusal to participate in a religious practice, or on the basis of race, age, color, gender or national origin and shall be subject to the same rules as other organizations that contract with public bodies to account for the use of the funds provided; however, if the faith-based organization segregates public funds into separate accounts, only the accounts and programs funded with public funds shall be subject to audit by the public body. (Code of Virginia, § 2.2-4343.1E).

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

- 11.3.1 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, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment, except where there 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.

11.3.2 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.

- 11.4 Ethics In Public Contracting: By submitting their proposals, offerors certify 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 that they have not conferred on 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, present or promised, unless consideration of substantially equal or greater value was exchanged.
- 11.5 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.
- 11.6 Debarment Status: By submitting their proposals, offerors certify that they are not currently debarred by the Commonwealth of Virginia from submitting bids or proposals on contracts for the type of goods and/or services covered by this solicitation, nor are they an agent of any person or entity that is currently so debarred.
- 11.7 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 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.

11.8 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.

11.9 Clarification Of Terms: If any prospective offeror has questions about the specifications or other solicitation documents, the prospective offeror should contact the buyer whose name appears on the face of the solicitation no later than five working days before the due date. Any revisions to the solicitation will be made only by addendum issued by the buyer.

11.10 Payment:

11.10.1 To Prime Contractor:

- a. Invoices for items ordered, delivered and accepted shall be submitted by the Contractor directly to the payment 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 payment 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.
- e. Unreasonable Charges. Under certain emergency procurements and for most time and material purchases, final job costs cannot be accurately determined at the time orders are placed. In such cases, Contractors should be put on notice that final payment in full is contingent on a determination of reasonableness with respect to all invoiced charges. Charges which appear to be unreasonable will be researched and challenged, and that portion of the invoice held in abeyance until a

settlement can be reached. Upon determining that invoiced charges are not reasonable, the Commonwealth shall promptly notify the Contractor, in writing, as to those charges which it considers unreasonable and the basis for the determination. A Contractor may not institute legal action unless a settlement cannot be reached within thirty (30) days of notification. The provisions of this section do not relieve an agency of its prompt payment obligations with respect to those charges which are not in dispute (*Code of Virginia*, § 2.2-4363).

11.10.2 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.

11.10.3 Each prime Contractor who wins an award in which provision of a SWAM procurement plan is a condition to the award, shall deliver to the contracting agency or institution, on or before request for final payment, evidence and certification of compliance (subject only to insubstantial shortfalls and to shortfalls arising from Subcontractor default) with the SWAM procurement plan. Final payment under the contract in question may be withheld until such certification is delivered and, if necessary, confirmed by the agency or institution, or other appropriate penalties may be assessed in lieu of withholding such payment.

11.11 Precedence Of Terms: The following General Terms and Conditions, Vendors Manual, Applicable Laws And Courts, Anti-Discrimination, Ethics In Public Contracting, Immigration Reform And Control Act Of 1986, Debarment Status, Antitrust, Mandatory

Use Of State Form And Terms And Conditions, Clarification Of Terms, Payment, 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.

- 11.12 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.
- 11.13 Testing And Inspection: The Commonwealth reserves the right to conduct any test/inspection it may deem advisable to assure goods and services conform to the specifications.
- 11.14 Assignment Of Contract: A contract shall not be assignable by the Contractor in whole or in part without the written consent of the Commonwealth.
- 11.15 Changes To The Contract: Changes can be made to the contract in any of the following ways:
- 11.15.1 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.
- 11.15.2 The Purchasing Agency 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, things such 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 Purchasing Agency 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 Purchasing Agency'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 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 Purchasing Agency with all vouchers and records of expenses incurred and savings realized. The Purchasing Agency 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 Purchasing Agency within thirty (30) days from the date of receipt of the written order from the Purchasing Agency. 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 be resolved in accordance with the procedures for resolving disputes provided by the Disputes Clause of this contract or, if there is none, in accordance with the disputes provisions of the Commonwealth of Virginia *Vendors Manual*. Neither the existence of a claim nor 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 Purchasing Agency or with the performance of the contract generally.

11.16 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.

11.17 Insurance: By signing and submitting a bid or proposal under this solicitation, the bidder or offeror certifies that if awarded the contract, it will have the following insurance coverage at the time the contract is awarded. For construction contracts, if any Subcontractors are involved, the Subcontractor will have workers' compensation insurance in accordance with §§ 2.2-4332 and 65.2-800 et seq. of the Code of Virginia. The bidder or offeror further certifies that the Contractor and any Subcontractors will maintain these insurance coverage during the entire term of the contract and that all insurance coverage will be provided by insurance companies authorized to sell insurance in Virginia by the Virginia State Corporation Commission.

11.17.1 Workers' Compensation - Statutory Requirements And Benefits. Coverage is compulsory for employers of three or more employees, to include the employer. Contractors who fail to notify the Commonwealth of increases in the number of employees that change their workers' compensation requirements under the Code of Virginia during the course of the contract shall be in noncompliance with the contract.

11.17.2 Employer's Liability - \$100,000.

- 11.17.3 Commercial General Liability - \$1,000,000 per occurrence. Commercial General Liability is to include bodily injury and property damage, personal injury and advertising injury, products and completed operations coverage. The Commonwealth of Virginia must be named as an additional insured and so endorsed on the policy.
- 11.17.4 Automobile Liability - \$1,000,000 per occurrence. (Only used if motor vehicle is to be used in the contract.)
- 11.17.5 Errors And Omissions - \$1,000,000 single limit
- 11.18 Announcement Of Award: Upon the award or the announcement of the decision to award a contract over \$50,000, as a result of this solicitation, the purchasing agency will publicly post such notice on the DGS/DPS eVA web site (www.eVa.virginia.gov) for a minimum of 10 days.
- 11.19 Drug-Free Workplace: During the performance of this contract, the Contractor agrees to (i) provide a drug-free workplace for the Contractor's employees; (ii) post in conspicuous places, available to employees and applicants for employment, a statement notifying employees that the unlawful manufacture, sale, distribution, dispensation, possession, or use of a controlled substance or marijuana is prohibited in the Contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition; (iii) state in all solicitations or advertisements for employees placed by or on behalf of the Contractor that the Contractor maintains a drug-free workplace; and (iv) include the provisions of the foregoing clauses in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each Subcontractor or vendor.
- For the purposes of this section, “*drug-free workplace*” means a site for the performance of work done in connection with a specific contract awarded to a Contractor, the employees of whom are prohibited from engaging in the unlawful manufacture, sale, distribution, dispensation, possession or use of any controlled substance or marijuana during the performance of the contract.
- 11.20 Nondiscrimination Of Contractors: A bidder, offeror, or Contractor shall not be discriminated against in the solicitation or award of this contract because of race, religion, color, sex, national origin, age, disability, faith-based organizational status, any other basis prohibited by state law relating to discrimination in employment or because the bidder or offeror employs ex-offenders unless the state agency, department or institution has made a written determination that employing ex-offenders on the specific contract is not in its best interest. If the award of this contract is made to a faith-based organization and an individual, who applies for or receives goods, services, or disbursements provided pursuant to this contract objects to the religious character of the faith-based organization from which the individual receives or would receive the goods, services, or disbursements, the public body shall offer the individual, within a

reasonable period of time after the date of his objection, access to equivalent goods, services, or disbursements from an alternative provider.

- 11.21 eVA Business-To-Government Vendor Registration: The eVA Internet electronic procurement solution, website portal www.EVA.Virginia.gov, streamlines and automates government purchasing activities in the Commonwealth. The eVA portal is the gateway for vendors to conduct business with state agencies and public bodies. All vendors desiring to provide goods and/or services to the Commonwealth shall participate in the eVA Internet e-procurement solution either through the eVA Basic Vendor Registration Service or eVA Premium Vendor Registration Service. All bidders or offerors must register in eVA; failure to register will result in the bid/proposal being rejected.
- 11.21.1 eVA Basic Vendor Registration Service: \$25 Annual Registration Fee plus the appropriate order Transaction Fee specified below. eVA Basic Vendor Registration Service includes electronic order receipt, vendor catalog posting, on-line registration, electronic bidding, and the ability to research historical procurement data available in the eVA purchase transaction data warehouse.
- 11.21.2 eVA Premium Vendor Registration Service: \$25 Annual Registration Fee plus the appropriate order Transaction Fee specified below. eVA Premium Vendor Registration Service includes all benefits of the eVA Basic Vendor Registration Service plus automatic email or fax notification of solicitations and amendments.
- 11.21.3 For orders issued prior to August 16, 2006, the Vendor Transaction Fee is 1%, capped at a maximum of \$500 per order.
- 11.21.4 For orders issued August 16, 2006 and after, the Vendor Transaction Fee is:
- a. DMBE-certified Small Businesses: 1%, capped at \$500 per order.
 - b. Businesses that are not DMBE-certified Small Businesses: 1%, capped at \$1,500 per order.
- 11.22 Availability Of Funds: It is understood and agreed between the parties herein that the agency shall be bound hereunder only to the extent of the funds available or which may hereafter become available for the purpose of this agreement.
- 11.23 Set-Asides: This solicitation is set-aside for DMBE-certified small business participation only when designated "SET-ASIDE FOR SMALL BUSINESSES" in the solicitation. DMBE-certified small businesses are those businesses that hold current small business certification from the Virginia Department of Minority Business Enterprise. DMBE-certified women- and minority-owned businesses are also considered small businesses when they have received DMBE small business certification. Small businesses must be certified by DMBE not later than the solicitation due date.

12.0 Special Terms And Conditions

- 12.1 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.
- 12.2 Renewal Of Contract: This contract may be renewed by the Commonwealth for two successive one-year periods under the terms and conditions of the original contract except as stated in 1. and 2. below. Price increases may be negotiated only at the time of renewal. Written notice of the Commonwealth's intention to renew shall be given approximately 90 days prior to the expiration date of each contract period.
- 12.2.1 If the Commonwealth elects to exercise the option to renew the contract for an additional one-year period, the contract price for the additional one year shall not exceed the contract price of the original increased/decreased by more than the average percentage increase/decrease of the services category of the CPI-W section of the Consumer Price Index of the United States Bureau of Labor Statistics for the latest twelve months for which statistics are available.
- 12.2.2 If during any subsequent renewal periods, the Commonwealth elects to exercise the option to renew the contract, the contract price for the subsequent renewal period shall not exceed the contract price of the previous renewal period increased/decreased by more than the average percentage increased/decreased of the services category of the CPI-W section of the Consumer Price Index of the United States Bureau of Labor Statistics for the latest twelve months for which statistics are available.
- 12.3 Cancellation Of Contract: The Department reserves the right to cancel and terminate any resulting contract, in part or in whole without penalty, upon 90 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.
- 12.4 Payments: The Contractor shall deliver only those services actually ordered by the Department. The Department will accept and pay only for those services which have been fully rendered. The Contractor shall invoice the Department each month for services provided during the prior month. Payment will be made by the Department within 30 days of receipt of an approved invoice by the Commonwealth's EDI payment method.
- 12.5 Audits: The Contractor shall 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 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 State Auditors, shall have full access to, and the right to examine, any of the Contractor's materials relevant to the contract which results from this RFP.

- 12.6 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. The Department hereby appoints the Director, Office of Workers Compensation. Currently, the position is held by Sue Keener.
- 12.7 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.
- 12.8 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 Virginia Privacy Protection Act, Virginia Code Section 2.1-377 et seq.. All files, computer data bases 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.
- 12.9 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.
- 12.10 Force Majeure: Purchasing Agency 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.
- 12.11 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.

12.12 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.

12.13 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, sub Contractor or agents of the Contractor .

12.14 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 in understanding, using, and transferring all files and records, including those maintained in computer language.

12.15 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.

12.16 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.

ATTACHMENT ONE

OWC Claims Administration and Cost Containment Services

Questionnaire

Completion of this Questionnaire is required.

Please provide a direct response to all of the questions and follow directions for submission of supporting attachments. Attachments should be provided, in order, following your Questionnaire responses. **Please note that Cost Proposal information must be submitted under separate cover within each proposal package and must be in the budget format attached.** If a given response is lengthy or responsive 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' documentation, and other well organized, clear charts or exhibits may serve in lieu of narrative.

The RFP describes Tasks and the requirement thereof. Under the appropriate evaluation section below, you will be requested to affirm that you fully understand and will meet these requirements 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 requirements 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 shall provide services and reports exactly as requested by the Department.

I. STATEMENT OF NEED

State your agreement to provide all services outlined in the Statement of Need.

II. Organization & Financial Stability

- A. Provide the name and address of any Subcontractors you plan on using to provide services, the service they will provide, the staff associated with that service, the address of their corporate office and any regional or local offices involved with this account.
- B. Briefly describe your organization's history and parent organizational ties, if any.
- C. Briefly describe any Subcontractor's organization's history and parent organizational ties, if any.
- D. Please indicate any recent or anticipated changes in the offeror's and Subcontractors corporate structure, such as mergers, acquisition, new venture capital, stock issue, etc.

- E. Please provide information as to the length of time your organization and your Subcontractor's organization(s) have been operational in providing workers' compensation claims and cost containment services in the Commonwealth of Virginia.
- F. Disclose the nature of any judgments you or any Subcontractors may have either pending in court or on appeal. Describe information on the nature of the case, the case outcome and its current status in the litigation process.
- G. Provide the number of customers and members/employees your organization provides workers' compensation claims administration and cost containment services for and the types of services provided.
- H. Provide the number of customers and members/employees your proposed Subcontractors provide workers' compensation claims administration and cost containment services for and the types of services provided.
- I. Submit a copy of your organization's most recent audited financial statements and those of proposed Subcontractors.
- J. If your proposal includes sub-contractors state how you will assure that certificates of insurance evidencing all required insurance coverage and limits remain in effect for all sub-contractors during the term of this contract.
- K. State your willingness to add the Commonwealth of Virginia on all contractor and sub-contractor workers' compensation policies.
- L. Please provide information regarding any claims against your or your Subcontractors Errors and Omissions policy as it relates to workers' compensation claims and/or cost containment services for the past three years that were either not resolved in your favor or remain pending.

III. Client References

- A. Provide information on five current clients using your services.

| Client | Contact Name, Title, Phone # | # of employees and Length of Relationship | WC Services provided (claims, loss control case management, medical/vocational etc.) | Results (e.g. cost savings, reduced durations) |
|--------|------------------------------|---|--|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

- B. Do you have any clients similar to Commonwealth of Virginia in demographics, geography or claims experience? If so, please describe.

- C. Are there plans to bring up other clients or prospective workers' compensation clients effective July 1, 2008? If so, please describe size, nature of business, effective date and servicing location.
- D. Has anyone terminated your services in the past two years? Please identify client and explain. Do not include terminations due to mergers/acquisitions.

| Client | Contact Name, Title, Phone # | # of claims handled and Length of Relationship | WC Services provided (claims, loss control case management, medical/vocational etc.) | Reason for Termination |
|--------|------------------------------|--|--|------------------------|
| 1. | | | | |
| 2. | | | | |

IV. Specific Plans and Approach

A. Staffing/Training

1. Provide the number of employees at your proposed claims office by department. Provide information on which positions will be under the direct employment of the offeror and which positions will be employed by what Subcontractor.
2. Provide detailed resumes of those individuals who will be assigned to this client team. State on the resume their respective role on the client team. Are there positions that will require hiring of staff should you be awarded this contract and you cannot provide a resume as you will need to fill the position? If so, state which positions and the number of positions. What positions will involve transfer and/or promotions from other clients/offices if you are awarded this contract (include resumes of any transfer/promotions that are being offered as part of the client team)?
3. Are there portions of your services that cannot be provided on the Purchasing Agency's premises? If so, why?
4. State your willingness to provide a team dedicated solely to the program. Proposals that do not include a dedicated team will not be considered, however there may be certain positions within the organization that cannot be solely dedicated. If you are proposing some non-dedicated positions, state which positions, the reason they would not be dedicated and the percentage of time/caseload will be dedicated to our program.
5. What is the historic turnover rate of staff by year for the past three years (at all levels) in your organization (and any sub-contractors) being proposed for Commonwealth of Virginia?

6. What is the average caseload for your client team members?
7. What caseloads are you proposing for Commonwealth of Virginia? Please specify by claim type and service type.
8. What is the ratio of claim staff to claims volume per type of claim (medical only and lost time)?
9. How many people (by position) in addition to those specifically required in the Statement of Needs will be assigned to the Commonwealth of Virginia program? Will the team be comprised of permanent full-time employees, casual, temporary employees or a mix? Be specific as to the mix.
10. What are the minimum knowledge, skills, ability, education and experience requirements of staff by function/position type?
11. What training is provided for staff assigned to this program proceeding commencement of the contract and during the first year of the contract?
12. By position, describe your guaranteed minimum number of training and educational programs you will provide your staff during this contract each year (FY08 through FY10). Provide details of the position that is the target of the training, the length of the program, the training method, and the training topics. Provide information on who will be conducting the training (corporate professional trainers, outside contract trainers, regional management team and/or local office management staff, attorneys, conferences, etc.). State your willingness to submit changes to the training schedule 60 days in advance for approval. State your willingness to submit a copy of all training material to the Purchasing Agency for approval at a minimum of 30 days prior to the date of training. State your willingness that should the contract be renewed, a comparable schedule shall be submitted each year 30 days in advance of contract renewal for approval by the Purchasing Agency.
13. Describe the kick off training that will be provided to your internal staff regarding the contract, contract procedures, and information systems should you be awarded this contract.

B. Products and Services

For each of the following services listed below, please detail your product, any performance expectations and turn around times for work product/review/communications. State whether the service will be performed by the contractor or a sub-contractor relationship, if any. Provide a copy of any contract you expect your sub-contractor will be required to sign with you.

Claims administration services (with specific delegated authorities to be negotiated), medical bill adjudication, preferred provider agreements, provider bill review, utilization review and hospital bill audits, clinical case review, prescription drug, supplies, and apparatus program, surveillance, field investigation, loss control/safety consulting, classroom and online training services, payroll classification audit, field medical and vocational placement, initial reporting/claim notification intake program, client claim reports and claim system views (if any) for employers of the injured workers and the Virginia Retirement Systems short/long term disability third party claims administrator including client/agency ability to develop user defined reports program, and communication program.

C. Initial Reporting/Claims Notification

1. What will be the various offered methods for accepting Employer's Accident Reports? Provide in detail the options that will be available to state agencies. Should any method require a special case by case fee, please provide details regarding which types of transmission will be included in the base contract annual fee and which methods would require a different payment arrangement.
2. Do you offer the ability for an Employer's Accident Report workflow process that allows either the injured worker and/or the supervisor to enter new claim information through a secure electronic process that then allows the Human Resource Department the ability to review, complete and submit the Employer's Accident Report electronically directly to the claim system? If so, describe the workflow process and provide copies of the forms that would be completed electronically by each person, any notification process that occurs, and the process used once the report is received in the claim system.
3. How are incoming calls distributed to staff? Are management reports generated daily to depict the frequency, type and outcomes of calls received? What information will you be willing to share with the Purchasing Agency on adverse or positive service trends?
4. Once you have been notified of a new claim, describe whether all, or if not all which, fields of information are captured from the Employer's Accident Report in the claim system; the levels of automated edits (if any); types of standards used to triage/assign the claim and steps to initiate early case management intervention.
5. Describe the security measure(s) used to protect the confidentiality of each injured worker's claims and medical data. Does your organization have policies, procedures, or systems in place to assure that outgoing e-mails containing confidential information are only sent in a secure environment?
6. Can you provide automatic and electronic reporting of State forms? Have you confirmed that the VWC will accept your electronic reporting? Do you have experience and approval from the VWC in submitting all of your new claims

electronically? Describe the process and data security plans that are a part of your program to assure that only authorized users could report claims.

7. Describe the process and your capabilities for interfacing with health care providers electronically for the purpose of receiving, processing and paying bills and receiving, reviewing and reacting to medical reports. If you do not have an electronic interface system, do you utilize any imaging or electronic bill payment system? Describe any system you may have, providing flow charts and the step by step process.

D. Claims Administration (Initial & Ongoing)

Please describe in accordance with your organization's general practices.

1. Describe the life of a claim providing a flow chart for all new claims (and associated time frames) up through issuing the first medical payment, indemnity payment, or case denial.
2. How are clients notified of the status of pended claims and the reason for a delay/claim approval/denial?
3. How frequently do you communicate with the injured worker, the agency, and the medical provider on cases where a compensability decision has not been made in your continued attempts to obtain information? Do you utilize more than one method of communication on each outstanding item in an attempt to speed up the process (phone calls, letters, e-mails, etc.) or does one attempt suffice? What measurements do you use as a management tool to monitor every new claim to assure that a compensability decision is made as quickly as possible and all information is received as quickly as possible?
4. What criteria are used by the benefit coordinators to make compensability determination decisions? What resources do you have available for researching Virginia case law?
5. How often are the pending cases personally reviewed by supervisory personnel to confirm that decisions and actions are being taken as quickly as possible? Provide a copy of any formal review documentation. Is this review supported with automated system edits or a manual look up?
6. Once a claim is approved, describe step-by-step, the ongoing goals, activities, monitoring, tracking and reported process used to assure that accepted cases have continual attention and oversight.
7. a) What is your time standard for making a compensability determination (specify calendar or workdays)? What are your time standards for returning phone calls, reviewing mail, filing mail in claims files (or in an electronic system), verbally

responding to mail, providing written response to mail, responding to e-mails, responding to complaints?

b) How will compliance with these standards be tracked and reported to the Purchasing Agency?

8. The Commonwealth has an Agency Workers' Compensation Manual that provides details on the agency's responsibilities on case reporting and handling. State your willingness to, if awarded this contract, provide 90 days in advance of contract commencement edits to the Agency Workers' Compensation Manual so that it can be finalized and distributed in advance of the contract start date.
9. What were your compensability determination turn-around time results for July 1, 2006 – June 30, 2007 for any office you have in the Commonwealth of Virginia (specify calendar or work days)? If you do not have an office in Virginia, what turn-around time frames are you willing to guarantee?

| | 2005 | 2006 |
|---|------|------|
| From receipt of the EAR by the mailroom? | | |
| From the time that all required information was received: | | |

10. Understanding that you will have no authority to file for hearings to terminate benefits without the Purchasing Agency's approval, state your work flow and internal approval process to assure that any Employer's Applications for Hearings submitted to the Purchasing Agency for approval is prepared sufficiently and sufficient evidence and documentation is provided?
11. Discuss how you investigate and document subrogation on new claims.
12. Discuss your corporate process to aggressively manage cases in subrogation. What is your communication process with the injured worker and or the injured worker's attorney? How frequently and what method(s) is used to aggressively pursue subrogation, communicate new case facts, update liens, etc.?
13. Understanding that your organization will have no settlement authority, provide details on how you will review settlement requests from attorneys or injured workers and what process/method you will use to communicate your recommendations on whether the settlement is in the best interest of the Commonwealth.

E. Clinical Case Review

General Management

For each of the following questions, describe your organization's general handling procedures and acknowledge any differences that will be required for the Commonwealth of Virginia.

1. How is the clinical case review process initiated and at what stage in a claim?
2. Within the first year of a case, what percent of lost time cases fall under active clinical case management (differentiate between telephonic and field)?
3. What are your referral criteria to telephonic or field? What checks and balances are in place to ensure that the cases that meet referral criteria, will in fact, be referred?
4. What processes are in place for early intervention from a medical standpoint after intake?
5. How frequently does a supervisor or manager review staff case work to assure that cases are assigned when appropriate?
6. Does the claims staff evaluate the initial injury compared to the physician's treatment plan to determine if the case appears to be moving in the correct direction? If the treatment plan appears to deviate from expectations based upon diagnosis, how is this handled in your organization?
7. Do you have a selected panel of specialists for IME referrals or for treatment review referrals? When do you believe files should be referred for IME's?
8. What criteria, process, and timeframes will be used to assign cases to field medical and vocational specialists? Who will be responsible for monitoring the activities of the field specialists and how will successes be measured and documented?
9. Provide a copy of any reports and form letters that will be used.
10. Do you have a medical director planned for this program? If so, when will the director be used and provide a copy of the workflow process? Is there a per case charge for medical director services? If so state it in the non-budget area of the pricing schedule.
11. If operative, indicate how your process automatically flags and/or refers the following types of cases for specialty review. What type of special reviews do you perform?

| Claim Type | Referred Automatically Prior to Payment | Referred at Claims Examiner Discretion | To Whom is it Referred |
|--|--|---|-------------------------------|
| Multiple diagnoses | | | |
| Multiple claims | | | |
| Vague diagnosis | | | |
| Repeat lost time episodes | | | |
| Duration requested exceeds clinical guidelines | | | |
| Motor vehicle accidents | | | |
| Mental Health | | | |
| Chemical dependency | | | |
| Carpal Tunnel Syndrome | | | |
| Soft tissue injuries | | | |
| Musculoskeletal | | | |
| Cardiac | | | |
| Large dollar claims (e.g. ≥ \$50,000) | | | |
| Presumption Claims | | | |
| Others (please specify) | | | |

F. Quality Assurance Review

1. Describe your quality assurance review and audit program and that of any Subcontractors that will be used. How are recommendations for quality improvement developed and implemented? For the contractor and each Subcontractor how frequently and what percentage of cases will your quality assurance program review? Confirm your willingness to share audit results case by case and your action plan to assure improvements are accomplished when deficiencies are found.

2. Provide information on whether you and your Subcontractors will include corporate audits as part of the quality assurance program. If so, detail by contractor/ Subcontractor the audit process, who would perform the audit, the percentage of cases audited, audit frequency and provide a copy of your audit worksheet that would be used on this account. Confirm your willingness to share audit results case by case and your action plan to assure improvements are accomplished when deficiencies are found.

3. What type of reports will your quality assurance program review to assure the program is meeting performance criteria?

4. Will your quality assurance program verify compliance by all staff with the program procedural manual?

5. Will SAS 70 recommendations implementation be a part of the review and oversight of this program? If not, describe how you will assure implementation of all SAS 70 recommendations.
6. Is your quality assurance program supported by system generated reports to identify potential service problems? If so how/what?

G. Return to Work

1. Describe in detail how you work with the employer, employee and treating physician to facilitate an employee's early return to work through the entire process. What criteria are used, if any?
2. If the employer makes alternate duty, transitional temporary work available, how is this information captured, stored, and reported to the Purchasing Agency and state agencies in your system?
3. Are you willing to add specific Commonwealth categories of return to work results in your claim system so that it can be reported to state agencies? If you already have a process established, provide details.
4. If the Commonwealth of Virginia does not accommodate an employee with work restrictions, what action steps and timeframes would take place on the case?
5. How does your claim management model support early RTW? What is the role of the benefit coordinator/claims adjuster in your return to work model?
6. What types of educational programs would you provide to state agencies to increase their return to work initiatives?
7. What type of program oversight will you perform to identify adverse return to work trends by agencies? What types of consulting services will you provide to agencies should adverse trends develop?

H. Information Systems

1. Do you have multiple information systems utilized as part of this program? If so, what programs will be used for what services? How will (if at all) information flow between the various systems? If you are utilizing Subcontractors, will they maintain their own separate information systems? If so, how will information be shared/stored so that all information can be located in "one place" for our clients and the benefit coordinators/claims adjusters?
2. Describe in detail your payment process from the point a bill enters the office until a check is issued. Provide copies of any policies and procedures you plan on implementing for data security and segregation of duties.

3. Describe the various information system staff and client access roles (by contractor and separately for each Subcontractor), the data each role is entitled to view, and how you manage your security system.
4. State your willingness to provide information on system upgrades and modifications thirty days in advance to the Purchasing Agency for testing and approval prior to implementation. State your willingness to provide your conversion plans and any validity testing results to the Purchasing Agency. Provide a workflow diagram with timelines and samples of documents that will be provided.
5. State your willingness to follow VITA information technology and security guidelines (see www.vita.virginia.gov/security).
6. State your willingness to escrow any system source codes.
7. Provide a copy of your information system user manual. State your willingness to assure that all staff and the key Commonwealth Purchasing Agency staff are provided with an accurate up to date user manual and are trained in advance of implementing any new system releases.
8. State your willingness to provide seven workstations for key Commonwealth Purchasing Agency staff to use with on line access to live data identical to that available to the Contractor and Subcontractor's staff. There shall be no additional charges for the workstations outside of what is submitted in the pricing budget.
9. How is historical data archived? How many months/years of information are maintained on-line? How many years of information are maintained off-line? How many years of information are maintained off-site? Describe your archiving process and where your data back up is maintained.
10. State your willingness to convert to your corporate system(s) all Commonwealth of Virginia Workers' Compensation claims information currently maintained through the Managed Care Innovations existing contract to include claims system data, medical records, bill adjudication EOR records, payment records and any other data electronically stored currently maintained in the Frank Gates Service Company/Attenta claims system and in the CORVEL system. Provide the process and timelines you would use to manage this project. Have you exchanged data with Frank Gates Service Company and Corvel in the past? If so, have you encountered any problems?
11. Describe your timeline and process to ensure that all data from the prior Contractor is accurately converted into your claim system. How will you convert imaged records into your system?

12. Please indicate whether the following data elements are captured in your claim system and how they are captured:

| Data Element | Yes | No | Hard Code or Free Form |
|---|------------|-----------|-------------------------------|
| Employee Social Security Number | | | |
| Commonwealth Employee ID No. | | | |
| Employee date of birth (day, month, year) | | | |
| Sex (male/female) | | | |
| Job code | | | |
| Location of Accident | | | |
| Date of disability (day, month, year) | | | |
| Nature of illness/injury | | | |
| All Employer's Accident data | | | |
| Supervisor/Departmental statement | | | |
| Benefit commencement date | | | |
| Average Weekly Wage | | | |
| Weekly benefit Rate | | | |
| Status (active, inactive, pending, suspended, denied, terminated, recovered, died) | | | |
| Reserves for incurred claims | | | |
| VSDP Reported Claim | | | |
| Medical provider | | | |
| Number of lost days off work | | | |
| Diagnosis, primary | | | |
| Diagnosis, secondary | | | |
| Return to work status – Yes/No | | | |
| Date released Return to Work (RTW) with restrictions (How do you capture those restrictions? How do you capture whether the employer accepted RTW with modifications and the effective date? How do you capture an employer's refusal to RTW modified duty and the effective date?) | | | |
| Date of release without restrictions | | | |
| Date of return to work | | | |
| Vocational rehabilitation | | | |
| Litigation – Yes/No; Won/Lost | | | |
| VSDP Participant | | | |
| Eligibility file data (listed in RFP section 3.4.6) | | | |

13. How many client location levels of data does your system store? Can you grant agency user rights to see their own case information and restrict access based upon our requests to certain fields of information only?
14. Can reports be developed at multiple client location levels? Do you have any limitations with respect to reporting breakdowns at the detail field level? If so, what are they?
15. State your willingness to develop 20 new reports for the Purchasing Agency prior to July 1, 2008 and a minimum of 12 reports a year within 30 days of request each year.
16. Will you provide on line reporting for state agencies? If so, how many users will be provided with access? Provide information on the system, its reporting capabilities, and the security add/delete process you will use. Provide copies of all available reports. Provide a copy of the client user manual.

I. Customer Service

1. What types of measurement tools are used (e.g. satisfaction surveys) to assess customer satisfaction and quality assurance? What have your satisfaction rates been for the last 2 years? How often are surveys conducted? Are they done by internal or external sources? How are clients notified of their results? How are surveys and other feedback methods incorporated into your program's quality assurance program? Please provide specific examples.
2. Describe methodologies (e.g. surveys) to solicit feedback about services rendered by client teams.
3. Are surveys conducted among treating physicians, injured workers, or an employer's management team to gain feedback? Please provide samples.
4. Describe your complaint resolution process for every aspect of the program.
5. How will you monitor and track complaints and their resolution (employee, provider, business or vendor)? How will you integrate this into your quality assurance program? How frequently will you provide the Purchasing Agency with your complaint statistics?
6. Is there a tracking system to monitor the types, frequency, progress and resolution of complaints and grievances? To measure changes made in procedures, system edits, etc.? Please describe.
7. Provide case studies of how this tracking/resolution system was useful in making changes in the way your program is administered.

8. What policies, procedures, or protocols, if any, exist to identify deficiencies in the case management process? For example would repeat claims for the same individual trigger a referral to a senior person in the case management area? Please describe.
9. How do you determine the effectiveness of your staff in:
 - Referral management of care to medical advisors or specialists
 - Referral coordination and management of IME's
 - Accommodation of an employee's return to work
 - Negotiation of return to work or early return to work schedules
 - Supervising staff's work
10. How do you measure the performance of your IME program? What process do you use to make sure that the IME is responsive to all questions and is submitted timely?
11. How do you measure the performance of your vocational rehabilitation program?
12. What performance standards are required by staff function (e.g., claims, supervisory, clerical, and clinical) in terms of productivity, accuracy, timeliness, and customer relations? How is compensation tied to performance?
13. How often is staff evaluated? Are results shared with clients?

V. Requested Exhibits

Please provide the following in a clearly labeled "Exhibits" section of your response (indicate those included):

| | Provided? | |
|--|------------------|-----------|
| | Yes | No |
| 1. Proposed flow chart model of all workers' compensation processes that complies with Commonwealth of Virginia Workers' Compensation Act and Department of Account requirements | _____ | _____ |
| 2. Copy of your most recent SAS 70 and that of any Subcontractors | _____ | _____ |
| 3. Sample of all form letters and communications (with designations of where they go: e.g., employee, agency, physician) | _____ | _____ |
| 4. Sample of all standard and ad hoc reports for customers & staff and any computer reporting system user manual | _____ | _____ |
| 5. Copy of any corporate and client claims procedural manual (subject to purchasing agency approval and modification) | _____ | _____ |

| | | Provided? | |
|-----|---|------------------|-----------|
| | | Yes | No |
| 6. | Implementation timeline and process | _____ | _____ |
| 7. | Resumes of individuals key to the Commonwealth of Virginia account | _____ | _____ |
| 8. | Organizational chart for claim office assigned to COV | _____ | _____ |
| 9. | Banking and payment processing, reconciliation documents, quality assurance process, reports, workflow, including, if available, process for direct deposit for injured worker payments and work flow process | _____ | _____ |
| 10. | Computer System design description and security setup, data dictionary and system structure, typical staff workstation equipment and specifications and replacement schedule, number/types of printers/fax machines | _____ | _____ |
| 11. | Written disaster recovery/business continuity plan | _____ | _____ |
| 12. | Computer System and Contractor's Claims Procedural Manuals that will be used on this account (subject to purchasing agency approval and modification) | _____ | _____ |
| 13. | Program Budget Pricing Schedule | _____ | _____ |
| 14. | Additional services Pricing Schedule | _____ | _____ |
| 15. | Effect of Staffing Level Changes on Pricing | _____ | _____ |

VI. Performance Guarantees:

Please describe in detail any performance guarantees you are willing to agree to, how they will be measured, and what type of penalty/bonus program you are suggesting be included in the contract.

VII. Schedule Of Liquidated Damages:

State your willingness to agree to the following liquidated damages:

1. Contractor shall reimburse the Purchasing Agency for any payments required due to (1) the Contractor's failure to terminate benefits when the contractor has been timely and properly notified that an employee has returned to work, (2) penalties related to failure to pay benefits on open awards within timeframes established in Virginia Code §65.2-524, (3) Contractor's dishonesty or fraud, (4) any payment that was not an obligation of the Purchasing Agency, or (5) any duplicate payments issued by the Contractor; (6) overpayments due to Contractor's failure to monitor/obtain records of employees' salary earned on a monthly basis when receiving temporary partial disability benefits. Should the Contractor wish to file for a credit with the Commission for overpayments, the Contractor shall be responsible for legal services and fees associated with obtaining a credit. At the Purchasing Agency's option, based upon responsible claim handling, the

Purchasing Agency may be willing to request services from the Office of the Attorney General to seek the credit. However, the decision to handle the credit litigation either at cost/or no cost shall be retained by the Purchasing Agency.

2. Contractor shall reimburse the Purchasing Agency for any penalties for failure to comply with all requirements of the Code of Virginia, including (but not limited to) Code of Virginia Section 55-168 to Section 55-201.1 for unclaimed property, Code of Virginia Section 65.2 and any revisions, additions, and related rules and regulations, and the Prompt Pay Act.
3. The contractor shall reimburse the Purchasing Agency \$1,000 for any agreed upon report which is received after the agreed upon due date.
4. The contractor shall reimburse the Purchasing Agency \$1,000 for any agreed upon year end report which is received with an error.
5. Contractor shall reimburse the Purchasing Agency \$100 for each instance of a failure to receive payment authority prior to issuing a check for an amount in excess of the delegated authority.
6. Contractor shall reimburse the Purchasing Agency \$250 for each instance where claim file reserves are increased above designated authority levels without the approval of the Purchasing Agency.
7. Contractor shall reimburse the Purchasing Agency \$100 for each instance of a failure to submit a Contested Claim Report and all enclosures (including transcribed recorded statements), interrogatories, or on the record balance billing case within timeframes established in the Office of the Attorney General's Workers' Compensation Protocol.
8. Contractor shall reimburse the Purchasing Agency \$100 for each instance of a failure to make and document aggressive attempts to complete 3 point contact on lost time claims and 2 point contact on medical only investigate claims within 1 business day from the time the claim is received by the Contractor.
9. Contractor shall reimburse the Purchasing Agency \$100 for each instance of a failure to communicate in writing and by phone to the agency and injured worker every 30 days the reason a compensability decision cannot be made on lost time and MOI (medical only investigate) claims.
10. Contractor shall reimburse the Purchasing Agency \$100 for each instance of a failure to conduct the surveillance by the date requested by the claims handler.
11. Contractor shall reimburse the Purchasing Agency \$100 for each instance of a failure to provide the report of surveillance within 14 calendar days of conducting the surveillance.

12. Contractor shall reimburse the Purchasing Agency \$100 for each instance of a failure to provide a monthly report of field medical or vocational services on each case assigned by the due date.
13. Contractor shall reimburse the Purchasing Agency \$100 for each instance of a failure to place a copy of the MVS report into the claim system or claim file within 3 days of receipt from the field medical or vocational service provider.
14. Contractor shall reimburse the Purchasing Agency \$100 for each failure to provide 24 hours advance notice to the Purchasing Agency of a visit to a state agency or agency visit to the Purchasing Agency office.
15. Contractor shall reimburse the Purchasing Agency \$200 for each failure to deliver to the Purchasing Agency original course material for scheduled annual training classes in the final format that is proposed by the Contractor to be distributed in the class (including agenda, any PowerPoint presentations with speaker notes, handouts, class exercises and agency-specific photographs) at a minimum of 30 calendar days in advance of the class date.
16. Contractor shall reimburse the Purchasing Agency \$200 for each failure to deliver to the Purchasing Agency original course material for special request or ad hoc training sessions in the final format that is proposed by the Contractor to be distributed in the class (including agenda, any PowerPoint presentations, handouts, class exercises, and agency-specific photographs) by the agreed upon deliverable date.
17. Contractor shall reimburse the Purchasing Agency \$1000 for each occurrence of copyright infringement or other failure to accurately credit source documents used in the production of any training program, article or other document produced for publication or distribution under the program.
18. Contractor shall reimburse the Purchasing Agency \$100 for each failure to deliver any report of loss control activities and recommendations resulting from any loss control project within 10 business days of the site visit, conclusion of the accident investigation, or upon a mutually agreed upon deliverable date.
19. Contractor shall reimburse Purchasing Agency \$1,000 for each instance of failure to complete bank reconciliations and submit to the Purchasing Agency by the end of the subsequent month.

The Purchasing Agency shall reduce the monthly payment to the Contractor by the amount of liquidated damages and any fees incurred as a result of the errors. The Contractor shall be given 25 days from notice of the potential liquidated damage to protest it. The decision of the Contractor shall be final.

CONTRACT PRICING

Complete the attached Program Budget Pricing Schedule (you may add/delete categories but may NOT submit a single all inclusive price) for years one, two and three of the contract. In addition, provide any per case charge for specific file based services as stated on the Additional Services Pricing Schedule. You may add additional services as you wish to that schedule.

ADDITIONAL SERVICES PRICING SCHEDULE

| | Year 1 | Year 2 | Year 3 |
|---|--------|--------|--------|
| Hourly rate for Surveillance services: | | | |
| Hourly rate for Payroll classification audit | | | |
| Hourly rate for claim field investigation | | | |
| Medical Director services fee (define service and associated fee) | | | |
| IME | | | |
| OTHER | | | |

OTHER

| | 1 Year Only |
|---|-------------|
| Provide start up costs for the 1st year of the contract and provide details of specific costs | |

Attach a schedule of the Effect of Staffing Level Changes on Pricing (by position) or for periods of position vacancy greater than 30 days. Include Position Title and Monthly Cost per position. (Changes to staffing levels must be pre-approved by purchasing agency in advance.)

Contract Year 2

| | General | | | | | | |
|---------------------------------------|------------|---------------|---------------|---------------|---------------|---------------|---------------------------|
| | Contractor | Subcontractor | Subcontractor | Subcontractor | Subcontractor | Subcontractor | Total Salaries, full time |
| employees | | | | | | | |
| Salaries, part time employees | | | | | | | |
| Hospitalization/Medical Insurance | | | | | | | |
| Bonuses & Incentives | | | | | | | |
| Other Insurance (define) | | | | | | | |
| Deferred Compensation/Retirement Plan | | | | | | | |
| Social Security Employer Contribution | | | | | | | |
| Unemployment Tax | | | | | | | |
| Recruiting / Advertising | | | | | | | |
| Furniture/Fixtures | | | | | | | |
| Travel | | | | | | | |
| Education and Training | | | | | | | |
| Telecommunications Services | | | | | | | |
| Rent | | | | | | | |
| Contractual Services (define) | | | | | | | |
| Express Mail Services | | | | | | | |
| Postage | | | | | | | |
| Printing | | | | | | | |
| Bank fees | | | | | | | |
| Reference Equipment (define) | | | | | | | |
| Supplies | | | | | | | |
| General Maintenance | | | | | | | |
| Dues and Subscriptions | | | | | | | |
| Stationary and Forms | | | | | | | |
| Information Technology Software | | | | | | | |
| Information Technology Hardware | | | | | | | |
| Fax machines | | | | | | | |
| Telephone system | | | | | | | |
| Electrical Modifications and Upgrades | | | | | | | |
| Travel, Public Carriers | | | | | | | |
| Travel, Personal Vehicle/Rental Car | | | | | | | |
| Travel, Subsistence and Lodging | | | | | | | |
| Travel Meal Reimbursements Overnight | | | | | | | |
| User Licensing Fees (define) | | | | | | | |
| Insurance | | | | | | | |
| Margin Before Tax | | | | | | | |
| Gross Receipts Tax | | | | | | | |
| Federal & State Tax | | | | | | | |
| Margin After Tax | | | | | | | |
| Total Revenue | | | | | | | |
| After Tax Profit#DIV/0! | | | | | | | |
| TOTAL | | | | | | | |

SAMPLE

Fiscal Agent Services Agreement

THIS AGREEMENT between the Treasurer of Virginia (“State Treasurer”), NEW VENDER (referred to as “Company”), NEW BANK (“Bank”) and the STATE AGENCY, Commonwealth of Virginia (“Department”) is an addendum to the Contract to provide Fiscal Agent Services to the Workers Compensation Program (“Contract”). This agreement provides as follows:

WHEREAS, The State Treasurer, the Company, the Bank and the Department desire to establish a procedure for the payment of disbursements issued by the Company under the Workers Compensation Program of the Commonwealth of Virginia; and

WHEREAS, the company has established account number, **XXXXXX** (“Zero Balance Account”) with the Bank for the payment of benefits under the Workers Compensation Program. The company is the sole owner of this account and is responsible for all bank charges related to this account; and

WHEREAS, the State Treasurer has established a bank account (Funding Account) to which funding will be credited on a periodic basis, based on volume of Workers Compensation payments to be made, the account “Treasurer of Virginia – Workers Compensation Funding Account” numbered **XXXXXX** at the Bank, is to be used to fund the zero Balance Account. The company will advise the Department of the exact dollar amount of each daily disbursement. The State Treasurer is the sole owner of this account and is responsible for all bank charges as well as the beneficiary of all earnings credit related to this account.

WHEREAS, the purpose of the “Treasurer of Virginia – Workers Compensation Funding Account” is to fund the “Zero Balance Account” on a daily basis for the amount of the disbursements paid.

WHEREAS, the Parties hereto desire, among other matters, to evidence the aforesaid agreements and obligations;

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, the parties agree as follows:

1. Each business day, the Bank will identify and segregate all checks drawn on the zero balance account and present for payment.

2. At the end of each business day, the Bank shall debit the Treasurer of Virginia – Workers Compensation Funding Account for an amount sufficient to pay such disbursements, shall credit the Zero Balance Account for such amounts, and shall pay such disbursements drawn on the Zero Balance Account for which sufficient collected funds exist.

3. The parties agree that the Bank shall not be obligated to pay disbursements that create an overdraft in the Funding Account. Nevertheless, the Company shall incur no liability for

Fiscal Agent Services Agreement

Effective Date:

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disbursements that are properly drawn on the Zero Balance Account and issued to beneficiaries of the Workers Compensation Program. Accordingly, if, at any time, sufficient collected funds are not made available in accordance with paragraph 2, above, to pay said disbursements, the State Treasurer agrees to reimburse the Bank upon demand for the amount of any overdraft. The Bank's election to allow an overdraft from time to time will in no event constitute an agreement on the part of the bank to do so at any other time. In any event, before refusing to pay any disbursement drawn on the account for reason of insufficient collected funds, the Bank will notify the State Treasurer and the Company so as to permit the State Treasurer to deposit sufficient funds to preclude any overdraft. All accounts under this Service Agreement shall be treated as one system of related accounts having a daily net balance position. In the event there is a negative net balance in any account at the close of the business day, the Bank shall be entitled to be compensated by the Commonwealth in accordance with the terms and conditions of the applicable (Name of new Bank) Bank Deposit Agreement and Disclosures.

4. This agreement is effective for the Period

5. Any Party may terminate this Agreement by giving ninety (90) days prior written notice to the other Parties. The termination of this agreement shall not affect the rights or obligations of any Party arising prior to the effective date of such termination. This agreement shall also be terminated in the event and at the time, if any, the Contract to provide Fiscal Agent Services to the Workers Compensation Program is terminated.

6. No amendments or modifications to or of this Agreement shall be valid unless evidenced in writing and signed by the Parties. Accounts may be added to or removed from this Agreement by written communication to the Bank by authorized signers on the Funding Account. A Zero Balance Implementation form will be prepared by the Bank based on the instructions received. A copy of this form will be provided to both an authorized signer on the Funding Account and an authorized signer on the new subsidiary account. The new Zero Balance Account implementation form will be considered an amendment to the agreement.

7. This Agreement will be governed by the laws of the Commonwealth of Virginia, and will be binding upon successors and assigns of the Parties hereto.

IN WITNESS WHEREOF; the parties have caused this Agreement to be executed by the following authorized officials.

Fiscal Agent Services Agreement

Effective Date:

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DEPARTMENT OF THE TREASURY

(NAME OF NEW VENDOR)

By _____
(Treasurer's Name)
Treasurer of Virginia

By _____
(VENDOR REPRESENTATIVE)
Chief Financial Officer

Date _____

Date _____

DEPARTMENT OF (STATE AGENCY)

(NAME OF BANK) BANK

By _____
(NAME OF DIRECTOR)
Director

By _____
(BANK REPRESENTATIVE)
Vice President

Date _____

Date _____

(NAME OF NEW VENDOR)

By _____
(VENDOR REPRESENTATIVE)
Principal

Date _____