



## TABLE OF CONTENTS

1.0	PURPOSE AND GENERAL DESCRIPTION .....	4
1.1	General.....	4
1.2	Policy Regarding Participation Of Small, Women, And Minority Owned Businesses.....	4
1.3	Appendices.....	4
1.4	Attachments.....	5
1.5	Electronic Data Files and Response Forms.....	5
2.0	TASKS AND BENEFIT SPECIFICATIONS .....	5
2.1	General.....	5
2.2	Benefit Specifications, All Plans .....	5
2.3	Claims Processing.....	6
2.4	System Capabilities.....	6
2.5	Plan Inquiries.....	7
2.6	Continuation Of Operations.....	7
2.7	Medical-Surgical Plan Benefits Administration .....	8
2.8	Accounting.....	8
2.9	The Local Choice Program .....	8
2.10	Claims File.....	9
3.0	STANDARDS OF PERFORMANCE .....	9
3.1	General.....	9
3.3	Coordination Of Benefits Savings .....	10
3.4	Access of Eligibility Files Updates.....	10
3.5	Reporting .....	10
3.6	Invoice Processing .....	11
3.7	Premium Projections .....	11
3.8	Schedule of Liquidated Damages – General .....	11
4.0	REPORTS AND DELIVERABLES .....	12
4.1	Utilization Of Small Businesses And Businesses Owned By Women And Minorities. ....	12
4.2	Report Set .....	12
4.3	Annual Report And Accounting .....	12
4.4	Medical Surgical Plan Files .....	13
4.5	Medical Surgical Plan Other Requirements .....	13
4.6	Annual Accounting And Renewal.....	13
5.0	PROCUREMENT PROCEDURES.....	14
5.1	Method of Award .....	14
5.2	Submission of Written Proposals .....	14
5.3	Modification of Proposals .....	15
5.4	Oral Presentation .....	15
5.5	Inquiries Concerning the RFP .....	15
5.6	Public Inspection of Procurement Records .....	16
5.7	Clarification Of Proposal Information .....	16
5.8	Reference To Other Materials.....	16
5.9	Cost For Proposal Preparation.....	16
5.10	Optional Pre-Proposal Conference .....	16
5.11	Timetable .....	17
6.0	FORM OF RESPONSE AND CRITERIA .....	17
6.1	General.....	17
6.2	Redline RFP noting demurrals (Tab 1) .....	17
6.3	Legally Correct Description of Benefits (Tab 2) .....	17
6.4	Organizational Questionnaire (Tab 3).....	17
6.5	Cost Proposal (Tab 4) .....	18
6.6	Participation of Small, Women, and Minority Owned Businesses (Tab 5).....	18
6.7	Criteria for Evaluation.....	18
7.0	GENERAL TERMS AND CONDITIONS .....	18
7.1	Vendor’s Manual .....	18
7.2	Applicable Laws And Courts .....	19

7.3	Anti-Discrimination .....	19
7.4	Ethics In Public Contracting .....	19
7.5	Immigration Reform And Control Act Of 1986.....	20
7.6	Debarment Status .....	20
7.7	Antitrust .....	20
7.8	Mandatory Use Of State Form And Terms And Conditions.....	20
7.9	Clarification Of Terms.....	20
7.10	Payment .....	20
7.11	Precedence Of Terms .....	21
7.12	Qualifications Of Offerors .....	21
7.13	Testing And Inspection.....	22
7.14	Assignment Of Contract .....	22
7.15	Changes To The Contract.....	22
7.16	Default .....	23
7.17	Insurance.....	23
7.18	Announcement Of Award .....	23
7.19	Drug Free Work Place.....	23
7.20	Nondiscrimination Of Contractors .....	24
7.21	eVa Business-To-Government Vendor Registration.....	24
8.0	SPECIAL TERMS AND CONDITIONS .....	25
8.1	Cost Limits.....	25
8.2	Term/Renewal Of Contract.....	25
8.3	Cancellation Of Contract .....	25
8.4	Payments.....	26
8.5	Audits.....	26
8.6	Contract Representatives.....	26
8.7	Certified Corporate Annual Reports .....	26
8.8	Confidentiality Of Information .....	26
8.9	Severability.....	27
8.10	Force Majeure .....	27
8.11	Subcontracting .....	27
8.12	Disputes.....	27
8.13	Contractor Affiliation .....	28
8.14	Transfer Of Files.....	28
8.15	Advertising.....	28
8.16	Indemnification .....	28

**ATTACHMENTS**

- ONE – Small Business and Business Owned By Women And Minorities
- TWO – Organizational Capabilities Questionnaire
- THREE – Cost Schedules
- FOUR – HIPAA Privacy Business Associate Agreement

**APPENDICES**

- 1 - Current Plan Descriptions
- 2 - Standard DPT Contract
- 3 - Cost & Enrollment Data
- 4 - Forms & Billing Information
- 5 - BES File Layout
- 6 - Claim and Eligibility File Specifications
- 7 - Terminated Direct Billed Eligibles Layout

## 1.0 PURPOSE AND GENERAL DESCRIPTION

The purpose of this Request for Proposals (RFP) is to secure administrative services for the retiree health benefits program for the Commonwealth of Virginia. The Department requests proposals for administrative services for three statewide plans to coordinate with Medicare. One of these plans includes a dental benefit, and the other two plans have an optional dental and vision benefit.

### 1.1 General

The Department wishes to continue the three self-insured plans it now offers to retirees, survivors, LTD participants and their covered dependents who are eligible for Medicare primary coverage. (Enrollees and dependents could be covered under separate plans based on Medicare eligibility. All memberships are single.) (1) The Supplemental Plan (Option II) covers the Part A deductible and coinsurance except for \$100, the Part B deductible and coinsurance, and provides major medical coverage (including out-of-country coverage) at 80% after a \$200 deductible. (2) The Complementary Plan (Option I) covers the Part A deductible and coinsurance except for \$100, the Part B coinsurance after a deductible of \$1,000, and provides diagnostic and routine dental services, and a vision benefit. (3) Advantage 65 covers the Part A deductible and coinsurance except for \$100, the Part B coinsurance but not the deductible and out-of-country major medical services at 80% after a \$250 deductible. An optional benefit providing diagnostic and routine dental services and a vision benefit is available under Option II and Advantage 65. Prescription drug coverage for all plans is an enhanced Medicare Part D plan provided under a separate contract with Medco. There is an Advantage 65-Medical Only Option that excludes any prescription drug coverage, and there are plan codes that define recipients of the Medicare Part D low income subsidy (see 2.4.4 regarding premium billing). A legal description of each plan is contained in Appendix 1.

THE DEPARTMENT MAY WISH TO CHANGE SOME OF THE BENEFITS CURRENTLY OFFERED. HOWEVER, ALL PROPOSED DEVIATIONS FROM THE BENEFITS CONTAINED IN APPENDIX I MUST BE CLEARLY HIGHLIGHTED AND SPECIFICALLY APPROVED IN ADVANCE BY THE DEPARTMENT.

### 1.2 Policy Regarding Participation Of Small, Women, And Minority Owned Businesses

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

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

### 1.3 Appendices

Appendix 1 contains a description of all plans, including the dental/vision benefit, currently offered to state Medicare-eligible retiree group participants. Member Handbooks are currently being revised to reflect the introduction of the enhanced Medicare Part D benefit that went into effect on January 1, 2006. The most recently published but unrevised handbooks and the notification letter to participants that includes all of the January 1, 2006, changes are included to reflect the current plan descriptions. The new handbooks will be in a revised format (see Section 6.2). Appendix 2 contains the Department's Standard Contract. Appendix 3 contains selected cost, enrollment, and utilization data for State retirees. Appendix 4 contains copies of certain forms currently in use together with a description of the billing system. Appendix 5 provides the claims and eligibility file specifications.

#### 1.4 Attachments

Attachment One contains the required Small, Women, and Minority Owned Businesses forms. Attachment Two contains the technical organizational questionnaire that must be submitted with a proposal. Attachment Three contains the cost proposal schedules. Attachment Four is the HIPAA Business Associate Agreement that all offerors must agree to sign.

#### 1.5 Electronic Data Files and Response Forms

Files containing claims, enrollment data and the Attachment 2 schedules you will need to prepare and submit a proposal are available in electronic form. To obtain the CD containing these MS Excel and Word files, you may pick them up at the June 12 pre-proposal conference, or contact Bill Gregory by phone (804-225-2208) or e-mail ([bill.gregory@dhrm.virginia.gov](mailto:bill.gregory@dhrm.virginia.gov)) with instructions for direct mailing to you prior to the pre-proposal conference. Please note these files are proprietary.

### 2.0 TASKS AND BENEFIT SPECIFICATIONS

#### 2.1 General

The Contractor is required to maintain a level of effort during the life of the contract to perform these tasks as often as necessary, to revise deliverables (as to both quantity and form) in accordance with changing circumstances and directions from the Department, and to maintain information and systems on a current basis.

#### 2.2 Benefit Specifications, All Plans

2.2.1 The plans must offer all of the benefits, except the prescription drug plan, and only the benefits contained in the contract books provided as Appendix 1. Any changes suggested by the offeror must be clearly highlighted and specifically agreed to by the Department.

2.2.2 In addition, the optional dental-vision benefit should provide the following coverage:

- a. residing in the United States and abroad, with coverage as follows:
  - Diagnostic And Preventive Services at 100% of Allowable Charge.
  - Primary Services at 80% of Allowable Charges.
- b. See basic dental benefits on page 5 of the Option I Member Handbook.

- c. Basic Vision services as described on page 6 of Option I Member Handbook.

## 2.3 Claims Processing

- 2.3.1 Process all claims incurred during the life of this contract.
- 2.3.2 Receive, date and control claims within 24 hours of the day received.
- 2.3.3 Verify eligibility of claimant and period of coverage for every claim processed. The Contractor's eligibility file must include each dependent by name and Social Security number together with the period during which coverage has been in force.
- 2.3.4 Examine the licensure and participation status of the provider of services.
- 2.3.5 Determine whether or not the services are covered.
- 2.3.6 Price the services.
- 2.3.7 Generate and mail a check, as required, and an explanation of benefits (EOB) or denial notice. The form of the EOB and denial notice are subject to the Department 's approval. Payments and denial notices must be mailed within five business days of the date on which the claim was processed.
- 2.3.8 Maintain a history of all claims paid. Not less than 18 months of claims history prior to the current calendar year shall be maintained on line.
- 2.3.9 Work with SSDC, a new vendor who will be identifying Medicare eligibility, as necessary to process/retract/reprocess claims.

## 2.4 System Capabilities

- 2.4.1 Contractor shall have in place an electronic interface (automatic crossover arrangement) with Medicare administrators in order to receive Medicare processed claims for enrollees direct from the administrators. This interface shall be in place by the effective date of this contract. If an offeror does not currently have such an interface, its proposal shall have an official timeline which will be followed if awarded this contract to have such interface established by the due date.
- 2.4.2 The Department shall provide contractor with eligibility information in the HIPAA 834 Transaction File format as described on the DHRM Website (<http://web1.dhrm.Virginia.gov/itech/itdocs.htm>). Two types of eligibility files are provided:
  - 834 Daily Change File: The Daily Change File includes maintenance transactions that add, terminate, or change eligibility; all changes are provided as Term/Add pairs. Daily Change Files are to be processed at least once every seven days.

- 834 Monthly Audit File: The Monthly Audit File contains COVA's active membership and is used only for comparison of information. Discrepancies are to be reported to COVA no later than the 20th of each month.

2.4.3 Contractor must connect to DHRM's secure FTP server for transfer of eligibility information by one of the following protocols: SFTP using SSH2 on port 22, or HTTPS for manual retrieval.

2.4.4 Contractor shall receive eligibility data including new enrollments and changes from the Department electronically by picking up from an FTP folder no less often than weekly. The file layout for this eligibility data is contained in Appendix 5 labeled BES File Layout.

2.4.5 Contractor shall report electronically to the Department on a weekly basis all claims processed and paid under this contract. Two file layouts for this weekly claim reporting data are shown in Appendix 6 and are labeled as Weekly Claims Data.

2.4.6 Contractor shall provide direct billing to those eligibles designated by the Department as "Carrier bill" on the eligibility file (item 2 above). This direct billing shall provide the options for payment by bank drafts or by prepayment by check on a monthly, quarterly, or annual basis or by electronic payment. The Contractor shall provide full accounting for these collections and transmittal to the Department on a monthly basis. The Contractor should be able to accommodate multiple plan/status codes to reflect premium differences based on Medicare low-income subsidies, the Advantage 65-Medical Only premium and continuation coverage premiums reflecting an administrative fee.

2.4.7 Contractor shall provide an electronic feedback to the Department for those direct billed eligibles in 2.4.6 above who are terminated from coverage for non payment or any other reason, including a detailed breakdown of the timing of such terminations and reporting based on plan provisions. The file layout for this reporting is contained in Appendix 7.

## 2.5 Plan Inquiries

2.5.1 Plan shall provide a toll-free customer service number which shall provide general information on the plan, claims status, and counseling to participants.

2.5.2 Plan shall respond correctly and timely to inquiries received by telephone, by mail or in person.

2.5.3 The plan must offer toll-free customer service telephone numbers at least three months before the effective date of the contract.

2.5.4 The offeror should provide a web site providing information on the plan.

## 2.6 Continuation Of Operations

Contractor shall provide to the Department copies of its disaster recovery, continuation of operations and/or business recovery plans outlining contingency plans in place to provide uninterrupted service in the event of disaster or emergency. These should

include, but not be limited to, systems, customer service, claims processing, provider payment, and eligibility maintenance and determination.

## 2.7 Medical-Surgical Plan Benefits Administration

2.7.1 Develop enrollment applications acceptable to the Department.

2.7.2 Develop notices acceptable to the Department to enrollees regarding loss of coverage, coordination of benefits. Notify enrollees timely with respect to any of these events.

2.7.3 Develop and distribute handbooks based on enrollment for enrollees (Member Handbook) which contains evidence of coverage, enrollee's responsibilities, and plan's responsibilities. This will include printing and distribution of prescription drug insert for those plans that include the prescription drug benefits. Form and content must be approved by the Department.

2.7.4 Hold enrollees and covered dependents harmless with respect to services covered under this contract when such services are furnished by participating providers (for services covered by these plans but not covered by Medicare). This provision shall not apply to beneficiaries who remain institutionalized after receiving notice that institutionalization is/will be no longer medically necessary as of a specified date.

## 2.8 Accounting

2.8.1 Issue enrollee identification cards. The form of the card is subject to the Department's approval.

2.8.2 Arrange for banking services which provide safety for funds collected and disbursed under this contract. Reconcile bank statements within 60 days of receipt. Credit claims paid for amounts representing stale dated checks.

2.8.3 Act as fiduciary for monies received.

2.8.4 Maintain such journals, ledgers and books of account as are required to account fully for all funds received and expended under this contract, and such supplemental records as are necessary to fulfill the reporting requirements specified in Section 4 below.

## 2.9 The Local Choice Program

In addition to tasks specifically mentioned as pertaining to state retirees, survivors and LTD participants, the Complementary Plan (Option 1), the Advantage 65-Medical Only Plan, and the dental/vision option shall be made available to participants in The Local Choice (TLC) health benefits program. The terms and conditions are identical to those governing the state program, but the Department establishes the appropriate premium. TLC does not offer any prescription drug coverage to Medicare beneficiaries. Anthem Blue Cross Blue Shield has been awarded a contract to provide several coverages for TLC, and the Contractor will need to coordinate the offering of the Complementary Plan and Advantage 65 Plan to localities with Anthem. The following, including necessary coordination with component and alternative benefits plans, are also specifically required.

- 2.9.1 Design, development, production and distribution of educational, open enrollment and marketing materials.
- 2.9.2 Marketing support of existing individual groups and prospective new groups.
- 2.9.3 Transmission and accounting of premiums to the state, including enforcement of delinquency provisions of program regulations regarding payment of premiums.
- 2.9.4 Transmission of HIPAA compliant eligibility information to related plans, if applicable.
- 2.9.5 Weekly and monthly financial and service reporting.
- 2.9.6 Quarterly and annual utilization reporting and analysis.
- 2.9.7 Annual accounting and renewal analysis.

## 2.10 Claims File

To be awarded a contract, all plans must demonstrate the capability to provide the claims and eligibility tapes described in paragraph 2.10.1 below. Such demonstration will consist of submission and approval of a test file in the format described in Appendix 5. The timing and other logistics involved with this process will be determined during the proposal evaluation negotiations.

- 2.10.1 The plan must submit a paid claims test tape containing at least 500 claims in the format defined in Attachment 4 by September 1, 2006. The Department must be able to read and approve the tape formats no later than October 15, 2006 or no contract will be finalized.

PLEASE NOTE: Standard vendor tapes are not acceptable to fulfill this requirement.

## 3.0 STANDARDS OF PERFORMANCE

### 3.1 General

The Contractor shall be solely responsible to the Department and liable for any delay or non-performance of any portion of the contract which results from this RFP, and for erroneous payments. The Contractor shall not be responsible for delay or non-performance if the non-performance is caused by the failure of the Commonwealth, covered persons, or non-network providers to provide information necessary for the Contractor to meet its contractual obligations.

Certain performance obligations are of such importance that a Contractor's failure to achieve the requirements found herein jeopardizes the value which the Department expected of the contract. In acknowledgment of this, and in consideration of the extra expenses and other damages incurred by the Department should the Contractor fail to fulfill specified contractual obligations, both parties agree that the Contractor shall pay to the Department the amount contained in the appropriate schedule of liquidated

damages (see paragraph 3.8) when the Contractor's performance fails to meet the specified standards of performance.

**It is expressly agreed that, unless otherwise specified, the determination of liquidated damages, if any, shall be determined annually by comparing the system generated reports in Attachment TWO and THREE to the related Schedules submitted by the Contractor.**

### 3.2 Claims Must Be Paid Correctly

3.2.1 The goal is 100% accuracy.

3.2.2 Below Standard:

- a. Total payment error rate in excess of 1% of benefit payments, where total payment error rate is the dollar amount of erroneous payments, including payments to an incorrect payee (any reason) or paid in an incorrect amount (any overpayment plus any underpayment) or any other payment error (including both incorrect payee and incorrect amount), divided by the total dollar amount of claims paid during the audit period, **OR**
- b. Total error rate in excess of 5% of claims processed, where total error rate is the number of claims with any kind of error (including payment errors) divided by the total number of claims processed during the audit period.

3.2.3 Compliance with this standard shall be determined by internal audit, verified by external audit. Should the internal and external audits arrive at results which materially affect the amount of liquidated damages, the Contractor and the Department shall negotiate the actual amount of the damages. If these parties cannot reach an agreement through negotiation, they shall jointly pay for an independent audit whose determination shall be binding on both parties.

### 3.3 Coordination Of Benefits Savings

The contractor shall coordinate benefits and produce an annual report reflecting COB savings achieved under the plan.

### 3.4 Access of Eligibility Files Updates

The Department will maintain current eligibility files for both the state employee group and the TLC program. Enrollee eligibility changes may be made electronically without restriction to time of day or day of week. The Department will move these changes automatically to an electronic file for pickup by the Contractors. It is expected that each Contractor pick up changes on a regularly working basis, and in all cases, at least once every seven days.

### 3.5 Reporting

Reports containing the requested true information shall be submitted timely. The submission of a materially inaccurate report does not constitute timely submission for the purposes of this section. NOTE: Timely reporting also includes the submission of accurate and readable weekly claims tapes, paid claims invoices, and monthly administration invoices.

The Department shall determine compliance with this standard by the date of receipt of reports.

### 3.6 Invoice Processing

Process 90% of TLC premium invoices within 3 business days of receipt of payment and 100% of premium invoices within 5 days of receipt.

Compliance with this standard shall be determined by audit as described in 3.2.

### 3.7 Premium Projections

If the total discount representing the Net Payment after Application of Your Reimbursement Method reported on Projected Savings Report (Attachment 2, schedule 2-2) is less than 95% of the total discount representing the Net Payment after Your Application of Reimbursement Method projected on the Projected Savings Schedule for the same fiscal year such that the amount paid for claims is higher than projected, then 1% of the Contractor's administrative fee shall be owing and due the Department as liquidated damages for each 0.1% by which the actual discount received is lower than 95% of the projected discount.

The Administrative fee projected rate buildup and projected savings (Attachment 2 – Schedules 2-1 and 2-2 shall be provided by September 15 of each year prior to the following July 1 effective date with the annual report (See paragraph 4.1.7). Separate fees and targets may be provided for the state employee group and the TLC program.

### 3.8 Schedule of Liquidated Damages – General

This schedule of liquidated damages is mutually agreed in view of the difficulty and the cost of measuring the actual damages incurred from complaints, lost productive time, intrusion into other business, etc., as a result of under-performance in the areas noted.

<u>Brief Reference</u>	<u>Liquidated Damage Award</u>
99% of benefit \$ paid correctly	3% of administrative costs for each 1% or fraction below standard
95% of claims paid without error	1% of administrative costs for each 1% or fraction below standard
Eligibility Files not picked Up within 7 days of transfer COB savings of 2%	\$100 per day, days 8-12, \$1,000 per day thereafter 1% of administrative costs for each 1% or fraction below standard
Late/Missing Reports	\$100 per day, days 1-5; \$1,000 per day thereafter
Invoice Processing	\$500 per invoice not meeting standard
Inaccurate projections	1% of contracted administrative fee for each 0.1% of unrealized provider discount after 5%.

The standards and liquidated damages stated above notwithstanding, it is the Department's intent to measure and track performance on the same items being monitored currently. These may change over time as mutually agreed by the Contractor and the Department.

4.0 REPORTS AND DELIVERABLES

4.1 Utilization Of Small Businesses And Businesses Owned By Women And Minorities.

4.1.1 Periodic Progress Reports/Invoices. Within sixty days of each six months' operation under this contract, disclose the actual dollars contracted to be spent to-date with such businesses, and the total dollars planned to be contracted with such businesses on this contract. This information shall be provided separately for small businesses, women-owned businesses and minority-owned businesses.

4.1.2 Final Actual Involvement Report: The Contractor will submit, prior to completion of the contract and prior to final payment, a report on the actual dollars spent with women and minorities during the performance of this contract. At a minimum, this report shall include for each firm contracted with and for each such business class (i.e., comparison of the total actual dollars spent on this contract with the planned involvement of the firm and business class as specified in the proposal, and the actual percent of the total estimated contract value. A suggested format is as follows:

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

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

4.2 Report Set

The proposal shall contain a report set proposed by the offeror which covers critical workload items for each program.

4.3 Annual Report And Accounting

By September 15 of each year, the Contractor shall submit a comprehensive annual report to the Department containing the following information split between the state program and The Local Choice program. Each section shall show the expenditure of all funds paid to the Contractor in the last fiscal year (July 1 through June 30) by program and discuss all facets of the programs, including, but not limited to, enrollment, number and dollar amount of claims paid, utilization trends, an analysis of costs per contract (adjusted for age, sex and type of membership) by area, cost trends, coordination of benefits savings, provider discounts, interest credits, administrative expenses and

special charges. The report shall also contain the Contractor's estimate of required premiums by plan and program for the next calendar year and the basis thereof.

#### 4.4 Medical Surgical Plan Files

All files, records, journals, and books of account of any description and in whatever form, or portions thereof, which deal exclusively with matters arising out of this contract shall be delivered to the Department within thirty days of the termination of this contract, unless requested sooner (that is, during the life of the contract) by the Department. Notwithstanding any other provision of the contract, this specifically includes all eligibility, claims and inquiry files.

#### 4.5 Medical Surgical Plan Other Requirements

Enrollment materials, brochures describing plan benefits including any carved out benefits in popular language, applications, notices, claims forms, checks, remittance advices, articles, Member Handbooks, Administrative Manuals, provider networks, directories, forecasts, invoices, identification cards, criteria sets and such services and materials stated or implied anywhere in this RFP or the Contractor's response thereto.

#### 4.6 Annual Accounting And Renewal

4.6.1 On or before September 15, after the completion of 12 months' operations under the contract, the Contractor shall submit specified IBNR lag triangle data in the required form to the Department Actuary.

4.6.2 On or before September 15, after the completion of 12 months' operations under the contract, the Contractor shall submit a complete accounting of its operations for the fiscal year ended the last June 30, and shall propose a rate, using the Rate Buildup Schedule, for the fiscal year beginning the next July 1. (Note: The rate is for forecasting purposes and the Department is not under any obligation to use them). The accounting and rate analysis should treat separately each major class of benefits, medical-surgical, mental illness and substance abuse, prescription drug, and dental.

4.6.3 In addition, the Annual Report shall contain:

- a. costs by employee, spouse and dependents (separately for active employees, retirees, and extended coverage enrollees),
- b. a list of the fifty highest cost cases (enrollees) with relevant detail on admissions, diagnoses, etc.,
- c. amounts paid to hospitals (including inpatient surgical per diem, inpatient acute medical per diem, inpatient acute obstetrical case rate, inpatient outlier minimum charge per case and inpatient outlier rate, and outpatient case rates for those procedures which comprise 50% of outpatient hospital reimbursement, or for the 25 procedures which have the highest total dollar impact together with an indication of the percentage of total outpatient reimbursement these 25 procedures represent),
- d. show the fifty professional providers of services receiving the largest payments, and
- e. claims in excess of \$100,000, if not previously reported.

4.6.4 Finally, the Annual Report shall provide a frequency distribution of contracts,

claims and dollars paid in total and by type of benefit .

- 4.7 Such other reports as may be necessary to document the performance of the Contractor and its adherence to the contracted standards.

## 5.0 PROCUREMENT PROCEDURES

### 5.1 Method of Award

5.1.1 The Department shall select two or more Offerors deemed to be fully qualified and best suited among those Offerors submitting proposals, unless the Department has made a determination in writing that only one Offeror is fully qualified, or that one Offeror is clearly more highly qualified than the others under consideration. The selection of Offerors will be based on the evaluation factors included in this RFP. Negotiations shall be conducted with the selected Offeror(s). Price shall be considered when selecting finalists for negotiation, but shall not be the sole determining factor.

5.1.2 After negotiations have been conducted with each selected Offeror, the Department shall select the Offeror which, in its opinion, has made the best proposal. The Department shall award the contract to that Offeror. The Department may cancel this RFP, or reject proposals at any time prior to an award. The Department is not required to furnish a statement of the reason why a particular Offeror was not deemed to have made the best proposal (Section 2.2-4359, Code of Virginia).

5.1.3 Should the Department determine in writing, and in its sole discretion, that only one Offeror is fully qualified, or that one Offeror is clearly more highly qualified than the others under consideration, a contract may be negotiated and awarded to that Offeror.

5.1.4 The contract will incorporate by reference all the requirements, terms and conditions of this RFP and the Contractor's proposal, except as either or both may be amended through negotiation. All statements and representations, written or verbal, relating to the award of this and renewal contracts must be construed to be consistent with the following.

### 5.2 Submission of Written Proposals

5.2.1 All proposals must be in the form requested. The data required on the schedules submitted in response to this RFP are subject to verification. Material errors shall be a basis for rejecting such a proposal. An original and five copies shall be delivered in a sealed box, and labeled as a proposal, with the words "**Do Not Open**" and "**Administrative Services for Retiree Health Benefits Plans**" prominently displayed on the box. Proposals must be received no later than 2:00 p.m. on Friday, June 30, 2006, by:

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

Each copy of the proposal should be bound in a loose-leaf notebook. All documentation submitted with the proposal should be contained in that single volume. (If necessary, additional notebooks may be submitted in clearly marked and referenced sequence.)

5.2.2 Data, materials and documentation submitted to 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 in its proposal 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 necessary. The proprietary or trade secret material submitted must be identified as required and must indicate only the specific words, figures, or paragraphs which constitute trade secrets or proprietary information. The Department, in its sole discretion, may not consider proposals with unduly broad requests for protection against disclosure.

### 5.3 Modification of Proposals

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

### 5.4 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.

### 5.5 Inquiries Concerning the RFP

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

Mr. Dan Hinderliter  
Department of Human Resource Management  
James Monroe Building, 13th Floor  
101 North 14th Street  
Richmond, Virginia 23219  
Fax Number: (804) 371-0231  
E-mail Address: [dan.hinderliter@dhrm.virginia.gov](mailto:dan.hinderliter@dhrm.virginia.gov)

## 5.6 Public Inspection of Procurement Records

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

## 5.7 Clarification Of Proposal Information

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

## 5.8 Reference To Other Materials

The offeror cannot compel the Department to consider any information except that which is contained in its proposal, or which is offered in response to a request from the Department. The offeror should rely solely on its proposal. The Department, however, reserves the right, in its sole discretion, to take into consideration its prior experience with offerors and information gained from other sources.

## 5.9 Cost For Proposal Preparation

Any costs incurred by offerors in preparing, or submitting proposals are the offerors' sole responsibility. The Department will not reimburse any offeror for any costs incurred in merely seeking award of this contract or in gaining the capability to meet contract requirements.

## 5.10 Optional Pre-Proposal Conference

An optional pre-proposal conference will be held at 10:00 a.m. on Monday, June 12, 2006 in the James Monroe Building, Conference Room B, 1st Floor, 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.

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

It is requested that any known questions regarding the RFP be forwarded to Dan Hinderliter prior to date of conference to facilitate the conference. The fax number is (804) 225-2790 or they may be e-mailed to [dan.hinderliter@dhrm.virginia.gov](mailto:dan.hinderliter@dhrm.virginia.gov). Offerors should bring a copy of this RFP to the conference. Any changes, which result from this conference, will be issued in a written addendum to the RFP.

## 5.11 Timetable

RFP Published	June 1, 2006
Optional Pre-Proposal Conference	June 12, 2006
Proposals Due, 2:00 P.M.	June 30, 2006
Notice of Intent to Award	August 7, 2006

## 6.0 FORM OF RESPONSE AND CRITERIA

### 6.1 General

Each proposal shall be in the form of a loose-leaf binder, tabbed to point to each section below. Before the first tab, place the executed RFP Cover Sheet followed by a statement defining those sections of your proposal which may not be released because they are proprietary. Each page so designated shall also be marked "Confidential: Proprietary Information," and, if not so marked, shall not be protected.

An original proposal and five copies are required. The original shall contain a Cover Sheet bearing an original signature signed in BLUE ink and be labeled on the cover as "Original".

### 6.2 Redline RFP noting demurrals (Tab 1)

Include a copy of the RFP. Using the *Track Changes* and *Highlight Changes* MS Word tools, annotate in redline **any and all** demurrals or deviations to the requirements of the RFP. You may also enter any substantive comments on the RFP provisions, but please restrict such to issues that are necessary to clearly understand your proposal. Information required in the tabs below need **NOT** be repeated in this tab. Also, affirmations or confirmations of compliance to RFP requirements are unnecessary in this tab and are **NOT** to be included.

### 6.3 Legally Correct Description of Benefits (Tab 2)

The offeror shall submit a benefits booklet in the format that will be used in the versions that are currently in progress. This will include one booklet to cover all medical coverage under Option I, Option II, Advantage 65 and Advantage 65-Medical Only; one insert to reflect the dental and vision benefits that are a part of the Option I plan and optional for Option II and Advantage 65; and, an insert to reflect the prescription drug benefit that is administered by Medco. These will constitute a complete, legally binding description of the benefits to be provided and exclusions from coverage. The benefits booklets shall accurately reflect, at a minimum, the benefits specifications identified in paragraph 2.2. Differences in benefit levels for varying types of facilities/settings providing the covered services must be clearly identified by type and benefit level.

### 6.4 Organizational Questionnaire (Tab 3)

Attachment TWO contains a questionnaire to be completed by each Offeror.

## 6.5 Cost Proposal (Tab 4)

Attachment THREE contains the seven schedules (2-1 through 2-7) which, along with the offeror's latest certified audit report, constitute the cost proposal. Include in this tab, a copy of the audited report for the most recently completed fiscal year and a hard copy of the schedules. Also, the schedules must be submitted in Excel as directed in Attachment THREE instructions.

The attachment also contains schedules that provide the following cost proposal detail:

6.5.1 A detailed budget for start up costs, if any, for the period from the date of award through December 31, 2006. (The proposed budget, if accepted, will be treated as a firm, fixed price for the period in question. The Contractor may bill the Department only after the completion of discrete, budgeted tasks, and will be reimbursed upon a finding by the Department that the work has been satisfactorily completed.)

6.5.2 A firm, fixed price per contract month for the first contract year.

6.5.3 A firm, fixed price per contract month for the second contract year. This price may not be indexed to the price of the first contract year.

6.5.4 A guaranteed interest rate for funds in the operating account or an index which will constitute a minimum guarantee. (Offerors of insured plans are exempt from this sub-paragraph 6.5.4.)

6.5.5 A cost summary page

## 6.6 Participation of Small, Women, and Minority Owned Businesses (Tab 5)

Complete the information required on Attachment ONE.

## 6.7 Criteria for Evaluation

Proposals will be evaluated on six criteria: offeror's organization and financial stability (15); qualifications of staff (10); network service and quality (20); administrative capability (30); administrative costs (20); and small, women owned, and minority business (5).

## 7.0 GENERAL TERMS AND CONDITIONS

### 7.1 Vendor's Manual

This solicitation is subject to the provisions of the Commonwealth of Virginia Vendor's Manual and any revisions thereto, which are hereby incorporated into this contract in their entirety. A copy of the manual is normally available for review at the Department's office on the 13th floor of the James Monroe Building. In addition, a copy can be obtained from the Department of General Services' Division of Purchases and Supply by calling (804) 786-3845. It may also be found online at the DPS web site <http://159.169.222.200/dps/>.

## 7.2 Applicable Laws And Courts

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

## 7.3 Anti-Discrimination

7.3.1 By submitting their proposals, Offerors certify to the Commonwealth that they will conform to the provisions of the Federal Civil Rights Act of 1964, as amended, as well as the Virginia Fair Employment Contracting Act of 1975, as amended, where applicable, the Virginians with Disabilities Act, the Americans with Disabilities Act, and Section 2.2-4311 of the Virginia Public Procurement Act.

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

a. During the performance of this contract, the Contractor agrees as follows:

- (1) The Contractor will not discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin, or disabilities, except where religion, sex or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the Contractor. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.
- (2) 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.

b. Notices, advertisements, and solicitations placed in accordance with federal law, rule, or regulation shall be deemed sufficient for the purpose of meeting these requirements.

7.3.3 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 sub contractor or vendor.

## 7.4 Ethics In Public Contracting

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

## 7.5 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.

## 7.6 Debarment Status

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

## 7.7 Antitrust

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

## 7.8 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.

## 7.9 Clarification Of Terms

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

## 7.10 Payment

### 7.10.1 To Prime Contractor:

1. Invoices for items ordered, delivered and accepted shall be submitted by the Contractor directly to the payments address shown on the purchase order/contract. All invoices shall show the state contract number and/or purchase order number; social security number (for individual Contractors) or the federal employer identification number (for proprietorships, partnerships, and corporations).
2. Any payment terms requiring payments in less than 30 days will be regarded as requiring payment 30 days after invoice or delivery, whichever occurs last. This shall not affect offers of discounts for payment in less than 30 days, however.

3. 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.
4. 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.

#### 7.10.2 To Subcontractors:

1. A Contractor awarded a contact under this solicitation is hereby obligated:
  - a. 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
  - b. To notify the agency and the subcontractor(s) in writing, of the Contractor's intention to withhold payment and the reason.
2. 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) day 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.

#### 7.11 Precedence Of Terms

Paragraphs 7.1–7.10 of these General Terms and Conditions shall apply in all instances. In the event there is a conflict between any of the other General Terms and Conditions and any Special Terms and Conditions in this solicitation, the Special Terms and Conditions shall apply.

#### 7.12 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.

### 7.13 Testing And Inspection

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

### 7.14 Assignment Of Contract

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

### 7.15 Changes To The Contract

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

- a. 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.
- b. The Department may order changes within the general scope of the contract at any time by written notice to the Contractor. Changes within the scope of the contract include, but are not limited to such things as services to be performed, the method of packing or shipment and the place of delivery or installation. The Contractor shall comply with the notice upon receipt. The Contractor shall be compensated for any additional costs incurred as the result of such order and shall give the Department a credit for any savings. Said compensation shall be determined by one of the following methods:
  - (1) By mutual agreement between the parties in writing; or
  - (2) By agreeing upon a unit price or using a unit price set forth in the contract, if the work to be done can be expressed in units, and the Contractor accounts for the number of units of work performed, subject to the Department's right to audit the Contractor's records and/or to determine the correct number of units independently; or
  - (3) By ordering the Contractor to proceed with the work and to keep a record of all costs incurred and savings realized. A markup for overhead and profit may be allowed if provided by the contract. The same markup shall be used for determining a decrease in price as the result of savings realized. The Contractor shall present the Department with all vouchers and records of expenses incurred and savings realized. The Department shall have the right to audit the records of the Contractor as it deems necessary to determine costs or savings. Any claim for an adjustment in price under this provision must be asserted by written notice to the Department within thirty (30) days from the date of receipt of the written order from the Department. If the parties fail to agree on an amount of adjustment, the question of an increase or decrease in the contract price or time for performance shall resolve in accordance with the procedures for resolving disputes provided by the Disputes Clause (paragraph 8.12) of this contract and in accordance with the disputes provisions of the Commonwealth of

Virginia's Vendor's Manual. Neither the existence of claim or a dispute resolution process, litigation or any other provision of this contract shall excuse the Contractor from promptly complying with the changes ordered by the Department or with the performance of the contract generally.

#### 7.16 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.

#### 7.17 Insurance

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

##### 7.17.2 Insurance Coverages And Limits Required:

- a. Worker's Compensation – Statutory requirements and benefits.
- b. Employers Liability – \$100,000.
- c. Commercial General Liability – \$500,000 combined single limit. Commercial General Liability is to include Premises/Operations Liability, Products and Completed Operations Coverage, and Independent Contractor's Liability or Owner's and Contractor's Protective Liability. The Commonwealth of Virginia must be named as an additional insured with respect to the services being procured.
- d. Professional Liability/Errors and Omissions

#### 7.18 Announcement Of Award

Upon the award or the announcement of the decision to award a contract as a result of this solicitation, the purchasing agency will publicly post such notice on the Agency's web site, [www.dhrm.virginia.gov](http://www.dhrm.virginia.gov), for a minimum of 10 days.

#### 7.19 Drug Free Work Place

7.19.1 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 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 provisions will be binding upon each subcontractor or vendor.

7.19.2 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.

## 7.20 Nondiscrimination Of Contractors

7.20.1 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, or disability or against faith-based organizations. If the award of this contract is made to a faith-based organization and an individual, who applies for or received 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.

## 7.21 eVa Business-To-Government Vendor Registration

7.21.1 The eVA Internet electronic procurement solution, web site portal [www.eva.state.va.us](http://www.eva.state.va.us), streamlines and automates government purchasing activities in the Commonwealth. The portal is the gateway for vendors to conduct business with state agencies and public bodies.

7.21.2 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, and complete the Ariba Commerce Services Network registration.

- a. eVA Basic Vendor Registration Service: \$25 Annual Fee plus a Transaction Fee of 1% per order received. The maximum transaction fee is \$500 per order. eVA Basic Vendor Registration Service includes electronic order receipt, vendor catalog posting, on-line registration, and electronic bidding, as they become available.
- b. eVA Premium Vendor Registration Service: \$200 Annual Fee plus a Transaction Fee of 1% per order received. The maximum transaction fee is \$500 per order. 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, and ability to research historical procurement data, as they become available.
- c. Ariba Commerce Services Network Registration. The Ariba Commerce Services Network (ACSN) registration is required and provides the tool used

to transmit information electronically between state agencies and vendors. There is no additional fee for this service.

**Note: Vendors are strongly encouraged to register your company prior to submitting a bid or offer. Failure to register will result in your bid or offer being found non-responsive and rejected. All vendors must register in both the eVA and the Ariba Commerce Services Network Vendor Registration Systems.**

## 8.0 SPECIAL TERMS AND CONDITIONS

### 8.1 Cost Limits

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

### 8.2 Term/Renewal Of Contract

8.2.1 The term of this contract is January 1, 2007 through December 31, 2008 with three one-year renewal options.

8.2.2 This contract may be renewed by the Commonwealth for three (3) 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.

- a. 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 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.
- b. If during any subsequent renewal period, 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 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.

### 8.3 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.

#### 8.4 Payments

Except for Tasks 3.1 and 3.2, 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. Refer to Attachment Three for EDI information.

#### 8.5 Audits

8.5.1 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.

8.5.2 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.

#### 8.6 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 Contracts and Finance. Currently the position is held by Dan Hinderliter.

#### 8.7 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.

#### 8.8 Confidentiality Of Information

8.8.1 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.

8.8.2 The Contractor as an agent of the Department must be HIPAA compliant, including but not limited to privacy and the electronic security requirements, as would be required by the Department for any functions performed under this contract.

#### 8.9 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.

#### 8.10 Force Majeure

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

#### 8.11 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.

#### 8.12 Disputes

8.12.1 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.

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

#### 8.13 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, subContractor or agents of the Contractor.

#### 8.14 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.

#### 8.15 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.

#### 8.16 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

### **PARTICIPATION IN STATE PROCUREMENT TRANSACTIONS**

#### **BY**

#### **SMALL BUSINESSES AND BUSINESSES OWNED BY WOMEN AND MINORITIES**

The following definitions will be used in completing the information required by one or more of the three categories of businesses contained in this Appendix as applicable to your firm: (1) Participation by Small Businesses; (2) Participation by Businesses Owned by Women; and (3) Participation by Businesses Owned by Minorities.

#### **DEFINITIONS**

**Period** is the specified 12-month period for which the information provided in this list is applicable and valid. The period will be specified as month and year.

**Firm Name, Address and Phone Number** is the name, address and business phone number of the small business, women-owned business or minority-owned business with which the Offeror has contracted or done business over the specified period or plans to involve on this contract, as applicable.

**Contact Person** is the name of the individual in the specified small business, women owned business or minority-owned business who would have knowledge of the specified contracting and would be able to validate the information provided in this list.

**Type Goods or Services** is the specific goods or services the Offeror has contracted for from the specified small, women-owned or minority-owned business over the specified period of time or plans to use in the performance of this contract, as applicable. The Offeror will asterisk (\*) those goods and services that are in the Offeror's primary business or industry.

**Dollar Amount** is the total dollar amount (in thousands of dollars) the Offeror has contracted for or has done business with the listed firm during the specified period or plans to use on this contract, as applicable.

**% Total Company Expenditures for Goods and Services** is calculated by dividing the dollar amount of business conducted or contracted for with the indicated firm over the specified period by the total expenditure of the Offeror over the specified period for goods and services.

**% of Total Contract** is calculated by dividing the estimated dollars planned for the indicated firm on this contract by the total Offeror estimated price of this contract.



**1. PARTICIPATION BY SMALL BUSINESSES**

(Continued)

- C. Describe Offeror's plans to involve small businesses in the performance of this contract either as part of a joint venture, as a partnership, as subcontractors or as suppliers. Offerors are encouraged to provide additional information and expand upon the following format:

<b>FIRM NAME, ADDRESS &amp; PHONE NUMBER</b>	<b>CONTACT PERSON</b>	<b>TYPE GOODS/ SERVICES</b>	<b>DOLLAR AMOUNTS</b>	<b>% TOTAL CONTRACT</b>



**2. PARTICIPATION BY BUSINESSES OWNED BY WOMEN**

(Continued)

- C. Describe Offeror's plans to involve businesses owned by women in the performance of this contract either as part of a joint venture, as a partnership, as subcontractors or as suppliers. Offerors are encouraged to provide additional information and expand upon the following format:

<b>FIRM NAME, ADDRESS &amp; PHONE NUMBER</b>	<b>CONTACT PERSON</b>	<b>TYPE GOODS/ SERVICES</b>	<b>DOLLAR AMOUNTS</b>	<b>% TOTAL CONTRACT</b>



**3. PARTICIPATION BY BUSINESSES OWNED BY MINORITIES**

(Continued)

- C. Describe Offeror's plans to involve minority businesses in the performance of this contract either as part of a joint venture, as a partnership, as subcontractors or as suppliers. Offerors are encouraged to provide additional information and expand upon the following format:

<b>FIRM NAME, ADDRESS &amp; PHONE NUMBER</b>	<b>CONTACT PERSON</b>	<b>TYPE GOODS/ SERVICES</b>	<b>DOLLAR AMOUNTS</b>	<b>% OF TOTAL CONTACT</b>

## Attachment Two

### COMMONWEALTH OF VIRGINIA

#### Administrative Services for Retiree Health Benefits Plans

#### Organizational Capabilities Questionnaire

Completion of this schedule's enclosed questionnaire and exhibits in the formats provided will constitute the Technical and Cost Management Capabilities portion of the offeror's Proposal. Completion of the appropriate RFP Attachment Two, Schedules 2-1 through 2-8 is also required for a complete proposal. The contents of the Medical/Surgical Questionnaire are:

Contents	
Questionnaire	A questionnaire that allows each offeror to describe its technical capabilities in general terms (e.g., organization, history, financial stability, etc.) as well as specific areas that will form the evaluation framework for the offeror's proposal (e.g., Network Service and Quality). Sections I through V of the questionnaire constitute the forms and information required for the Technical and Cost Management evaluation. Please complete them in full. The questionnaire will direct the offeror to supporting exhibits that are to be completed in full, in the format provided. The primary exhibit contents are described below. The questionnaire also requests various supplemental exhibits (e.g., Provider Directories). <b>PLEASE NOTE: All exhibits should be placed on the page immediately following the applicable question, NOT in a separate binder or section. The few exceptions to this guideline (e.g., Geo-Access Report) will be clearly noted in the applicable question set.</b>
MEDICAL/SURGICAL Capabilities -- Exhibits	
Exhibit 1	<i>Organization Chart</i>
Exhibit 2	<i>Member Access</i>
Exhibit 3	<i>Patient Satisfaction Standards</i> providing historical results of patient satisfaction surveys (offeror's format, follow instructions in Question III.9.)
Exhibit 4	<i>Standard Reports</i> (follow instructions provided in Question IV.2.)
Cost Forms	Applicable schedules provided in RFP Attachment Three submitted in accordance with instructions in RFP Section 6.0, <i>Form of Response</i> .

## Administrative Services for Retiree Health Benefits Plans Organizational Capabilities Questionnaire

Completion of this questionnaire and its referenced supporting exhibits will constitute each offeror's Technical and Cost Management Capabilities description for the retiree health benefit plans plan described in this RFP:

Please provide a direct response to all of the questions below and follow directions for submission of supporting exhibits. Utilizing the MS Word file you have been provided, restate the question, followed by your response.

**Exhibits should be provided following your questionnaire response.** RFP Attachment Two Schedules referenced herein should be submitted as directed in the RFP Form of Response (Section 6.0) and Attachment Two instructions. If a given response is lengthy or redundant to more than one question, provide a brief cross-reference to an attachment (or the similar response to another question). Your responses should be contained in a loose-leaf notebook and **not be bound**. Data, especially audited data, are preferred to simple assertions. **Charts and well-organized tables or exhibits may serve in lieu of narrative.**

### General

1. a. The RFP describes task and benefit specifications (Section 2.0); Standards of Performance (Section 3.0); and Reporting Requirements (Section 4.0). Under the appropriate evaluation section below, you will be requested to affirm that you will fully comply and meet these specifications as stated. Be advised that failure to identify any deviation in response to the appropriate question constitutes a representation on the offeror's part that the specifications will be met precisely as written. **Your response must also contain any demurrals and the reasons thereof. The absence of demurrals shall constitute a representation that the offeror will provide services and reports exactly as requested by the Department. The absence of clearly stated demurrals in Tab 1 of your proposal, in the form described in Section 6.0 of the RFP, constitutes a representation that the offeror is capable of providing the services and reports exactly as of the day the proposal is submitted.** In the space below, please acknowledge that you understand and have complied with this requirement.
- b. Appendices to this RFP and the CD disk available to prospective offerors contain key claims and enrollment data. The Attachment Two Schedules contain instructions and require the use of certain data and assumptions when completing your offeror's exhibits. If you have any demurrals, as defined above, and/or **not used** the data and/or assumptions, say such here and affirm that you clearly noted the exception in your response to the specific question.
2. Certain of the questions below may cause offerors to provide different answers for the State plan versus The Local Choice plan options. Where this is the case, please clearly distinguish the differences and impact on the respective plans. As your written response to this question, please state below that you understand and have complied with this requirement.
3. Please certify below that you are able to comply with HIPAA's EDI standards.
4. Please certify below that you are able to comply with HIPAA's regulations protecting the privacy of individually identifiable health information, and that you will fully comply with HIPAA's information privacy requirements.
5. You will be expected to sign the HIPAA Privacy and Security Business Associate Agreement with the Commonwealth. The standard document is enclosed with the RFP Attachments. Please state your agreement to do so here.
6. What safeguards do you provide to protect patient privacy?

**I. Organization and Financial Stability (15)**

This section asks offerors to provide a brief background of your organization.

1. Identify the type of Medical network you propose (e.g., PPO, Point of Service, etc.). If any network component is rented, leased, or managed by an affiliate party, identify such here and provide the information below for all parties.
2. Briefly describe your organization's history and parent organizational ties, if applicable.
3. Provide the number of customers and members (or employees -- specify) covered in the Commonwealth of Virginia as of January 1, 2006, as follows:

Plan Type	# Group Plan Customers	# Members	# Employees
Indemnity/PAR			
PPO			
POS			
HMO			

4. Submit evidence of appropriate liability insurance protection.
5. Disclose the nature of any pending judgments for malpractice claims. Are any of the pending judgments considered material by your legal council?
6. As directed in Section 6.0 of the RFP, please submit, under Tab 5 of your proposal, a copy of your most recent audited financial statements (balance sheet, income statement and flow of funds).
7. Please indicate any recent or anticipated changes in the offeror's corporate structure, such as mergers, acquisition, new venture capital, stock issue, etc.
8. Please include three current client references, of a size similar to the enrollment you anticipate under this contract, for whom you provide similar health benefit administration services to those requested in this RFP, preferably public entities, preferably plans with 25,000 or more employees.

8.1 Reference #1	
Name	
Street Address	
City, State, Zip	
Phone Number	
Number of Employees Covered	
Services Provided by Your Organization	

Reference #2	
Name	
Street Address	
City, State, Zip	
Phone Number	
Number of Employees Covered	
Services Provided by Your Organization	

Reference #3	
Name	
Street Address	
City, State, Zip	
Phone Number	
Number of Employees Covered	
Services Provided by Your Organization	

9. Provide two former client references for whom you previously provided similar services. (These references should not represent lost clients due to merger or other neutral causes.)

Reference #1	
Name	
Street Address	
City, State, Zip	
Phone Number	
Number of Employees Covered	
Services Provided by Your Organization	

Reference #2	
Name	
Street Address	
City, State, Zip	
Phone Number	
Number of Employees Covered	
Services Provided by Your Organization	

10. Please provide information as to length of time your firm or organization has been operational in providing managed health benefit plan administration services in the Commonwealth of Virginia.

**II. Qualifications of Staff (10 points)**

This section asks offerors to identify the staff personnel and qualifications for the personnel who will be assigned to this account.

1. Identify the accountable senior person who will be responsible for managing the relationship with the Contractor, including these negotiations.

<b>8.5.1</b>	Senior Account Manager <i>(individual responsible for managing the relationship)</i>	
Title		
Office Location		
Contact E-mail Address		
Contact Phone Number		
Years of Experience		
Years of Service with current company		
# Accounts Currently Servicing		

2. Complete Exhibit 1, an organizational chart that will identify key management personnel (i.e., those who will directly support this contract), including the following information:
  - their dedicated time allocation to this contract,
  - the office locations responsible for managing the various duties associated with fulfilling all of the provisions of this contract, and
  - the number of years of experience in handling contracts similar in scope to the Commonwealth's.

## **Administrative Services for Retiree Health Benefits Plans Organization Chart**

Provide an organizational chart, including title and office location, that:

1. Identifies key personnel, for example, those managers who will directly support this contract, and whose performance appraisal is impacted by their performance on this contract. Do not include first-line supervisor personnel at this point. Be sure to include, at least, the below functions. Also, please indicate the expected percentage of time that each manager will devote to this contract.
  - a. Senior Corporate Officer with ultimate decision-making authority for this contract
  - b. Account Manager
  - c. Network Building/Provider Relations Manager(s)
  - d. Administration Managers (Claims, Billing, etc.)
  - e. Customer Service Manager
  - f. Medical Director
  - g. Utilization Review Director
  - h. Senior Underwriter
2. If in the foreseeable future there is a reasonable chance that any of these individuals will be reassigned, retire, or otherwise be unavailable to fulfill the duties described herein, please identify the replacement(s). Also, provide all of the requested information about any such individual.
3. Provide, as an attachment to your chart, resumes for these individuals. Resumes should clearly identify the number of years performing directly related activities and reference current, similarly situated customers.

3. Claims Adjudicators

- a. How many full-time equivalent (FTEs) claims adjudicators will be assigned to the Commonwealth's contract?
- b. Will these claims adjudicators be dedicated solely to the Commonwealth's contract?
- c. What is your standard for assigning full-time claims adjudicators to the Commonwealth of Virginia's account (i.e., one full-time claims adjudicator per 5,000 covered members)?
- d. What are the qualifications (e.g., educational degrees, years of experience, clients served) of the claims adjudicators to be assigned to the contract?
- e. Do you anticipate hiring additional claims adjudicators to administer the contract? If so, how many?
- f. What type of formal training is done for your claims adjudicators?

4. Customer Service/Call Center Representatives

- a. How many full-time equivalent (FTEs) customer service/call center representatives will be assigned to the Commonwealth's contract?
- b. Will these customer service/call center representatives be dedicated solely to the Commonwealth's contract?
- c. What is your standard for assigning full-time customer service/call center representatives to the Commonwealth of Virginia's account (i.e., one full-time claims adjudicator per 5,000 covered members)?
- d. What are the qualifications (e.g., educational degrees, years of experience, clients served) of the customer service/call center representatives to be assigned to the contract?
- e. Do you anticipate hiring additional customer service/call center representatives to administer the contract? If so, how many?
- f. What type of formal training is done for your customer service/call center representatives?

5. Doctors and Other Professional Staff

- a. Please indicate the number of FTEs and qualifications of doctors and other health care professional staff employed by your company to provide utilization management.
- b. Identify the number of years of clinical experience and experience with a managed care organization for each.
- c. How many doctors and other health care professional staff employed by your company and **located on-site** will be dedicated to the Commonwealth's contract?
- d. What is your standard for assigning FTE doctors employed on-site dedicated to the Commonwealth's contract?
- e. Do you anticipate hiring any additional doctors or other professional staff should you be awarded the Commonwealth's contract?
- f. If so, how many, and what will the primary credentialing and experience requirements be?

**III. Network Service and Quality (20 points)**

This section asks offerors to describe their network capabilities in terms of access to participating providers for the Commonwealth's retirees. This section also asks offerors to describe their capabilities in terms of quality assurance, improvement and planning.

1. Under the network you are proposing, are you willing to assume **ownership** (i.e., responsibility for recruiting providers, exercising quality control, managing service and claim adjudications, and defending actions by allegedly wronged parties)? If not unconditional, describe your conditions for **ownership** in detail. (Note: The Commonwealth **can not** own the network.)
2. Define the scope and availability of your medical network providers by completing a geo-access report with the below access standards. Include, as Exhibit 2, the summary pages for PCP, Specialists and Hospital following this question and include the entire report as an attachment (please note the location of that attachment in your proposal here), and you must provide an electronic file containing the match results. Preferred formats for the electronic file are ASCII (include the file format), Access or Excel.):

Type of Provider	Distance
One acute care hospital	15 miles
Two acute care hospitals	60 miles
One primary care physician	5 miles
Three primary care physicians	15 miles

3. Provide, as a supplemental attachment, your most recent, comprehensive provider directory for the network being offered. Directories should clearly indicate the general areas of the State covered by the directory. Also include provider directories for the areas of Tennessee, Maryland, DC, North Carolina, and West Virginia, where members reside out of state (please note the location of that attachment in your proposal here).
4. For what period of time are your provider contracts generally negotiated? What type of roll-out agreement is included in your provider contract to assure the Commonwealth that providers will continue to treat the Commonwealth's employees until the end of the plan year (June 30 or September 30 for TLC)?
5. What commitment are you willing to make to assure the Commonwealth that a sufficient number of providers will be available to meet the needs of all Commonwealth employees?
6. Please summarize the major elements of your formal quality assurance program. Describe the activities used to assure the minimal standards are met for day-to-day performance.
7. Describe the technical instruments used to measure and continuously monitor information about processes and procedures.
8. Identify the main quality management initiatives planned for 2006 and 2007.
9. Describe your patient satisfaction surveying/assessment methodology. Provide, as Exhibit 3 following this question, the most recent two years' **patient satisfaction** results for the network you are offering.
10. Regarding your proposed customer service function:
  - a. Affirm that you will have a fully trained, dedicated member service function devoted to administration of the Commonwealth's plan.
  - b. Where will the member service unit reside?
  - c. What real-time data will be available to the representatives?

- d. Attach here a list of individuals (i.e., line supervisors and staff) who would be assigned to this member service unit, noting their years of direct experience in member service to large (1,000+ employees) employer plans.

11. Regarding your member service telephone system and service quality performance measures:

- a. What is your definition of a call (e.g., if a busy signal or the call is never answered, does it get recorded as a call unanswered or abandoned call)? What was the abandoned call rate in 2005 for the customer service unit proposed for this contract?
- b. How do you measure average speed of answer? Define the points at which the clock begins and stops. What was the average speed of answer rate in 2005 for the customer service unit proposed for this contract?
- c. How are calls resolved measured and tracked? For example, member Doe calls on day one inquiring about an unprocessed claim and is told it would be researched and someone would call back in two days. Three days pass and member Doe has to call again on the same issue. The issue is resolved. Is this one call episode taking three days (or two calls) to resolve or two calls resolved at once? What was the call resolution performance in 2005 for the customer service unit proposed for this contract?
- d. How are unresolved calls measured and tracked? Is there any time limitation on the reporting and tracking of an unresolved call?

12. Identify any member service factors not provided in the response to the above questions that you believe make you uniquely qualified to administer the Commonwealth's retiree health benefits plan.

#### IV. Administrative Capability (30 points)

This section asks offerors to describe their customer service standards, results and management process, as well as their administrative/systems capabilities and to affirm standards of performance identified in RFP Section 3.0. It also requests your standard benefit adjudication practices for certain types of claims.

##### Administrative Capability

1. Describe your current automated information management system. How long has your current system been fully operational?
2.
  - a. Affirm below that you can meet all of the **standards of performance** detailed in RFP Section 3.0, and provide reports verifying results.
  - b. Affirm that you will comply with Schedule of Liquidated Damages described in RFP Section 3.0.
  - c. List here the standard reports you can provide to the Commonwealth to demonstrate you are meeting these. Provide samples as a supplementary attachment and state the location of that attachment in your proposal here.
  - d. Provide in the chart below your 2005 calendar year results for each of the performance standards. For any that are not measured, note N/M in the box. For any that are measured in a different manner, explain the measurement and provide the results.

RFP Sub-Section	Standard	Can Report (Samples Attached)		2005 Results
		Yes	No	
3.2	Accurate claim processing			
3.3	COB Savings (non-Medicare)			
3.6	Invoice processing			
3.5	Late/missing reports			
3.7	Inaccurate premium projections	N/A	N/A	N/A

3. Affirm that you can meet all of the RFP administrative tasks and specifications (Section 2.0), reporting requirements (Section 4.0) and the *Special Terms and Conditions* (Section 8.0).
4. Affirm that you will be able to produce an annual HEDIS Report (or a Department approved alternative) for the Commonwealth of Virginia.
5. Provide a brief summary below, and complete descriptions as supplemental attachments, of the following administrative processes and systems. Carefully annotate which processes are automated and which are manual and where the systems/people interfaces occur:
  - a. **Customer Services:** Describe your processes and controls in providing member services (by phone, letter, in person and/or on-line). Include the functions of: (1) inquiries on benefit and provider information; and (2) handling complaints on providers, administrative/service issues, and/or claim appeals.
  - b. **Claim Processing and Utilization Monitoring:** Describe the claim processing system for in-network and out-of-network claims.
    - 8.5.1 Describe how records are maintained, backed up, stored, and retrieved. (Include any provisions for recovery from disaster)

8.5.1 Explain how records are secured and how confidentiality of information is protected

8.5.1 The security of the system, including safeguards against employee embezzlement and theft are very important

8.5.1 Supply a sample EOB with EOB messages.

8.5.1 Include a detailed description of the edits used to ensure the integrity of the data and to guard against duplicate payments

8.5.1 Describe coordination of benefits (COB) procedures

- c. **Membership Accounting Services:** Describe the billing processes for the State plan, and the Local Choice, and COBRA requirements described in RFP Section 2.0. Be sure to clearly state the services (e.g., number of bills) that are included in your cost proposal versus those at an additional charge. Any additional charges identified must be completely cross-referenced to your response to the cost attachments (i.e., if you describe an optional service or incremental cost to service transactions above a certain amount at \$X fee, that service and fee must be included in your cost attachment under an optional label).
- d. **Systems Development:** Provide the implementation date of the most recent substantive changes to your administration systems. If a future change is contemplated between this date and July 1, 2007, please provide a brief description of the changes and implementation dates.

6. Affirm here that you will meet the claim file mandatory requirement described in paragraph 2.1.0

### **Benefit Adjudication**

Using the plan of benefits you are proposing in your response, please explain in detail how the following would be paid:

- 7. A maternity claim. Start from conception and conclude at the end of the post-partum period. Assume normal delivery. What would the plan pay? What would be the responsibility of the employees? Include all hospital, physician and diagnostic x-ray and lab charges.
- 8. A nuclear imaging test. What would the plan pay? What would be the responsibility of the employees? Include all hospital, physician and diagnostic x-ray and lab charges.
- 9. A simple blood test performed in a physician's office
- 10. An injection (i.e. allergy, therapeutic, etc.) administered by a physician
- 12. An injection administered by a nurse in a physician's office
- 13. Organ and tissue transplants services, including complications that may arise. Include the types of transplants you will cover. How are the expenses of the donor handled, including those for the identification of a suitable donor?
- 14. The services for the diagnosis and treatment of Infertility. Include all hospital, physician and diagnostic x-ray and lab services, including any exclusions.

## **V. Benefit Cost Management, Risk-Sharing, and Administrative Cost (20 points)**

This section asks offerors to describe their capabilities in terms of controlling medical plan cost through proven managed care initiatives, as well as development and implementation of next generation capabilities such as disease management and consumer drive.

### ***Utilization Review***

1. Describe in detail your pre-admission and continued hospital stay certification process for inpatient care, including the nature and timing of the contact with the provider(s) and the patient.
2. How are the specifications of approved treatment formally communicated to the provider, the treatment facility and to the patient?
3. How do the certification and notification processes differ between in-network, out-of-network and out-of-area providers? Provide examples.
4. During what hours of the day are pre-admission and continued hospital stay certification services provided?
5. How is an emergency inpatient admission defined and how is it certified (during regular hours and during weekends or after hours)? Please include any differences between certifying an admission to in-network and out-of-network facilities.
6. Explain your standard procedures for coordinating utilization review with the Commonwealth's mental health and substance abuse (MISA) administrator, including a description of the responsibilities and authority of that administrator and your organization.

### ***Disease Management***

7. Provide a brief (100 words or less) description of your disease management function including number of years providing services, ownership, number of programs and total number of members enrolled in all programs as of January 1, 2006.
8. Provide the current scope of your disease management services by completing the table on the next page.

8.5.1.1.1.7 CONDITION	# ENROLLED	YEAR SERVICE STARTED
Asthma		
Cancer		
Cardiovascular Disease		
Congestive Heart Failure		
Chronic obstructive pulmonary disease		
Depression		
Diabetes		
Eating Disorders		
End Stage Renal Disease		
High Risk Pregnancy		
Hypertension		
HIV/AIDS		
Low Back Problems		
Obesity		
Osteoporosis		
Other (specify)		

9. Please complete the table below, checking the sources used to identify disease management candidates and the appropriate systems linkage status:

8.5.1.1.1.7.1 SOURCE	CLAIMS SYSTEMS FEEDS IDENTIFICATION REPORT	
	YES	NO
Medical/surgical Claims Data		
Prescription Drug claims		
Laboratory Claims Data		
Physician Referrals		
Hospital Review Referrals		
Patient Referrals		
Case Management Referrals		
Demand Management Referrals		
Health Risk Appraisals		

10. Do you use predictive modeling technology for any/all of your current DM conditions? If yes, provide a brief (200 words or less) description of the technology including length of time implemented, whether clinical risk

and financial cost per individual is a standard output and the degree of integration between prescription drug and medical claims systems.

11. How are your patient participation rates measured? Show the results for the most recent two years by completing the table below:

	2004	2005
Eligible Population		
Number Targeted for DM		
Actual Participants		
% Participation		

12. Which of the following process and outcome measures are you able to track, monitor and report?

	8.5.1.1.1.7.1.1 TRACK, MONITOR AND REPORT
Admission Rates	
Clinical Outcomes	
Compliance with Medication	
Compliance with Treatment	
Cost per Patient per Month	
Emergency Room Use	
Physician Office Visit Rate	
Inpatient Length of Stay	
Participation Rate	
Quality of Life	
Readmission Rates	
Patient Compliance is Measured	

13. Briefly (200 words or less) describe your most noteworthy disease management program achievement in the past two years.

14. **Cost**

15. Submit your cost proposal in accordance with the instructions contained in Attachment 3.

16. Complete the Trend and Network Utilization table below. Be sure the combined trend figures are consistent with the information provided in Schedule 2-3 of Attachment 3 and the trend factors used to develop your PMPM costs in Schedule 2-1.

<b>Overall Virginia Network Annual Trend Utilization Results and Projections (%)</b>			
<b>Network Type – Exclude Drug</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
PAR or Indemnity			
PPO			
HMO			

Attachment Four

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

H I PAA Privacy  
Business Associate  
Agreement  
With  
(Insert Company Name)

Effective Date:  
(Insert Date)

## 1. PREAMBLE

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

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

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

## II. DEFINITIONS

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

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

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

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

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

### **III. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE**

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

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

#### **IV. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE**

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

#### **V. OBLIGATIONS OF THE COVERED ENTITY**

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

## VI. TERM AND TERMINATION

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

## VII. MISCELLANEOUS

- (a) *Regulatory References.* A reference in this Agreement to a section in the Privacy Rule means the section as in effect or as amended and for which compliance is required.
- (b) *Amendment.* The Parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Rule and the Health Insurance Portability and Accountability Act, Public Law 104-191.
- (c) *Survival.* The respective rights and obligations of Business Associate under Section VI(c)(i)&(ii) of this Agreement shall survive the termination of this Agreement.
- (d) *Interpretation:*
  - (i) Any ambiguity in this Agreement shall be resolved in favor of a meaning that permits Covered Entity to comply with the Privacy Rule.
  - (ii) In the event of an inconsistency between the provisions of this Agreement and the Privacy Rule, as may be amended from time to time, as a result of interpretations by HHS, a court, or another regulatory agency with authority over the Parties, the interpretation of HHS, such other court or regulatory agency shall prevail.
  - (iii) In the event provisions of this Agreement differ from those mandated by the Privacy Rule but are nonetheless permitted by the Rule, the provisions of this Agreement shall control.

- (e) *Complete Integration.* This Agreement constitutes the entire agreement between the parties and supersedes all prior negotiations, discussions, representations, or proposals, whether oral or written, unless expressly incorporated herein, related to the subject matter of the Agreement. Unless expressly provided otherwise herein, this Agreement may not be modified unless in writing signed by the duly authorized representatives of both parties. If any provision or part thereof is found to be invalid, the remaining provisions shall remain in full force and effect.
  
- (f) *Successors and Assigns.* This Agreement will inure to the benefit of and be binding upon the successors and assigns of Covered Entity and Business Associate. However, this Agreement is not assignable by either party without the prior written consent of the other party, except that Business Associate may assign or transfer this Agreement to any entity owned or under common control with Business Associate.
  
- (g) *Limitation of Liability.* Except as otherwise provided for in the Privacy Rule, neither party shall be liable for other party's loss of profits, attorney's fees or interest, or for any incidental, indirect, special, or consequential damages as a result of this Agreement.
  
- (h) *No Third Party Beneficiaries.* Except as expressly provided for in the Privacy Rule, there are no third party beneficiaries to this Agreement. Business Associate's obligations are to Covered Entity only.
  
- (i) *Confidentiality.* Except as otherwise provided for in the Privacy Rule or this Agreement, neither party will disclose the terms of this Agreement to any third party without the other party's written consent.
  
- (j) *Counterparts.* This Agreement may be executed in two or more counterparts, each of which may be deemed an original.

**VIII. ACKNOWLEDGEMENT AND SIGNATURES**

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

For :	For Department of Human Resource Management
By:	By:
Print Name:	Print Name: Sara Redding Wilson
Title:	Title: Director
Date:	Date:







