



STATE OF TENNESSEE
RFP # 31786 - 00102
AMENDMENT # 1

September 11, 2009

THE SUBJECT RFP IS HEREBY AMENDED AS FOLLOWS.

1. The following RFP Schedule of Events updates or confirms scheduled RFP dates.

EVENT	TIME	DATE	UPDATED / CONFIRMED
1) State Issues RFP		September 9, 2009	CONFIRMED
2) Disability Accommodation Request Deadline	2:00 p.m.	September 14, 2009	CONFIRMED
3) Pre-proposal Conference	1:00 p.m.	September 15, 2009	CONFIRMED
4) Notice of Intent to Propose Deadline	2:00 p.m.	September 16, 2009	CONFIRMED
5) Written Comments Deadline	2:00 p.m.	September 23, 2009	CONFIRMED
6) State Responds to Written Comments		October 7, 2009	CONFIRMED
7) Proposal Deadline	2:00 p.m.	October 21, 2009	CONFIRMED
8) State Completes Technical Proposal Evaluations		November 2, 2009	CONFIRMED
9) State Opens Cost Proposals & Calculates Scores	2:00 p.m.	November 3, 2009	CONFIRMED
10) State Issues Evaluation Notice & Opens RFP Files for Public Inspection	2:00 p.m.	DAY AFTER INSURANCE COMMITTEES AWARD OF CONTRACT	CONFIRMED
11) Contract Signing		8 BUSINESS DAYS LATER	CONFIRMED
12) Contract Signature Deadline	2:00 P.M.	1 BUSINESS DAY LATER	CONFIRMED
13) Contract Start Date		December 1, 2009	CONFIRMED

2. Delete RFP Section 1.7 in its entirety and insert the following in its place:

1.7. Pre-Proposal Conference

A Pre-Proposal Conference will be held at the time and date detailed in the RFP Section 2, Schedule of Events. Pre-Proposal Conference attendance is not mandatory, and potential proposers may be limited to a maximum number of attendees depending upon overall attendance and space limitations.

The conference will be held at:

Tennessee Department of Finance & Administration
 Benefits Administration Division
 William R. Snodgrass Tennessee Tower
 3rd Floor – Montgomery Room
 312 Rosa L. Parks Avenue
 Nashville, Tennessee 37243

Telephone: 615.253.8358

Please enter the building on the Seventh Avenue side (adjacent to War Memorial Plaza). Check in at the security desk on the Third Floor. Arrive early due to heightened security. You must show a photo ID. You will pass a set of double doors on the right side, at the second set of double doors on the right the wall is posted Conference Center North. Enter at that point and the Montgomery room is the first room on the left.

The purpose of the conference is to discuss the RFP scope of services. The State will entertain questions, however potential proposers must understand the State's response to any question at the Pre-Proposal Conference to be tentative and non-binding. Potential proposers should submit questions concerning the RFP in writing and must submit them prior to the Written Comments Deadline date detailed in the RFP Section 2, Schedule of Events. The State will send the official response to questions to potential proposers as indicated in RFP Section 1.4.6. and on the date detailed in the RFP Section 2, Schedule of Events.



**STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION**

**REQUEST FOR PROPOSALS
FOR
PHARMACY BENEFITS MANAGEMENT**

RFP # 31786 – 00102

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1. INTRODUCTION

The State of Tennessee, the State, Local Education, and Local Government Insurance Committees, hereinafter referred to as "the State," has issued this Request for Proposals (RFP) to define minimum service requirements; solicit proposals; detail proposal requirements; and, outline the State's process for evaluating proposals and selecting a contractor to provide the needed service.

Through this RFP, the State seeks to buy the best services at the most favorable, competitive prices and to give ALL qualified businesses, including those that are owned by minorities, women, persons with a disability, and small business enterprises, opportunity to do business with the state as contractors and sub-contractors.

1.1. Statement of Procurement Purpose

The State intends to secure a contract with a single Pharmacy Benefits Manager (PBM), for the provision of pharmacy benefit account management, network and formulary management, custom clinical programs as required, disease management programs as required, and a state-of-the-art online Point-of-Sale (POS) pharmacy claims processing system. The PBM shall manage a broad national pharmacy network and a statewide Any Willing Provider pharmacy network of retail, 90-day-at-retail, mail order and specialty pharmacies. The POS system shall include prospective/concurrent drug utilization review (DUR), retrospective drug utilization review (Retro-DUR), reporting capabilities, adjudication capabilities, and full pharmacy benefit member services for retail, 90-day-at-retail, mail order and specialty pharmacy benefits, as described later in the RFP for members of the Public Sector Plans. The Contractor shall perform all services described in the Scope of Services of the pro forma contract (RFP Attachment 6.6) thirty (30) days prior to the go-live date specified in Contract Section A.30. (Project Deliverables /Milestones).

Background and Context

Presently prescription drug benefits are provided through the Managed Care Organizations for each of the individual self-insured Public Sector health plan options. The purpose of this RFP is to "carve-out", under one contract, the administration of the pharmacy benefit to one PBM. Prescription drug benefits for the Public Sector Plans requested under this RFP and as defined in the *Pro Forma* Contract for the Public Sector Plans (contained in Attachment 6.6), will be provided to the three separate but coordinated benefit governing bodies charged with the responsibilities of providing benefit plans to the three separate public sector employer groups. The State Insurance Committee, through the State Group Insurance Plan, provides benefits to state and higher education employees, retirees and COBRA participants and their dependents. The Local Education Insurance Committee, through the Local Education Group Insurance Plan, provides benefits to 127 local education agencies (public school systems) and educational co-ops. The Local Government Insurance Committee, through the Local Government Group Insurance Plan, provides benefits to 408 local government and quasi-governmental entities in Tennessee. See the 2008 Annual Program and Financial Report, State Group Insurance Program, for a description of program and plan information. The report can be accessed at www.state.tn.us/finance/ins/ins.html. Click on the *Publications and Forms* button, then click on *Publications*.

The State Group Insurance Plan currently provides medical coverage to approximately 74,000 State employees, retirees under age 65 and their eligible dependents (approximately 152,000 total lives) through three self-funded health plan options: a Preferred Provider Plan (PPO), a Point of Service Plan, and a Health Maintenance Organization (HMO). BlueCross BlueShield of Tennessee administers the statewide PPO plan. CIGNA Healthcare administers the Point of Service plan options in the Central, Western and Eastern Point of Service areas of the state. United Healthcare administers the HMO offering in each of the Chattanooga, Knoxville, and Tri-Cities service areas. CIGNA Healthcare administers the HMO offering in the Nashville and Memphis service areas. The State, as the employer, contributes monthly to premiums for the HMO and Point of Service coverage an amount equal to the monthly contribution to premiums of the cost the basic PPO plan. Approximately \$730 million in claims were paid under these plan options during calendar year 2008.

As a supplement to the medical plan the State has, since 1995, carved out an integrated employee assistance program (EAP) and mental health and substance abuse benefit. Presently Magellan Health Services administers the statewide EAP and the mental health benefits for the self-insured PPO, Point of

Service and HMO plan options. An employee wellness program, administered by Healthways HealthTrends, Inc., is available to Central State employees only. State Group Insurance Plan members and retirees are offered the two optional dental plans, a prepaid dental plan provided by Union Security Insurance Company and a preferred dental organization plan administered by Delta Dental Plan of Tennessee.

The Local Education Group Insurance Plan is a financially separate, self-funded program, which offers the same health benefits (PPO, Point of Service and HMO options) as the State Plan, but to 127 Local Education Agency employees and retirees. Enrollment as of November 30, 2008, was approximately 55,000 employees/retirees with a total of over 104,000 covered lives. The majority of employees are teachers; the balance is comprised of administrators, cafeteria workers, maintenance and other support personnel. Additionally, about 4,900 retirees under age 65 participate in the Plan. Approximately \$445 million in claims were paid under these plan options during calendar year 2008. In addition to health insurance coverage, Local Education Agencies are offered the two optional dental plans, a prepaid dental plan provided by Union Security Insurance Company and a preferred dental organization plan administered by Delta Dental Plan of Tennessee.

The Local Government Group Insurance Plan is also a financially separate, self-funded program, available to employees of 408 local governments or quasi-governmental entities in Tennessee who elect to secure health insurance coverage through this plan. The health benefits (PPO, Point of Service and HMO) and their administrators are identical to those under the State and Local Education Plans. The Plan began in July 1991 and as of November 30, 2008 there were approximately 13,000 employees, and 19,000 covered lives, enrolled in the plan options. Approximately \$98 million in claims were paid under these plan options during calendar year 2008. In addition to health insurance coverage, Local Government Agencies are offered the two optional dental plans provided by Union Security Insurance Company and Delta Dental Plan of Tennessee.

Beginning in May 2008, Benefits Administration launched a strategic planning process for the Public Sector Plans. This planning process involved extensive discussions with all of the stakeholders, and it generated a substantial number of ideas for improvements to the plan structure and design.

Through this process, the Benefits Administration and the Insurance Committees identified several key goals for the benefits options redesign. These include:

- Addressing key drivers of health care costs with proven cost containment and health management practices;
- Modernizing benefits options design and contribution strategy;
- Encouraging and rewarding member engagement for healthy lifestyle choices and effective health care delivery;
- Leveraging the State's purchasing power and vendor core competencies; and
- Increasing the value of the benefits options to members.

Based on these discussions and subsequent analyses, the State is currently developing the framework for the Public Sector Plan redesign and a related health care procurement strategy. For reference, Appendix 7.2 summarizes the details of the current benefit options. Benefits Administration is planning to implement several changes to the current benefit options for the 2010 plan year (beginning January 1, 2010) and then transition to the redesigned benefit options for the 2011 plan year (beginning January 1, 2011). The State will therefore be communicating with members about a variety of changes to the Public Sector Plans over the course of the coming months.

The State's health care procurement strategy will leverage several opportunities to achieve greater efficiencies including:

- Carve-outs of Pharmacy Benefits Manager (PBM) in 2010, and the possibility of carving out disease management in 2011 (see table below);

Pharmacy (2010)	Carve out to specialty vendor
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Third Party Administrator (2011)	Two carriers administer all benefit options statewide
Health Management (2011)	Carve out to specialty vendor. Includes wellness, prevention, disease management, quality reviews, provider profiling and intervention.
Mental Health/Substance Abuse & Employee Assistance Program (2012)	Carve out to specialty vendor

- Capability to standardize, and therefore better manage wellness, prevention, and disease management through carve out to specialty vendor;
- Capability to more fully integrate medical and behavioral health care delivery at the primary care level, with continued specialty support through the existing Mental Health/Substance Abuse & Employee Assistance Program carve out; and
- Capability to "layer in" even lower cost-sharing for members receiving services for "high performing provider network (*i.e.*, networks of providers who adhere to evidence-based medicine guidelines and other delivery standards)".

For reference, the core components of the redesigned benefit options (for implementation in 2011) include:

- Preservation of the "best" or "richest" benefit option that is currently available;
- Greater differentiation in benefit options and resultant price points;
- Choice of two Statewide third party administrators;
- Preventive care at no cost to members;
- Preservation of key financial protections for members:
- Smoothed, four-tier premium structure:
 - Single;
 - Employee + spouse;
 - Employee + child(ren); and
 - Employee + spouse + child(ren);
- New wellness credits, including potential incentives for members to complete personal health profile (and in future years, biometric screening and participation in indicated disease management programs)

Effective January 1, 2009 the State changed the benefits for certain diabetic drugs and supplies. The following items no longer require a member coinsurance or copayment if obtained in-network: Diabetic oral medications - Tier 1(generic) and Tier 2 (Preferred Brand); Insulin - tier 1 (Generic) and Tier 2 (Preferred Brand) and; Diabetic supplies - Lancets, Test Strips, and Syringes (needles). Beginning May 1, 2009 the State removed all brand name Proton Pump Inhibitors (PPIs) from the Public Sector Plan formularies. The State also plans to work with the new PBM Contractor to implement a Step Therapy program, effective on the go-live date of this Contract, which targets all brand drugs in the following drug classes: PPIs, Angiotensin Receptor Blockers (ARBs), Angiotensin Converting Enzyme Inhibitors (ACE inhibitors), as well as cholesterol lowering medications. Given the changes surrounding the PPIs on May 1, 2009, the State intends to allow members using PPIs after the go-live date of this contract to be grandfathered in, meaning they will not be subject to the new Step Therapy program for PPIs, which will be implemented under this contract.

To allow for smooth implementation of the new plan design, the State may request an exemption from the recently enacted requirements of the Mental Health Parity and Addiction Equity Act (MHPAEA). Under the MHPAEA, certain plans that provide mental health benefits or substance abuse disorder benefits must provide such benefits at parity with medical/surgical benefits. Self-funded non-federal governmental plans (such as the Public Sector Plans) may seek annual exemptions from the newly enacted MHPAEA requirements (and similar provisions). The State plans to implement the full parity requirements when the new Mental Health/Substance Abuse & Employee Assistance Program contract is implemented.

1.1.1 Claims Data

Public Sector Plan claims data for the fourth quarter of calendar year 2008 and the first quarter of calendar year 2009 will be provided to each proposer upon written request (e-mail acceptable). Proposers must contact the RFP Coordinator listed in 1.4.2.1. to obtain this information. Proposers must use the First DataBank (FDB) and Medi-Span pre-settlement Average Wholesale Price (AWP) methodology for all cost proposal calculations submitted in the Cost Proposal submitted to the State for evaluation.

1.2. Scope of Service, Contract Period, & Required Terms and Conditions

The RFP Attachment 6.6., *Pro Forma* Contract details the State's required:

- Scope of Services and Deliverables (Section A);
- Contract Period (Section B);
- Payment Terms (Section C);
- Standard Terms and Conditions (Section D); and,
- Special Terms and Conditions (Section E).

The *pro forma* contract substantially represents the contract document that the successful Proposer must sign.

1.3. Nondiscrimination

No person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of a Contract pursuant to this RFP or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by federal, Tennessee state constitutional, or statutory law. The Contractor pursuant to this RFP shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

1.4. RFP Communications

- 1.4.1. The State has assigned the following RFP identification number that must be referenced in all communications regarding this RFP:

RFP # 31786 – 00102

- 1.4.2. **Unauthorized contact about this RFP with employees or officials of the State of Tennessee except as detailed below may result in disqualification from consideration under this procurement process.**

- 1.4.2.1. Potential proposers must direct communications relating to this RFP to the following person designated as the RFP Coordinator.

Marlene D. Alvarez, Procurement and Contracting
Tennessee Department of Finance & Administration
Division of Benefits Administration
William R. Snodgrass Tennessee Tower
312 Rosa L. Parks Avenue, Suite 2600

Nashville, Tennessee 37243
marlene.alvarez@tn.gov
Telephone: 615.253.8358
Fax: 615.253.8556

1.4.2.2. Notwithstanding the foregoing, potential proposers may contact:

- a. staff of the Governor's Office of Diversity Business Enterprise for assistance available to minority-owned, women-owned, and small businesses as well as general, public information relating to this RFP; and
- b. the following individual designated by the State to coordinate compliance with the nondiscrimination requirements of the State of Tennessee, Title VI of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, and associated federal regulations:

Greg Spradley
Senior Management Consultant
Tennessee Department of Finance & Administration
Office of Consulting Services
312 Rosa L. Parks Avenue, Suite 1200
Nashville, Tennessee 37243
Phone: 615.253.8703
Fax: 615.532.1892
Greg.Spradley@tn.gov
http://www.state.tn.us/finance/rds/consulting_services_home.html

- 1.4.3. Only the State's official, written responses and communications will be binding with regard to this RFP. The State will consider oral communications of any type to be unofficial and non-binding.
- 1.4.4. Potential proposers must ensure that the State receives all written comments, including questions and requests for clarification, no later than the Written Comments Deadline detailed in the RFP Section 2, Schedule of Events.
- 1.4.5. Proposers must assume the risk of the method of dispatching any communication or proposal to the State. The State assumes no responsibility for delays or delivery failures resulting from the method of dispatch. Actual or digital "postmarking" of a communication or proposal to the State by a specified deadline date will not substitute for the State's actual receipt of a communication or proposal.
- 1.4.6. The State will convey all official responses and communications related to this RFP to the potential proposers from whom the State has received a Notice of Intent to Propose (refer to RFP Section 1.8.).
- 1.4.7. The State reserves the right to determine, at its sole discretion, the method of conveying official, written responses and communications related to this RFP. Such written communications may be transmitted by mail, hand-delivery, facsimile, electronic mail, Internet posting, or any other means deemed reasonable by the State.
- 1.4.8. The State reserves the right to determine, at its sole discretion, the appropriate and adequate responses to written comments, questions, and requests related to this RFP. The State's official, written responses will constitute an amendment of this RFP.
- 1.4.9. Any data or factual information provided by the State (in this RFP, an RFP amendment or any other communication relating to this RFP) is for informational purposes only. The State will make reasonable efforts to ensure the accuracy of such data or information, however it is within the discretion of Proposers to independently verify any information before relying thereon.

1.5. Assistance to Proposers With a Disability

Potential proposers with a disability may receive accommodation relating to the communication of this RFP and participating in the RFP process. Potential proposers may contact the RFP Coordinator to request such reasonable accommodation no later than the Disability Accommodation Request Deadline detailed in the RFP Section 2, Schedule of Events.

1.6. Proposer Required Review & Waiver of Objections

- 1.6.1. Each potential proposer must carefully review this RFP, including but not limited to, attachments, the RFP Attachment 6.6., *Pro Forma* Contract, and any amendments, for questions, comments, defects, objections, or any other matter requiring clarification or correction (collectively called "questions and comments").
- 1.6.2. Any potential proposer having questions and comments concerning this RFP must provide such in writing to the State no later than the Written Comments Deadline detailed in the RFP Section 2, Schedule of Events.
- 1.6.3. Protests based on any objection shall be considered waived and invalid if the objection has not been brought to the attention of the State, in writing, by the Written Comments Deadline.

1.7. Pre-Proposal Conference

A Pre-Proposal Conference will be held at the time and date detailed in the RFP Section 2, Schedule of Events. Pre-Proposal Conference attendance is not mandatory, and potential proposers may be limited to a maximum number of attendees depending upon overall attendance and space limitations.

The conference will be held at:

Tennessee Department of Finance & Administration
Benefits Administration Division
William R. Snodgrass Tennessee Tower
26th Floor - Conference Room North
312 Rosa L. Parks Avenue
Nashville, Tennessee 37243

Telephone: 615.253.8358

Please enter the building on the Seventh Avenue side (adjacent to War Memorial Plaza). Check in at the security desk. Arrive early due to heightened security. You must show a photo ID. Proceed to the Elevators to the right just beyond the escalators. Enter the elevators and select floor 26. Once on the 26th floor, follow the posted signs to the Front Desk Secretary for check-in.

The purpose of the conference is to discuss the RFP scope of services. The State will entertain questions, however potential proposers must understand the State's response to any question at the Pre-Proposal Conference to be tentative and non-binding. Potential proposers should submit questions concerning the RFP in writing and must submit them prior to the Written Comments Deadline date detailed in the RFP Section 2, Schedule of Events. The State will send the official response to questions to potential proposers as indicated in RFP Section 1.4.6. and on the date detailed in the RFP Section 2, Schedule of Events.

1.8. Notice of Intent to Propose

Before the Notice of Intent to Propose Deadline detailed in the RFP Section 2, Schedule of Events, potential proposers should submit to the RFP Coordinator a Notice of Intent to Propose (in the form of a simple e-mail or other written communication). Such notice should include the following information:

- the business or individual's name (as appropriate)
- a contact person's name and title
- the contact person's mailing address, telephone number, facsimile number, and e-mail address

A Notice of Intent to Propose creates no obligation and is not a prerequisite for making a proposal, however, it is necessary to ensure receipt of any RFP amendments or other notices and communications relating to this RFP.

1.9. Proposal Deadline

A Proposer must ensure that the State receives a proposal no later than the Proposal Deadline time and date detailed in the RFP Section 2, Schedule of Events. A proposal must respond, as required, to this RFP (including its attachments) as may be amended. The State will not accept late proposals, and a Proposer's failure to submit a proposal before the deadline will result in disqualification of the proposal.

2. RFP SCHEDULE OF EVENTS

2.1. The following RFP Schedule of Events represents the State's best estimate for this RFP.

EVENT	TIME (central time zone)	DATE (all dates are state business days)
1. RFP Issued		September 9, 2009
2. Disability Accommodation Request Deadline	2:00 p.m.	September 14, 2009
3. Pre-proposal Conference	1:00 pm	September 15, 2009
4. Notice of Intent to Propose Deadline	2:00 p.m.	September 16, 2009
5. Written "Questions & Comments" Deadline	2:00 p.m.	September 23, 2009
6. State Response to Written "Questions & Comments"		October 7, 2009
7. Proposal Deadline	2:00 p.m.	October 21, 2009
8. State Completion of Technical Proposal Evaluations		November 2, 2009
9. State Opening & Scoring of Cost Proposals	2:00 p.m.	November 3, 2009
10. State Evaluation Notice Released <u>and</u> RFP Files Opened for Public Inspection	2:00 p.m.	DAY AFTER INSURANCE COMMITTEES AWARD OF CONTRACT
11. Contract Signing		8 BUSINESS DAYS LATER
12. Contractor Contract Signature Deadline	2:00 p.m.	1 BUSINESS DAY LATER
13. Contract Start Date		December 1, 2009

2.2. **The State reserves the right, at its sole discretion, to adjust the RFP Schedule of Events as it deems necessary.** Any adjustment of the Schedule of Events shall constitute an RFP amendment, and the State will communicate such to potential proposers from whom the State has received a Notice of Intent to Propose (refer to section 1.8.).

3. PROPOSAL REQUIREMENTS

3.1. Proposal Form

A response to this RFP must consist of two parts, a Technical Proposal and a Cost Proposal.

- 3.1.1. **Technical Proposal.** The RFP Attachment 6.2., Technical Proposal & Evaluation Guide details specific requirements for making a Technical Proposal in response to this RFP. The guide includes mandatory requirement items, general qualifications and experience items, and technical qualifications, experience, and approach items all of which must be addressed with a written response and, in some instances, additional documentation.

NOTICE: A technical proposal must not include any pricing or cost information. If any pricing or cost information amounts of any type (even pricing relating to other projects) is included in any part of the technical proposal, the state will deem the proposal to be non-responsive and reject it.

- 3.1.1.1. A Proposer must use the RFP Attachment 6.2., Technical Proposal & Evaluation Guide to organize, reference, and draft the Technical Proposal by duplicating the attachment, adding appropriate proposal page numbers as required, and using the guide as a table of contents covering the Technical Proposal.

- 3.1.1.2. A proposal should be economically prepared, with emphasis on completeness and clarity. A proposal, as well as any reference material presented, must be written in English and must be written on standard 8 ½" x 11" pages single spaced, single sided and with text no smaller than 11-point font (although oversize exhibits are permissible). All proposal pages must be numbered, have minimum margins of three-quarters (¾") of an inch and be identified with the proposer's name.

- 3.1.1.3. All information and documentation included in a Technical Proposal should respond to or address a specific requirement detailed in the RFP Attachment 6.2., Technical Proposal & Evaluation Guide. All information must be incorporated into a response to a specific requirement and clearly referenced. Any information not meeting these criteria will be deemed extraneous and will not contribute to evaluations.

- 3.1.1.4. The State may determine a proposal to be non-responsive and reject it if:

- a. the Proposer fails to organize and properly reference the Technical Proposal as required by this RFP and the RFP Attachment 6.2., Technical Proposal & Evaluation Guide; or
- b. the Technical Proposal document does not appropriately respond to, address, or meet all of the requirements and proposal items detailed in the RFP Attachment 6.2., Technical Proposal & Evaluation Guide.

- 3.1.2. **Cost Proposal.** A Cost Proposal must be recorded on an exact duplicate of the RFP Attachment 6.3., Cost Proposal & Scoring Guide and PBM Cost Proposal Spreadsheets.

NOTICE: If a proposer fails to submit a cost proposal exactly as required, the state will deem the proposal to be non-responsive and reject it.

- 3.1.2.1. A Proposer must only record the proposed cost exactly as required by the RFP Attachment 6.3., Cost Proposal & Scoring Guide and PBM Cost Proposal Spreadsheets and must NOT record any other rates, amounts, or information.

3.1.2.2. The proposed cost shall incorporate ALL costs for services under the contract for the total contract period.

3.1.2.3. A Proposer must sign and date the Cost Proposal.

3.1.2.4. A Proposer must submit the Cost Proposal to the State in a sealed package separate from the Technical proposal (as detailed in RFP Sections 3.2.3., *et seq.*).

3.1.2.5. The Cost Proposal Package must contain the following items (as indicated below):

- a. Signed and Dated RFP Attachment 6.3., Cost Proposal & Scoring Guide signature page;
- b. Response to RFP Attachment 6.3., PBM Cost Proposal Spreadsheets, including three spreadsheets: Table A, B and C. This is a printout of the Excel format spreadsheets and it must be an exact duplicate of the electronic version.
- c. A CD containing the information in Item B above, also in Excel format.

In the event of any discrepancy between printed and electronic versions of the information contained in the spreadsheets or problems with accessing the CD data, the contents of the printed Cost Proposal components shall prevail.

3.2. Proposal Delivery

A Proposer must deliver a proposal in response to this RFP as detailed below. The State will not accept a proposal delivered by any other method.

3.2.1. A Proposer must ensure that both the original Technical Proposal and Cost Proposal documents meet all form and content requirements detailed within this RFP for such proposals including but not limited to required signatures.

3.2.2. A Proposer must submit original Technical Proposal and Cost Proposal documents and copies as specified below.

3.2.2.1. One (1) original Technical Proposal paper document labeled:

"RFP # 31786 – 00102 TECHNICAL PROPOSAL ORIGINAL"

and six (6) copies of the Technical Proposal each in the form of one (1) digital document in "PDF" format properly recorded on its own otherwise blank, standard CD-R recordable disc labeled:

"RFP # 31786 – 00102 TECHNICAL PROPOSAL COPY"

The digital copies should not include copies of sealed customer references or any costs, however any other discrepancy between the original Technical Proposal document and the digital copies may result in the State rejecting the proposal as non-responsive.

3.2.2.2. One (1) original Cost Proposal paper document labeled:

"RFP # 31786 – 00102 COST PROPOSAL ORIGINAL"

and one (1) copy in the form of a digital document in "PDF/XLS" format properly recorded on separate, blank, standard CD-R recordable disc labeled:

"RFP # 31786 – 00102 COST PROPOSAL COPY"

In the event of a discrepancy between the original Cost Proposal document and the digital copy, the original, signed document will take precedence.

3.2.3. A Proposer must separate, seal, package, and label the documents and discs for delivery as follows.

3.2.3.1. The Technical Proposal original document and copy discs must be placed in a sealed package that is clearly labeled:

"DO NOT OPEN... RFP # 31786 – 00102 TECHNICAL PROPOSAL FROM [PROPOSER LEGAL ENTITY NAME]"

3.2.3.2. The Cost Proposal original document and copy disc must be placed in a separate, sealed package that is clearly labeled:

"DO NOT OPEN... RFP # 31786 – 00102 COST PROPOSAL FROM [PROPOSER LEGAL ENTITY NAME]"

3.2.3.3. The separately, sealed Technical Proposal and Cost Proposal components may be enclosed in a larger package for mailing or delivery, provided that the outermost package is clearly labeled:

"RFP # 31786 – 00102 SEALED TECHNICAL PROPOSAL & SEALED COST PROPOSAL FROM [PROPOSER LEGAL ENTITY NAME]"

3.2.4. A Proposer must ensure that the State receives a proposal in response to this RFP no later than the Proposal Deadline time and date detailed in the RFP Section 2, Schedule of Events at the following address.

Marlene D. Alvarez, Procurement and Contracting Manager
Tennessee Department of Finance & Administration
Benefits Administration Division
William R. Snodgrass Tennessee Tower
312 Rosa L. Parks Avenue, Suite 2600
Nashville, Tennessee 37243

3.3. Proposal & Proposer Prohibitions

- 3.3.1. A proposal must not include the Proposer's own contract terms and conditions. If a proposal contains such terms and conditions, the State, at its sole discretion, may determine the proposal to be a non-responsive counteroffer and reject it.
- 3.3.2. A proposal must not restrict the rights of the State or otherwise qualify either the offer to deliver services as required by this RFP or the Cost Proposal. If a proposal restricts the rights of the State or otherwise qualifies either the offer to deliver services as required by this RFP or the Cost Proposal, the State, at its sole discretion, may determine the proposal to be a non-responsive counteroffer and reject it.
- 3.3.3. A proposal must not propose alternate services (*i.e.*, offer services different from those requested and required by this RFP). The State will consider a proposal of alternate services to be non-responsive and reject it.
- 3.3.4. A Cost Proposal must not result from any collusion between Proposers. The State will reject any Cost Proposal that was not prepared independently without collusion, consultation, communication, or agreement with any other Proposer. Regardless of the time of detection, the State will consider any such actions to be grounds for proposal rejection or contract termination.
- 3.3.5. A Proposer must not provide, for consideration in this RFP process or subsequent contract negotiations, incorrect information that the Proposer knew or should have known was materially incorrect. If the State determines that a Proposer has provided such incorrect information, the State will deem the Proposer's proposal non-responsive and reject it.

- 3.3.6. A Proposer must not submit more than one Technical Proposal and one Cost Proposal in response to this RFP. If a Proposer submits more than one Technical Proposal or more than one Cost Proposal, the State will deem all of the proposals non-responsive and reject them.
- 3.3.7. A Proposer must not submit a proposal as a prime contractor while also permitting one or more other Proposers to offer the Proposer as a subcontractor in their own proposals. Such may result in the disqualification of all Proposers knowingly involved. This restriction does not, however, prohibit different Proposers from offering the same subcontractor as a part of their proposals (provided that the subcontractor does not also submit a proposal as a prime contractor).
- 3.3.8. A Proposer must not be (and the State will not award a contract to):
- a. an individual who is, or within the past six months has been, an employee or official of the State of Tennessee;
 - b. a company, corporation, or any other contracting entity in which an ownership of two percent (2%) or more is held by an individual who is, or within the past six months has been, an employee or official of the State of Tennessee (this will not apply either to financial interests that have been placed into a "blind trust" arrangement pursuant to which the employee does not have knowledge of the retention or disposition of such interests or to the ownership of publicly traded stocks or bonds where such ownership constitutes less than 2% of the total outstanding amount of the stocks or bonds of the issuing entity);
 - c. a company, corporation, or any other contracting entity which employs an individual who is, or within the past six months has been, an employee or official of the State of Tennessee in a position that would allow the direct or indirect use or disclosure of information, which was obtained through or in connection with his or her employment and not made available to the general public, for the purpose of furthering the private interest or personal profit of any person; or,
 - d. any individual, company, or other entity involved in assisting the State in the development, formulation, or drafting of this RFP or its scope of services (such person or entity being deemed by the State as having information that would afford an unfair advantage over other Proposers).

For the purposes of applying the requirements of this RFP subsection 3.3.8., the State will deem an individual to be an employee or official of the State of Tennessee until such time as all compensation for salary, termination pay, and annual leave has been paid.

3.4. Proposal Errors & Revisions

A Proposer is liable for any and all proposal errors or omissions. A Proposer will not be allowed to alter or revise proposal documents after the Proposal Deadline time and date detailed in the RFP Section 2, Schedule of Events unless such is formally requested, in writing, by the State.

3.5. Proposal Withdrawal

A Proposer may withdraw a submitted proposal at any time before the Proposal Deadline time and date detailed in the RFP Section 2, Schedule of Events by submitting a written request signed by an authorized Proposer representative. After withdrawing a proposal, a Proposer may submit another proposal at any time before the Proposal Deadline.

3.6. Proposal of Additional Services

If a proposal offers services in addition to those required by and described in this RFP, the State, at its sole discretion, may add such services to the contract awarded as a result of this RFP. Notwithstanding the foregoing, a Proposer must not propose any additional cost amount(s) or rate(s) for additional services. Regardless of any additional services offered in a proposal, the Proposer's Cost Proposal must

only record the proposed cost as required in this RFP and must not record any other rates, amounts, or information.

NOTICE: If a Proposer fails to submit a Cost Proposal exactly as required, the State will deem the proposal non-responsive and reject it.

3.7. Proposal Preparation Costs

The State will not pay any costs associated with the preparation, submittal, or presentation of any proposal.

4. GENERAL CONTRACTING INFORMATION & REQUIREMENTS

4.1. RFP Amendment

The State reserves the right to amend this RFP at any time, provided that it is amended in writing. However, prior to any such amendment, the State will consider whether it would negatively impact the ability of potential proposers to meet the proposal deadline and revise the RFP Schedule of Events if deemed appropriate. If an RFP amendment is issued, the State will convey it to potential proposers who submitted a Notice of Intent to Propose (refer to RFP Section 1.8.). A proposal must respond, as required, to the final RFP (including its attachments) as may be amended.

4.2. RFP Cancellation

The State reserves the right, at its sole discretion, to cancel or to cancel and reissue this RFP in accordance with applicable laws and regulations.

4.3. State Right of Rejection

4.3.1. Subject to applicable laws and regulations, the State reserves the right to reject, at its sole discretion, any and all proposals.

4.3.2. The State may deem as non-responsive and reject any proposal that does not comply with all terms, conditions, and performance requirements of this RFP. Notwithstanding the foregoing, the State reserves the right to waive, at its sole discretion, a proposal's minor variances from full compliance with this RFP. If the State waives variances in a proposal, such waiver shall not modify the RFP requirements or excuse the Proposer from full compliance with such, and the State may hold any resulting Contractor to strict compliance with this RFP.

4.4. Assignment & Subcontracting

4.4.1. The Contractor may not subcontract, transfer, or assign any portion of the Contract awarded as a result of this RFP without prior approval of the State. The State reserves the right to refuse approval, at its sole discretion, of any subcontract, transfer, or assignment.

4.4.2. If a Proposer intends to use subcontractors, the proposal in response to this RFP must specifically identify the scope and portions of the work each subcontractor will perform (refer to RFP Attachment 6.2., Section B, General Qualifications & Experience Item B.14.).

4.4.3. Subcontractors identified within a proposal in response to this RFP will be deemed as approved by the State unless the State expressly disapproves one or more of the proposed subcontractors prior to signing the Contract.

4.4.4. The Contractor resulting from this RFP may only substitute another subcontractor for a proposed subcontractor at the discretion of the State and with the State's prior, written approval.

4.4.5. Notwithstanding any State approval relating to subcontracts, the Contractor resulting from this RFP will be the prime contractor and will be responsible for all work under the Contract.

4.5. Right to Refuse Personnel

The State reserves the right to refuse, at its sole discretion and notwithstanding any prior approval, any personnel of the prime contractor or a subcontractor providing service in the performance of a contract resulting from this RFP. The State will document in writing the reason(s) for any rejection of personnel.

4.6. Insurance

At any time, the State may require the Contractor resulting from this RFP to provide a valid, Certificate of

Insurance indicating current insurance coverage meeting minimum requirements as may be specified by this RFP. A failure to provide said documentation will be considered a material breach and grounds for contract termination.

4.7. Licensure

- 4.7.1. All persons, agencies, firms, or other entities that provide legal or financial opinions, which a Proposer provides for consideration and evaluation by the State as a part of a proposal in response to this RFP, shall be properly licensed to render such opinions.
- 4.7.2. Before the Contract resulting from this RFP is signed, the apparent successful Proposer (and Proposer employees and subcontractors, as applicable) must hold all necessary, appropriate business and professional licenses to provide service as required. The State may require any Proposer to submit evidence of proper licensure.

4.8. Disclosure of Proposal Contents

- 4.8.1. Each proposal and all materials submitted to the State in response to this RFP become the property of the State of Tennessee. Selection or rejection of a proposal does not affect this right. By submitting a proposal, a Proposer acknowledges and accepts that the full proposal contents and associated documents will become open to public inspection in accordance with the laws of the State of Tennessee.
- 4.8.2. The State will hold all proposal information, including both technical and cost information, in confidence during the evaluation process. Notwithstanding the foregoing, a list of actual Proposers submitting timely proposals may be available to the public, upon request, after technical proposals are opened.
- 4.8.3. Upon completion of proposal evaluations, indicated by public release of an Evaluation Notice, the proposals and associated materials will be open for review by the public in accordance with *Tennessee Code Annotated*, Section 10-7-504(a)(7).

4.9. Contract Approval and Contract Payments

- 4.9.1. This RFP and its contractor selection processes do not obligate the State and do not create rights, interests, or claims of entitlement in either the Proposer with the apparent best-evaluated proposal or any other Proposer. State obligations pursuant to a contract award shall commence only after the contract is signed by the State agency head and the Contractor and after the Contract is approved by all other state officials as required by applicable laws and regulations.
- 4.9.2. No payment will be obligated or made until the relevant Contract is approved as required by applicable statutes and rules of the State of Tennessee.
 - 4.9.2.1. The State shall not be liable for payment of any type associated with the Contract resulting from this RFP (or any amendment thereof) or responsible for any work done by the Contractor, even work done in good faith and even if the Contractor is orally directed to proceed with the delivery of services, if it occurs before the Contract start date or after the Contract end date.
 - 4.9.2.2. All payments relating to this procurement will be made in accordance with the Payment Terms and Conditions of the Contract resulting from this RFP (refer to RFP Attachment 6.6., *Pro Forma Contract*, Section C).
 - 4.9.2.3. If any provision of the Contract provides direct funding or reimbursement for the competitive purchase of services or items to be delivered to the State as a component of contract performance or otherwise provides for the reimbursement of specified, actual costs, the State will employ all reasonable means and will require all such documentation that it deems necessary to ensure that such purchases were competitive and costs were

reasonable, necessary, and actual. The Contractor shall provide reasonable assistance and access related to such review. Further, the State shall not remit, as funding or reimbursement pursuant to such provisions, any amount(s) which it determines did not result from a reasonably competitive purchase or do not represent reasonable, necessary, and actual costs.

4.10. Contractor Performance

The Contractor resulting from this RFP will be responsible for the completion of all service set out in this RFP (including attachments) as may be amended. All service is subject to inspection and evaluation by the State. The State will employ all reasonable means to ensure that service is progressing and being performed in compliance with the Contract, and the Contractor must cooperate with such efforts.

4.11. Contract Amendment

During the course of a Contract pursuant to this RFP, the State may request the Contractor to perform additional work within the general scope of the Contract and this RFP, but beyond the specified scope of service, and for which the Contractor may be compensated. In such instances, the State will provide the Contractor a written description of the additional work. The Contractor must respond to the State with a time schedule for accomplishing the additional work and a price for the additional work based on the rates included in the Contractor's proposal to this RFP. If the State and the Contractor reach an agreement regarding the work and associated compensation, such agreement must be effected by means of a Contract Amendment. Further, any such amendment requiring additional work must be signed by both the State agency head and the Contractor and must be approved by other state officials as required by applicable statutes and rules of the State of Tennessee. The Contractor must not commence additional work until the State has issued a written Contract Amendment with all required approvals.

4.12. Severability

If any provision of this RFP is declared by a court to be illegal or in conflict with any law, said decision will not affect the validity of the remaining RFP terms and provisions, and the rights and obligations of the State and Proposers will be construed and enforced as if the RFP did not contain the particular provision held to be invalid.

5. PROPOSAL EVALUATION & CONTRACT AWARD

5.1. Evaluation Categories & Maximum Points

The State will consider qualifications, experience, technical approach, and cost in the evaluation of proposals and award points in each of the categories detailed below (up to the maximum evaluation points indicated) to each apparently responsive proposal.

EVALUATION CATEGORY	MAXIMUM POINTS POSSIBLE
General Qualifications & Experience (refer to RFP Attachment 6.2., Section B)	20
Technical Qualifications, Experience & Approach (refer to RFP Attachment 6.2., Section C)	40
Cost Proposal (refer to RFP Attachment 6.3.)	40

5.2. Evaluation Process

The proposal evaluation process is designed to award the contract resulting from this RFP not necessarily to the Proposer offering the lowest cost, but rather to the responsive and responsible Proposer offering the best combination of attributes based upon the evaluation criteria. ("Responsive Proposer" is defined as a Proposer that has submitted a proposal that conforms in all material respects to the RFP. "Responsible Proposer" is defined as a Proposer that has the capacity in all respects to perform fully the contract requirements, and the integrity and reliability which will assure good faith performance.)

5.2.1. **Technical Proposal Evaluation.** The RFP Coordinator and the Proposal Evaluation Team (consisting of three or more State employees) will use the RFP Attachment 6.2., Technical Proposal & Evaluation Guide to manage the Technical Proposal Evaluation and maintain evaluation records.

5.2.1.1. The State reserves the right, at its sole discretion, to request Proposer clarification of a Technical Proposal or to conduct clarification discussions with any or all Proposers. Any such clarification or discussion will be limited to specific sections of the proposal identified by the State. The subject Proposer must put any resulting clarification in writing as may be required and in accordance with any deadline imposed by the State.

5.2.1.2. The RFP Coordinator will review each Technical Proposal to determine compliance with RFP Attachment 6.2., Technical Proposal & Evaluation Guide, Section A — Mandatory Requirements. If the RFP Coordinator determines that a proposal may have failed to meet one or more of the mandatory requirements, the Proposal Evaluation Team will review the proposal and document the team's determination of whether:

- a. the proposal adequately meets requirements for further evaluation;
- b. the State will request clarifications or corrections; or,
- c. the State will determine the proposal non-responsive to the RFP and reject it.

5.2.1.3. Proposal Evaluation Team members will independently evaluate each Technical Proposal (that appears responsive to the RFP) against the evaluation criteria in this RFP, rather than against other proposals and will score each in accordance with the RFP Attachment 6.2., Technical Proposal & Evaluation Guide, Section B and Section C.

5.2.1.4. For each proposal evaluated, the RFP Coordinator will calculate the average of the Proposal Evaluation Team member scores for RFP Attachment 6.2., Technical Proposal

& Evaluation Guide, Section B and for Section C, and record each average as the proposal score for the respective Technical Proposal section.

5.2.1.5. Before Cost Proposals are opened, the Proposal Evaluation Team will review the Technical Proposal Evaluation record and any other available information pertinent to whether or not each Proposer is responsive and responsible. If the Proposal Evaluation Team identifies any Proposer that appears not to meet the responsive and responsible thresholds such that the team would not recommend the Proposer for Cost Proposal Evaluation and potential contract award, the team members will fully document the determination.

5.2.2. **Cost Proposal Evaluation.** The RFP Coordinator will not open the separately sealed cost proposals containing the PBM Cost Proposal Spreadsheets. This information for each apparently responsive and responsible Proposer will be forwarded unopened to an independent actuarial firm under contract with the Department of Finance & Administration. The actuarial firm will do the initial check for the completion of the cost proposals according to the directions contained in RFP Attachment 6.3. Cost Proposal & Scoring Guide. If any questions surface regarding the completion of the forms, the firm will be instructed to contact the RFP Coordinator with the concern and the RFP Coordinator will take appropriate steps to determine the Proposal's responsiveness. The results from the actuarial analysis will be provided to the RFP Coordinator. The RFP Coordinator will calculate and record each Cost Proposal score in accordance with the RFP Attachment 6.3. Cost Proposal & Scoring Guide.

5.2.3. **Total Proposal Score.** The RFP Coordinator will calculate the sum of the Technical Proposal section scores and the Cost Proposal score and record the resulting number as the total score for the subject Proposal (refer to RFP Attachment 6.5., Proposal Score Summary Matrix).

5.3. **Contract Award Process**

5.3.1 The RFP Coordinator will submit the Proposal Evaluation Team determinations and proposal scores to the head of the procuring agency for consideration along with any other relevant information that might be available and pertinent to contract award.

5.3.2. The procuring agency head will determine the apparent best-evaluated proposal. (To effect a contract award to a Proposer other than the one receiving the highest evaluation process score, the head of the procuring agency must provide written justification and obtain the written approval of the Commissioner of Finance and Administration and the Comptroller of the Treasury.)

5.3.3. The State reserves the right to make an award without further discussion of any proposal.

5.3.4. The State will issue an Evaluation Notice identifying the apparent best-evaluated proposal and make the RFP files available for public inspection at the time and date specified in the RFP Section 2, Schedule of Events.

NOTICE: The Evaluation Notice shall not create rights, interests, or claims of entitlement in either the Proposer with apparent best-evaluated proposal or any other Proposer.

5.3.5. The Proposer identified as offering the apparent best-evaluated proposal must sign a contract drawn by the State pursuant to this RFP. The contract shall be substantially the same as the RFP Attachment 6.6., *Pro Forma* Contract. The Proposer must sign said contract no later than the Contract Signature by Contractor Deadline detailed in the RFP Section 2, Schedule of Events. If the Proposer fails to provide the signed contract by the deadline, the State may determine that the Proposer is non-responsive to this RFP and reject the proposal.

5.3.6. Notwithstanding the foregoing, the State may, at its sole discretion, entertain limited negotiation prior to contract signing and, as a result, revise the *pro forma* contract terms and conditions or performance requirements in the State's best interests, PROVIDED THAT such revision of terms and conditions or performance requirements shall NOT materially affect the basis of proposal

evaluations or negatively impact the competitive nature of the RFP and contractor selection process.

- 5.3.7. If the State determines that a proposal is non-responsive and rejects it after opening Cost Proposals, the RFP Coordinator will re-calculate scores for each remaining responsive Cost Proposal to determine (or re-determine) the apparent best-evaluated proposal.

RFP # 31786 – 00102 PROPOSAL STATEMENT OF CERTIFICATIONS AND ASSURANCES

The Proposer must sign and complete the Proposal Statement of Certifications and Assurances below as required, and it must be included in the Technical Proposal (as required by RFP Attachment 6.2., Technical Proposal & Evaluation Guide, Section A, Item A.1.).

The Proposer does, hereby, expressly affirm, declare, confirm, certify, and assure ALL of the following:

1. The Proposer will comply with all of the provisions and requirements of the RFP.
2. The Proposer will provide all services as defined in the Scope of Services of the RFP Attachment 6.6., *Pro Forma Contract* for the total contract period.
3. The Proposer accepts and agrees to all terms and conditions set out in the RFP Attachment 6.6., *Pro Forma Contract*.
4. The Proposer acknowledges and agrees that a contract resulting from the RFP shall incorporate, by reference, all proposal responses as a part of the contract.
5. The Proposer will comply with:
 - (a) the laws of the State of Tennessee;
 - (b) Title VI of the federal Civil Rights Act of 1964;
 - (c) Title IX of the federal Education Amendments Act of 1972;
 - (d) the Equal Employment Opportunity Act and the regulations issued there under by the federal government; and,
 - (e) the Americans with Disabilities Act of 1990 and the regulations issued there under by the federal government.
6. To the knowledge of the undersigned, the information detailed within the proposal submitted in response to the RFP is accurate.
7. The proposal submitted in response to the RFP was independently prepared, without collusion, under penalty of perjury.
8. No amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Proposer in connection with the RFP or any resulting contract.
9. Both the Technical Proposal and the Cost Proposal submitted in response to the RFP shall remain valid for at least 120 days subsequent to the date of the Cost Proposal opening and thereafter in accordance with any contract pursuant to the RFP.

By signing this Proposal Statement of Certifications and Assurances, below, the signatory also certifies legal authority to bind the proposing entity to the provisions of this RFP and any contract awarded pursuant to it. If the signatory is not the Proposer (If an individual) or the Proposer's company *President* or *Chief Executive Officer*, this document must attach evidence showing the individual's authority to bind the proposing entity.

DO NOT SIGN THIS DOCUMENT IF YOU ARE NOT LEGALLY AUTHORIZED TO BIND THE PROPOSING ENTITY

SIGNATURE:

PRINTED NAME & TITLE:

DATE:

PROPOSER LEGAL ENTITY NAME:

PROPOSER FEDERAL EMPLOYER IDENTIFICATION NUMBER (or SSN):

TECHNICAL PROPOSAL & EVALUATION GUIDE

SECTION A: MANDATORY REQUIREMENTS. The Proposer must address all items detailed below and provide, in sequence, the information and documentation as required (referenced with the associated item references). The Proposer must also detail the proposal page number for each item in the appropriate space below.

The RFP Coordinator will review the proposal to determine if the Mandatory Requirement Items are addressed as required and mark each with pass or fail. For each item that is not addressed as required, the Proposal Evaluation Team must review the proposal and attach a written determination. In addition to the Mandatory Requirement Items, the RFP Coordinator will review each proposal for compliance with all RFP requirements.

PROPOSER LEGAL ENTITY NAME:			
Proposal Page # (Proposer completes)	Item Ref.	Section A— Mandatory Requirement Items	Pass/Fail
		The Proposal must be delivered to the State no later than the Proposal Deadline specified in the RFP Section 2, Schedule of Events.	
		The Technical Proposal and the Cost Proposal documentation must be packaged separately as required (refer to RFP Section 3.2., <i>et. seq.</i>).	
		The Technical Proposal must NOT contain cost or pricing information of any type.	
		The Technical Proposal must NOT contain any restrictions of the rights of the State or other qualification of the proposal.	
		A Proposer must NOT submit alternate proposals.	
		A Proposer must NOT submit multiple proposals in different forms (as a prime and a sub-contractor).	
	A.1.	Provide the Proposal Statement of Certifications and Assurances (RFP Attachment 6.1.) completed and signed by an individual empowered to bind the Proposer to the provisions of this RFP and any resulting contract. The document must be signed without exception or qualification.	
	A.2.	Provide a statement, based upon reasonable inquiry, of whether the Proposer or any individual who shall perform work under the contract has a possible conflict of interest (<i>e.g.</i> , employment by the State of Tennessee) and, if so, the nature of that conflict. NOTE: Any questions of conflict of interest shall be solely within the discretion of the State, and the State reserves the right to cancel any award.	
	A.3.	Provide a current bank reference indicating that the Proposer's business relationship with the financial institution is in positive standing. Such reference must be written in the form of a standard business letter, signed, and dated within the past three (3) months.	
	A.4.	Provide two current positive credit references from vendors with which the Proposer has done business written in the form of standard business letters, signed, and dated within the past three (3) months.	
	A.5.	Provide EITHER : (a) an official document or letter from an accredited credit bureau, verified and dated within the last three (3) months and indicating a positive credit rating for the Proposer (NOTE: A credit bureau report number without the full report is insufficient and will <u>not</u> be considered responsive.); OR (b) a Dun & Bradstreet short-form report, verified and dated within the last	

PROPOSER LEGAL ENTITY NAME:			
Proposal Page # (Proposer completes)	Item Ref.	Section A— Mandatory Requirement Items	Pass/Fail
		three (3) months and indicating a positive credit rating for the Proposer.	
	A.6.	Provide a copy of the Proposer's URAC Pharmacy Benefit Management accreditation certificate or other proof that URAC Pharmacy Benefit Management accreditation will occur on or before the pharmacy benefit go-live.	
	A.7.	Provide written confirmation that the Proposer has been operating as a pharmacy benefit manager for a minimum of five (5) years.	
	A.8.	Provide the names of 3 clients with 100,000 or more lives currently receiving PBM services from the Proposer.	
	A.9.	Provide written confirmation that the Proposer has complied with all State insurance department filings.	
<i>State Use – RFP Coordinator Signature, Printed Name & Date:</i>			

TECHNICAL PROPOSAL & EVALUATION GUIDE

SECTION B: GENERAL QUALIFICATIONS & EXPERIENCE. The Proposer must address all items detailed below and provide, in sequence, the information and documentation as required (referenced with the associated item references). The Proposer must also detail the proposal page number for each item in the appropriate space below. Proposal Evaluation Team members will independently evaluate and assign one score for all responses to Section B— General Qualifications & Experience Items.

PROPOSER LEGAL ENTITY NAME:		
Proposal Page # (Proposer completes)	Item Ref.	Section B— General Qualifications & Experience Items
	B.1.	Detail the name, e-mail address, mailing address, telephone number, and facsimile number of the person the State should contact regarding the proposal.
	B.2.	Describe the Proposer's form of business (i.e., individual, sole proprietor, corporation, non-profit corporation, partnership, limited liability company) and provide the physical location of organization or domicile.
	B.3.	Detail the number of years the Proposer has been in business.
	B.4.	Briefly describe how long the Proposer has been performing the services required by this RFP.
	B.5.	Describe the Proposer's number of employees, client base, and location of offices.
	B.6.	Provide a statement of whether there have been any mergers, acquisitions, or sales of the Proposer within the last ten years. If so, include an explanation providing relevant details.
	B.7.	Provide a statement of whether the Proposer or, to the Proposer's knowledge, any of the Proposer's employees, agents, independent contractors, or subcontractors, proposed to provide work on a contract pursuant to this RFP, have been convicted of, pled guilty to, or pled <i>nolo contendere</i> to any felony. If so, include an explanation providing relevant details.
	B.8.	Provide a statement of whether, in the last ten years, the Proposer has filed (or had filed against it) any bankruptcy or insolvency proceeding, whether voluntary or involuntary, or undergone the appointment of a receiver, trustee, or assignee for the benefit of creditors. If so, include an explanation providing relevant details.
	B.9.	Provide a statement of whether there is any material, pending litigation against the Proposer that the Proposer should reasonably believe could adversely affect its ability to meet contract requirements pursuant to this RFP or is likely to have a material adverse effect on the Proposer's financial condition. If such exists, list each separately, explain the relevant details, and attach the opinion of counsel addressing whether and to what extent it would impair the Proposer's performance in a contract pursuant to this RFP. NOTE: All persons, agencies, firms, or other entities that provide legal opinions regarding the Proposer must be properly licensed to render such opinions. The State may require the Proposer to submit proof of such licensure detailing the state of licensure and licensure number for each person or entity that renders such opinions.
	B.10.	Provide a statement of whether there are any pending or in progress Securities Exchange Commission investigations involving the Proposer. If such exists, list each separately, explain the relevant details, and attach the opinion of counsel addressing whether and to what extent it will impair the Proposer's performance in a contract pursuant to this RFP. NOTE: All persons, agencies, firms, or other entities that provide legal opinions regarding the Proposer must be properly licensed to render such opinions. The State may require the Proposer to submit proof of such licensure detailing the state of licensure and licensure number for each person or entity that renders such opinions.

PROPOSER LEGAL ENTITY NAME:		
Proposal Page # (Proposer completes)	Item Ref.	Section B— General Qualifications & Experience Items
	B.11.	Provide a brief, descriptive statement detailing evidence of the Proposer's ability to deliver the services sought under this RFP (e.g., prior experience, training, certifications, resources, program and quality management systems, etc.).
	B.12.	Provide a narrative description of the proposed project team, its members, and organizational structure along with an organizational chart identifying the key people who will be assigned to accomplish the work required by this RFP, illustrating the lines of authority, and designating the individual responsible for the completion of each service component and deliverable of the RFP.
	B.13.	Provide a personnel roster listing the names of key people who the Proposer will assign to perform duties or services required by this RFP along with the estimated number of hours that each individual will work devote to that performance. Follow the personnel roster with a resume for each of the people listed. The resumes must detail the individual's title, education, current position with the Proposer, and employment history.
	B.14.	Provide a statement of whether the Proposer intends to use subcontractors to accomplish the work required by this RFP, and if so, detail: (a) the names, organization contact person, telephone number, e-mail address, and mailing addresses of the subcontractors; (b) a description of the scope and portions of the work each subcontractor will perform; <u>and</u> (c) a statement specifying that each proposed subcontractor has expressly assented to being proposed as a subcontractor in the Proposer's response to this RFP.
	B.15.	Provide documentation of the Proposer's commitment to diversity as represented by its business strategy, business relationships, and workforce— this documentation should detail <u>all</u> of the following: (a) a description of the Proposer's existing programs and procedures designed to encourage and foster commerce with business enterprises owned by minorities, women, persons with a disability and small business enterprises; (b) a listing of the Proposer's current contracts with business enterprises owned by minorities, women, persons with a disability and small business enterprises, including the following information: (i) contract description and total value (ii) contractor name and ownership characteristics (i.e., ethnicity, sex, disability) (iii) contractor contact and telephone number; (c) an estimate of the level of participation by business enterprises owned by minorities, women, persons with a disability and small business enterprises in a contract awarded to the Proposer pursuant to this RFP, including the following information: (i) participation estimate (expressed as a percent of the total contract value that will be dedicated to business with subcontractors and supply contractors having such ownership characteristics — PERCENTAGES ONLY — DO NOT INCLUDE DOLLAR AMOUNTS) (ii) descriptions of anticipated contracts (iii) names and ownership characteristics (i.e., ethnicity, sex, disability) of anticipated subcontractors and supply contractors anticipated; and (d) the percent of the Proposer's total current employees by ethnicity, sex, and disability. NOTE: Proposers that demonstrate a commitment to diversity will advance State efforts to expand opportunity to do business with the State as contractors and sub-contractors. Proposal evaluations will recognize the positive qualifications and experience of a Proposer that does business with enterprises owned by minorities, women, persons with a disability and small business enterprises and that offers a diverse workforce to meet service needs.

PROPOSER LEGAL ENTITY NAME:		
Proposal Page # (Proposer completes)	Item Ref.	Section B— General Qualifications & Experience Items
	B.16.	Provide a statement of whether or not the Proposer has any current contracts with the State of Tennessee or has completed any contracts with the State of Tennessee within the previous 5-year period. If so, provide the following information for all of the current and completed contracts: (a) the name, title, telephone number and e-mail address of the State contact knowledgeable about the contract; (b) the procuring State agency name; (c) a brief description of the contract's scope of services; (d) the contract term; and (e) the contract number. NOTES: ▪ Current or prior contracts with the State are <u>not</u> a prerequisite and are <u>not</u> required for the maximum evaluation score, and the existence of such contracts with the State will <u>not</u> automatically result in the addition or deduction of evaluation points. ▪ Each evaluator will generally consider the results of inquiries by the State regarding all contracts noted.
	B.17.	Provide customer references from individuals (who are <u>not</u> current or former officials or staff of the State of Tennessee) for projects similar to the services sought under this RFP and which represent: ▪ two (2) of the larger accounts currently serviced by the Proposer, <u>and</u> ▪ three (3) completed projects. All references must be provided in the form of standard reference questionnaires that have been fully completed by the individual providing the reference as required. The standard reference questionnaire, which <u>must</u> be used and completed as required, is detailed at RFP Attachment 6.4. References that are not completed as required will be considered non-responsive and will not be considered. The Proposer will be <u>solely</u> responsible for obtaining the fully completed reference questionnaires, and for including them within the Proposer's sealed Technical Proposal. In order to obtain and submit the completed reference questionnaires, as required, follow the process detailed below. (a) "Customize" the standard reference questionnaire at RFP Attachment 6.4. by adding the subject Proposer's name, and make exact duplicates for completion by references. (b) Send the customized reference questionnaires to each individual chosen to provide a reference along with a new standard #10 envelope. (c) Instruct the person that will provide a reference for the Proposer to: (i) complete the reference questionnaire (on the form provided or prepared, completed, and printed using an exact duplicate of the document); (ii) sign <u>and</u> date the completed, reference questionnaire; (iii) seal the completed, signed, and dated, reference questionnaire within the envelope provided; (iv) sign his or her name in ink across the sealed portion of the envelope; and (v) return the sealed envelope containing the completed reference questionnaire directly to the Proposer (the Proposer may wish to give each reference a deadline, such that the Proposer will be able to collect all required references in time to include them within the sealed Technical Proposal). (d) <u>Do NOT open the sealed references upon receipt.</u> (e) Enclose all <u>sealed</u> reference envelopes within a larger, labeled envelope for inclusion in the Technical Proposal as required. NOTES:

PROPOSER LEGAL ENTITY NAME:		
Proposal Page # (Proposer completes)	Item Ref.	Section B— General Qualifications & Experience Items
		▪ The State will not accept late references or references submitted by any means other than that which is described above, and each reference questionnaire submitted must be completed as required. ▪ The State will not review more than the number of required references indicated above. ▪ While the State will base its reference check on the contents of the sealed reference envelopes included in the Technical Proposal package, the State reserves the right to confirm and clarify information detailed in the completed reference questionnaires, and may consider clarification responses in the evaluation of references. ▪ The State is under <u>no</u> obligation to clarify any reference information.
	B.18.	Other than the mandatory URAC accreditation, provide information on any accreditations for which your organization has been certified.
SCORE (for all Section B—Qualifications & Experience Items above): (maximum possible score = 20)		
State Use – Evaluator Identification:		

TECHNICAL PROPOSAL & EVALUATION GUIDE

SECTION C: TECHNICAL QUALIFICATIONS, EXPERIENCE & APPROACH. The Proposer must address all items (below) and provide, in sequence, the information and documentation as required (referenced with the associated item references). The Proposer must also detail the proposal page number for each item in the appropriate space below.

A Proposal Evaluation Team, made up of three or more State employees, will independently evaluate and score the proposal's response to each item. Each evaluator will use the following whole number, raw point scale for scoring each item:

0 = little value 1 = poor 2 = fair 3 = satisfactory 4 = good 5 = excellent

The RFP Coordinator will multiply the Item Score by the associated Evaluation Factor (indicating the relative emphasis of the item in the overall evaluation). The resulting product will be the item's raw, weighted score for purposes of calculating the section score as indicated.

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
	C.1.	Provide a narrative that illustrates the Proposer's understanding of the State's requirements and project schedule.		3	
	C.2.	Provide a narrative that illustrates how the Proposer will complete the scope of services, accomplish required objectives, and meet the State's project schedule.		4	
	C.3.	Provide a narrative that illustrates how the Proposer will manage the project, ensure completion of the scope of services, and accomplish required objectives within the State's project schedule.		4	
	C.4.	Identify all other publicly funded prescription benefit management contracts for State governments that your company has contracted with in the last five (5) years. For each prior experience identified, please provide a brief description of the scope of work, the duration of the contract, the contact name and phone number, the number of members and the population types and the role of subcontractors, if any.		3	
	C.5.	List your company's last five (5) prescription benefit implementations, any implementation dates that were missed, whether caused by the plan or the contractor, along with any damages due to implementation difficulties.		3	
	C.6.	Identify whether you have had a contract terminated or not renewed within the past five (5) years. If so, please describe the issues, the parties involved, and provide the address and telephone number of the principal terminating party. Please describe any corrective action taken to prevent any future occurrence of the problem leading to the termination/non-renewal.		3	
	C.7.	Provide, in chart format, information regarding sanctions, penalties and/or liquidated damages that have been assessed against your company during the past five (5) years under a contract to provide prescription benefit management services. List each violation and the associated amount of the sanction, penalty or liquidated damage.		3	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
	C.8.	Provide the average number of enrollees and annual pharmacy claims volume for the top five largest accounts that your company has provided pharmacy benefit management services to in the last three years.		3	
	C.9.	<u>Plan Implementation</u> Describe the steps that will be taken from the contract signing date to ensure the Contractor will be prepared to assume all responsibilities of the Public Sector Plan Pharmacy program as described in this RFP as of the go-live date specified in Contract Section A.30. (Project Deliverables/Milestones). Include a project implementation plan. Include: 1. The Proposer's plan to ensure that the transition is seamless for members; 2. A description of the members on the implementation team, and their roles; 3. A timeline regarding when the transition team would begin work on the State's contract in terms of number of days after the award; 4. A detailed description of significant tasks to be performed; 5. A detailed description of all work the State is to perform; 6. Meeting schedule between the transition team and the State; 7. Data conversion plan, which includes; a. A description of how claims adjudicated and PAs issued under the previous PBM will be loaded into prescription history for Public Sector Plan members such that recipients will have a seamless transition. b. A description of the conversion process from the existing mail order program(s) to your mail order program (i.e. refill history, access, requirement of new prescriptions, etc.) 8. Member communications; 9. A description of the formulary and claims accuracy testing processes that occur both during implementation and after implementation; 10. The Proposer's turnaround time to resolve errors in coding of the formulary or plan that occur during implementation; and 11. Anticipated frequency of updates to the implementation plan.		5	
	C.10.	<u>Staffing</u> For the proposed Account Team describe: 1. Dates for phasing out the implementation team and replacing them with the ongoing account management team; 2. The Proposer's plan to ensure a smooth transition between the teams with minimal disruption to the State of Tennessee;		4	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		3. How the account team will work with the State, outside of regularly scheduled meetings, to identify opportunities and respond to issues that arise in the industry to ensure the State manages their pharmacy benefits program in a timely, cost effective, and judicious manner; 4. The account team's access to appropriate executive sponsors to escalate and resolve issues of importance to the State; 5. Any additional compensation received by account team members to promote additional services offered by your organization (i.e. specialty pharmacy, disease-state management, etc.); 6. Any evaluation tools you have in place that would allow the State of Tennessee to provide a formal written evaluation of the account team's performance. Describe how often these tools are utilized and how the results are used to improve performance.			
	C.11.	<u>Claims Adjudication</u> Regarding the Proposer's claims adjudication system and processes please describe or provide: 1. An overview of the POS system and its main capabilities, including the ability to meet, or exceed, all claims processing/adjudication requirements 2. A description of the member process when submitting a paper claim for reimbursement. 3. The claim system edits that are routinely performed and electronic messages that can be transmitted to the pharmacist at the time of dispensing (provide lists of all). 4. Your business continuity and disaster recovery plans for claims processing, internet, call centers, pharmacies, and information management (data warehouse) systems. Include your system back-up processes. 5. How data from mail, network retail, non-network retail, manual retail and specialty claims is integrated. Is it real time or retrospective? 6. How initial and ongoing testing and auditing of the system for accuracy, timeliness, and quality of the Contractor's services will be accomplished. 7. Your security standards and how data is protected. 8. The expertise and capabilities of the help desk used to support system operations. 9. The flexibility of the POS system and the ability to make changes in the software based upon client needs.		3	
	C.12.	<u>Claims Payment and Reconciliation</u> Regarding the Proposer's claims payment processes please describe or provide: 1. The capabilities of the claims payment system, specifically those capabilities that will enable you to meet the requirements described in Contract Section A.6. 2. System edits to prevent payment of incomplete or denied claims. 3. Your check mailing/delivery process, including the		2	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		location and timing for the printing and mailing of the checks. 4. Payment reports provided to the State that can assist the State in reconciling payment detail and recording accounting entries.			
	C.13.	<u>Pharmacy Network</u> Describe or provide the following information regarding the pharmacy network: 1. Your capabilities to build a pharmacy network of retail, 90-day-at-retail, mail order and specialty pharmacies as described in Contract Section A.7.. 2. Your understanding of the State's Any Willing Provider law (TCA 56-7-2359). 3. Provide a geo-access mapping report for your proposed national and statewide retail network. Use the member zip code file enclosed to demonstrate that your proposed network meets the criteria described in section A.7.5.1. 4. Provide the total number of contracted pharmacies nationwide in your networks (retail, mail and specialty) that you would use for this Contract. 5. The frequency of pharmacy network contract renegotiation and renewal. 6. The timing and content of your standard communication process with network pharmacies for introduction of a new client. 7. Your standard pharmacy lock-in guidelines.		3	
	C.14.	<u>Mail Order</u> Describe or provide the following information regarding the mail order pharmacy network: 1. The mail order facility that would be used for the State of Tennessee operations including the length of time the facility has been in operation. 2. The ability to obtain, and load, open refill files from the State's current mail order vendors, if available. 3. The current capacity of this facility without staff and technology additions. 4. The standard hours of operation for this mail order facility. 5. For this mail order facility, the average turnaround time in the most recent quarter for prescriptions that: a. Required intervention (in days) b. Did not require intervention (in days) 6. The mail order facility's processes for notifying and working with clients and/or prescribers on each of the following issues: a. The last refill has been dispensed; b. A prior authorization (PA) is about to expire; c. Orders that do not include appropriate payments; d. A prescription may be filled with a less expensive generic or therapeutic equivalent;		3	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		e. Receipt of a prescription with distribution/supply issues f. Lost delivery resolution 7. Any State and/or Federal laws that prohibit the mail order facility from: a. Dispensing any medications (please list); b. Substituting and dispensing generically available products; c. Dispensing medications prescribed by licensed Physician Assistants, Nurse Practitioners, Podiatrists, Optometrists, and Naturopaths certified to prescribe medications by the state in which they practice.			
	C.15.	<u>Specialty Pharmacy</u> Describe or provide the following information regarding the specialty pharmacy network: 1. The criteria used to make additions to your specialty drug list. 2. Your organization's Specialty Network requirements. 3. The proposed process for the delivery of specialty pharmacy services to Public Sector Plan members. 4. The shipping and handling policy for specialty products. Indicate your primary shipping carrier. 5. The willingness to ship to the member's choice of location (e.g. physician's office, etc.). 6. Any programs in place to assess the appropriateness of therapy prior to dispensing specialty products.		3	
		7. Your Specialty Pharmacy disease management capabilities. 8. The unique clinical monitoring and member assistance provided to members who utilize the specialty pharmacy benefit. Include a description of the access members have to nurses or pharmacists for consultation and education. 9. Access to the patient profile (i.e., are the Specialty, Retail and Mail systems fully integrated so that a complete patient profile is accessible?). 10. Include a copy of your most recent specialty drug list. 11. The availability of, and the State's access to, specialty drug consultants or other staff with specialty drug expertise.			
	C.16.	<u>Formulary Management</u> Regarding the Proposer's formulary management policies, procedures, and processes describe or provide: 1. The process for the continued development, maintenance, implementation, and management of a formulary that is intended to provide quality care for Public Sector Plan members while decreasing program costs through appropriate utilization within the most cost-effective therapeutic classes. 2. A copy of the formulary you intend the State to use if		4	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		your firm is selected as the winning bidder. 3. A disruption analysis related to a switch from the current formulary to the new formulary. Please use the template provided in RFP Appendix 7.4. for this analysis. 4. The accommodations and support that shall be provided to streamline formulary differences/changes that may result. Provide an action plan and proposed communication strategy to members and providers. 5. The Pharmacy and Therapeutics (P&T) Committee's process and timing for adding products that are new to the market to the formulary. 6. Your ability to implement timely formulary changes, clinical edit requirements, and POS modifications. 7. Any formulary compliance/management programs that you would implement. 8. Any generic dispensing rate targets in selected therapeutic classes. Include anticipated results. 9. Your capabilities around pharmacoeconomic modeling to ensure clinically safe and effective pharmaceutical care that yields the highest overall level of cost effectiveness. 10. Your ability to coordinate the formulary development process and criteria with clinical program requirements.			
	C.17.	<u>Benefit Coverage/Plan Design</u> Describe your capabilities to support the requirements listed in Contract Section A.9.		3	
	C.18.	<u>Clinical Programs</u> Describe or provide the following information regarding your clinical programs: 1. Sample reports that will validate impact or savings from clinical programs such as PA, Step Therapy and therapeutic interchange. 2. How often your clinical programs are reviewed to ensure they remain up-to-date. 3. Your clinical management utilization program(s) specific for specialty drugs/self administered injectable medications. 4. Your disease management programs for diabetes, asthma, cardiovascular and mental health. Include the criteria used to identify members for participation. 5. Your therapeutic substitution and generic dispensing program. 6. A detailed description of your Step Therapy programs that will target all brand drugs for the following drug classes: Antihypertensives, Antidepressants, Anticonvulsants and Antihyperlipidemics. 7. A detailed description of your other Step Therapy programs. 8. A detailed description of your PA program. Include information on any PA program specific for "specialty drugs"/self-administered injectable medications. 9. The capabilities and expertise of the call center staff that		4	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		shall handle all prior authorizations. 10. The kind of services offered for over-the-counter medications.			
	C.19.	<u>Prospective/Concurrent DUR</u> Describe or provide the following information regarding your Drug Utilization Review (DUR) program: 1. The capabilities of your DUR systems and the processes to support them. 2. The flexibility of your system to accommodate any future edit changes required by the State. 3. Your system's ability to cross-reference controlled substance prescriptions for various members in the same household. 4. The formulas used to identify issues such as overutilization, incorrect drug dosages, incorrect drug treatments and potential abuse and/or misuse. 5. Any software or data, other than claims data, used by the Proposer to generate presumed member diagnoses.		3	
	C.20.	<u>Retro-DUR</u> Describe or provide the following information regarding your Retro-DUR program: 1. An overview of your retro-DUR program including how required interventions are identified, timeframes for intervention, who is notified and how, and how outcomes of interventions are documented. 2. Criteria and trends used to identify: a. Providers who practice outside of their peer's norm; b. Members with excessive use of controlled substances; c. Potential quality-of-care problems and/or potential fraud and abuse; 3. The profile review process that you would implement for prescribers and members. Include a description of the types of interventions that would be utilized, the results that would be generated, how results would be delivered to prescribers and predicted outcomes of the interventions. 4. Any activities beyond prescriber and member profile reviews that the Proposer will implement to detect potential problems.		3	
	C.21.	<u>Financials</u> Describe the following regarding financials: 1. Explain, in detail, how you will adjust your financials as a result of the First DataBank and Medi-Span AWP settlement. 2. Your plans to respond to potential changes in reimbursement calculations based on AWP and how your claims adjudication and payment system will be able to support this.		3	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		3. Your brand/generic indicator source. 4. Your Maximum Allowable Cost (MAC) pricing program. Include: a. How it is developed, updated, and how frequently updated; b. Criteria used for product inclusion and removal from the MAC list; c. The MAC pricing calculation methodology used to determine the MAC price; d. The percentage of generic drug National Drug Codes (NDCs) included on the MAC list; e. The number of MAC pricing lists you manage. Describe the differences between each list (content, pricing, etc.); and f. The percentage of your generic claims that hit the MAC list for your total Book of Business. Are the percentages different for mail and retail? 5. A sample copy of the dispensing fee annual reconciliation report. 6. A sample copy of the guaranteed minimum discount and dispensing fee measurement report. 7. In instances where a brand prescription drug has considerable market share, how quickly do you set a MAC price for competing generics coming to market.			
	C.22.	<u>Rebates</u> Describe the following regarding rebates: 1. Any minimum formulary requirements to participate in rebate payments. 2. How the State of Tennessee will be notified of rebate contract changes that may impact them. 3. Your top-five rebated products by total rebate-dollar volume. 4. A sample report in which you demonstrate that 100% of rebates earned from pharmaceutical manufacturers are passed on to the State. 5. Your ability to substantiate any rebate guarantee adjustments, if needed.		3	
	C.23.	<u>Data Integration & Technical Requirements</u> Describe or provide the following information regarding data integration and technical requirements: 1. Your ability to interface with the State's Edison system to ensure the accurate and timely processing of enrollment files including eligibility additions, changes, and deletions based on a standard 834 file supplied by the State. 2. The quality control processes you have in place to ensure the accurate and complete update of eligibility files. Describe how eligibility errors will be communicated to the State. 3. Where duplicate records relating to pharmacy payments are maintained and in what electronic format.		3	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		- Your capabilities to transmit pharmacy data and provide monthly data feeds to any third parties as requested by the State of Tennessee. - Your process for loading historical data from the current PBMs and, if requested, using the data to transfer prescriptions to the Proposer's mail and specialty pharmacies.			
	C.24.	<u>Privacy & Confidentiality</u> Describe your safeguards to protect the privacy and confidentiality of all members and to prevent unauthorized use or disclosure of Protected Health Information (PHI) that you create, receive, transmit, or maintain related to the Public Sector Plan pharmacy benefit.		1	
	C.25.	<u>E-Prescribing</u> Describe or provide the following information regarding E-Prescribing: - Describe your experiences and initiatives to date with E-Prescribing. - Describe how you have supported current clients interested in working more closely with their prescribers.		3	
	C.26.	<u>Provider Education</u> Describe or provide the following information regarding Provider Education: - Describe, in detail, the broad-based educational programs and notification processes for the Public Sector Plan provider and pharmacy community that you would recommend implementing. Include a description of educational materials to be provided, the types of interfaces you would implement (letters, POS messaging, training, etc.), communication strategy, educational topics to be covered, how materials would be delivered, etc. - Describe similar programs developed for other clients.		3	
	C.27.	<u>Appeals</u> Describe all levels of your member appeals process.		1	
	C.28.	<u>Customer Services</u> Describe or provide the following information regarding customer services: - All of the toll-free phone lines that will be maintained to meet the various call center requirements outlined in this Contract. Explain if different numbers, or a single number, will be used for members, pharmacists, and systems inquiries. - A detailed description of the operations of your call center(s). Include the location of call center(s), hours of operation, staffing projections, and plans for rerouting of calls and in what circumstances that may happen. - The duration and scope of training for new customer service representatives and how they will be trained on		5	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		the State of Tennessee account prior to program implementation. 4. Any ongoing training that will be implemented for the State of Tennessee account. 5. The turnover rate of your customer service representatives. 6. The issue resolution process and timeline expectation for each of the following departments: member services, pharmacy help desk, systems support, and client services. 7. The flexibility of your call center to handle fluctuations in call volume resulting from program, benefit or enrollment changes. 8. A sample of the quarterly customer service/call center statistics that will be provide to the State. 9. Call monitoring sessions that would regularly be conducted by the call center or in coordination with the State. 10. Your capabilities to accommodate hearing and visually impaired members.			
	C.29.	<u>Member Communication/Materials</u> Describe or provide the following information regarding member communication/materials: 1. Sample copies of any standard member materials to be provided to Public Sector Plan members such as network lists, formulary documents, I.D. cards, pharmacy benefit descriptive booklets, and welcome packets. Name the file: [Your Organization's Name] Sample Employee Communication Materials.			
		2. Your ability to provide each Public Sector Plan member with a pharmacy benefit identification card within the time frames specified in Contract Section A.23.13.2. 3. Your system's capability to provide members a point-of-sale explanation of pharmacy benefits, which lists the individual member's pharmaceutical out-of-pocket expenses, the plan sponsor's costs, and any cost savings opportunities for the member as specified in Contract Section A.23.16. Explain the types of member cost savings opportunities that would be included.		3	
	C.30.	<u>Website</u> Describe or provide the following information regarding the website(including the mail order website): 1. All web-based pharmacy services that you currently offer. Include the intended audience for these services (members, providers, clients, etc.) 2. The services that will be made available to Public Sector Plan members, pharmacies, and physicians. 3. Screen prints that detail the main functions or capabilities of your website(s) and a copy of your site map(s). Please limit to no more than 20 screen prints. 4. Any internal web-sites that you will provide to the State. These can include drug information, analytics,		4	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		dashboards, etc. 5. Security measures utilized to protect member data/PHI, particularly when ordering online.			
	C.31.	<u>Reporting & Systems Access</u> Describe or provide the following information regarding your reporting capabilities: 1. Your standard reporting package inclusive of report names, numbers of reports, methods of distribution, and refresh frequency. 2. A sample monthly operational/performance report as required by Contract Section A.25.1. 3. The type, and duration, of training you will provide State staff during implementation on your systems and reporting tools. Describe if the training can be performed on-site at a State of Tennessee location. 4. Your ad-hoc reporting capabilities and the access the State will have to an ad-hoc reporting liaison to assist in the development of ad-hoc reporting requests. 5. Your capabilities to perform modeling and projections based upon historical utilization. 6. Options available to State staff for on-line access to the Contractor's eligibility system. Describe how/if the State can manually add new members and how soon after the addition claims can be adjudicated for the member. 7. A sample financial terms compliance report as specified in Contract Section A.25.9. 8. A sample rebate payment report as specified in Contract Section A.25.10. 9. A sample open service issue report as specified in Contract Section A.25.11.		3	
	C.32.	<u>Audits and Fraud</u> Describe or provide the following information regarding your audit and fraud processes and capabilities: 1. How often you audit the accuracy of plan program pricing and overall adjudication accuracy. 2. Your audit capabilities. Include the size of your audit team, their experience, capabilities and the audit related activities they routinely perform.		1	
	C.33.	<u>Pharmacy Audits</u> Describe or provide the following information regarding your pharmacy audit processes: 1. Your ability to perform pharmacy audits. 2. How frequently your pharmacy network is audited and the percentage that is typically audited annually on-site. 3. How pharmacies with consistent or repeat findings are handled. Are they removed from the network? 4. The percentage of onsite audit recoveries that will be shared with the State. 5. Your processes to detect and prevent errors, fraud or		1	

PROPOSER LEGAL ENTITY NAME:					
Proposal Page # (Proposer completes)	Item Ref.	Section C— Technical Qualifications, Experience & Approach Items	Item Score	Evaluation Factor	Raw Weighted Score
		abusive pharmacy utilization by members, pharmacies or prescribers.			
<i>The RFP Coordinator will use this sum and the formula below to calculate the section score. All calculations will use and result in numbers rounded to two (2) places to the right of the decimal point.</i>					Total Raw Weighted Score: <i>(sum of Raw Weighted Scores above)</i>
Total Raw Weighted Score Maximum Possible Raw Weighted Score <i>(i.e., 5 x the sum of Item weights above)</i>					X 40 <i>(maximum possible score)</i>
					= SCORE:
<i>State Use – Evaluator Identification:</i>					
<i>State Use – RFP Coordinator Signature, Printed Name & Date:</i>					

COST PROPOSAL & SCORING GUIDE**NOTICE: THIS COST PROPOSAL MUST BE COMPLETED EXACTLY AS REQUIRED**

COST PROPOSAL SCHEDULE— The Cost Proposal, as submitted in the PBM Cost Proposal Spreadsheets, shall indicate the proposed price for the entire scope of service including all services defined in the Scope of Services of the RFP Attachment 6.6., *Pro Forma* Contract and for the entire contract period as detailed. The Cost Proposal shall remain valid for at least 120 days subsequent to the date of the Cost Proposal opening and thereafter in accordance with any contract resulting from this RFP. All monetary amounts shall be in U.S. currency and limited to two (2) places to the right of the decimal point.

NOTICE: The Evaluation Factor associated with each cost item is for evaluation purposes only. The evaluation factors do NOT constitute and should NOT be construed as any type of volume guarantee or minimum purchase quantity. The evaluation factors shall NOT create rights, interests, or claims of entitlement in the Proposer.

Notwithstanding the cost items herein, pursuant to the second paragraph of the pro forma contract section C.1. (refer to RFP Attachment 6.6.), "The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract."

This Cost Proposal must be signed, in the space below, by an individual empowered to bind the proposing entity to the provisions of this RFP and any contract awarded pursuant to it. If said individual is not the *President* or *Chief Executive Officer*, this document must attach evidence showing the individual's authority to legally bind the proposing entity.

PROPOSER SIGNATURE:	
PRINTED NAME & TITLE:	
DATE:	
PROPOSER LEGAL ENTITY NAME:	

COST PROPOSAL SCHEDULE

The Proposer must respond to the RFP by entering its proposed costs into the PBM Cost Proposal Spreadsheets. A copy of these spreadsheets is found on the following website:

<http://State.tn.us/finance/ocr/rfps.html>

The Proposer must fill out the Cost Proposal Spreadsheets, and must propose a cost for every cell on every line item.

This pricing schedule must be completed in full. Do not skip any cells. This pricing schedule must be completed for each of the five (5) years during which the contract will apply, allowing the bidder to improve pricing during any part of the full term of the contract. Assume discounts will be based on pre-FDB / Medi-Span AWP Settlement pricing. Enter only two digits to the left and two digits to the right of the decimal in Table A and B. All entries must be numerical. Text is not permitted. Enter only one cost per cell; do not enter more than one cost or a range of cost.

While the spreadsheets will allow it, the Proposer should NOT enter more than two (2) digits to the right of the decimal point: i.e. .99. In the event that a Proposer does enter more than two digits to the right of the decimal point, the independent actuarial firm will refer to the hard copy of the Cost Proposal Spreadsheets, which must be included in the Proposer's Cost Proposal. The independent actuarial firm will truncate the number entered in the electronic spreadsheet to match the number that Excel produced on the hardcopy according to the standard Excel rounding rules. For example, .555 would be rounded and truncated to .56; .5242 would become .52. After the completion of any necessary rounding and truncations, the electronic spreadsheet will be recalculated accordingly, and the resulting evaluation cost amount will be used in the Cost Proposal score calculation.

Detailed instructions for filling out the PBM Cost Proposal Spreadsheets are included below.

The proposed costs, detailed in the PBM Cost Proposal Spreadsheets, shall indicate the proposed price for providing the entire scope of service including all services as defined in the RFP Attachment 6.6., *Pro Forma Contract Scope of Services* for the total contract period. The costs proposed must use the First DataBank and Medi-Span pre-settlement AWP methodology for cost proposal calculations, as described in RFP Section 1.1.1. The PBM Cost Proposal Spreadsheets and line items are predefined and fixed for evaluation purposes in order to achieve comparable offers. The proposed cost and the submitted technical proposal associated with this cost shall remain valid for at least 120 days subsequent to the date of the Cost Proposal opening and thereafter in accordance with any resulting contract between the Proposer and the State. All monetary amounts are United States currency.

After the State has made an award under this RFP, during the Contract approval process, the State will transcribe the proposed costs from the Cost Proposal Spreadsheets to Contract Section C.3., Payment Methodology.

Detailed Instructions for Filling out the PBM Cost Proposal Spreadsheets

The Proposer is required to supply the line item costs for every line item given in the Cost Proposal Spreadsheets. The Proposer must provide a price for each item requested in the unit requested. The prior claims data amounts provided to Proposers (as noted in RFP Section 1.1.1), are in no way binding upon the State and do not commit the State to purchase services and/or drugs from the Proposer in any particular quantities, or to purchase any services at all. However, the vendor MUST still propose a cost for every cell on every line item. On PBM Cost Proposal Spreadsheet Table A, five (5) columns are provided for unit prices – one for each year (2010-2014) of the contract.

IMPORTANT NOTE: DO NOT MODIFY, ADD TO, MAKE NOTES CONCERNING, OR OTHERWISE QUALIFY IN ANY WAY THE COST PROPOSAL SPREADSHEETS OR THE ITEMS LISTED THEREIN. WITH THE EXCEPTION OF PROPOSER IDENTIFICATION INFORMATION AND THE PROPOSED COSTS, THE COST PROPOSAL SPREADSHEETS MUST REMAIN EXACTLY AS PUBLISHED ON THE STATE'S OCR WEBSITE.

If the Proposer fails to detail all cost information for the services proposed as required, the State shall determine the proposal to be non-responsive and reject it. The Proposer may propose a cost of zero; however, the Proposer should not leave any Cost Proposal cell blank. For evaluation and contractual purposes, the State shall interpret a blank Cost Proposal cell as a zero (0).

Proposal Submission of the Cost Proposal Spreadsheets

The Proposer shall submit the Cost Proposal Spreadsheets as a part of its Proposal in accordance with the instructions given in RFP Attachment 6.3, and RFP Sections 1.1.1, and 3.1.2.

Cost Evaluation Model

The RFP Coordinator will not open the separately sealed cost proposals containing the PBM Cost Proposal Spreadsheets. This information for each apparently responsive and responsible Proposer will be forwarded unopened to an independent actuarial firm (Subject Matter Expert) under contract with the Department of Finance & Administration. The results from the actuarial analysis will be provided to the RFP Coordinator for inclusion in the following Tables 1 and 2. The RFP Coordinator will calculate and record each Cost Proposal score in accordance with RFP Attachment 6.3, Cost Proposal & Scoring Guide as it appears below. Please refer to RFP Section 5.2.2.

Table 1: Totals for April 1, 2010 through December 31, 2014

PROPOSER LEGAL ENTITY NAME:			
EVALUATION COST AMOUNT ALL FIVE YEARS 2010 - 2014:			
<u>lowest evaluation cost amount from all proposals</u>	x 38 (maximum section score)	= SCORE:	
<u>evaluation cost amount being evaluated</u>			
<i>State Use -- RFP Coordinator Signature, Printed Name & Date:</i>			

Table 2: Total for April 1, 2010 through December 31, 2014

PROPOSER LEGAL ENTITY NAME:			
EVALUATION COST AMOUNT ALL DISEASE MANAGEMENT PROGRAMS			
<u>lowest evaluation cost amount from all proposals</u>	x 2 (maximum section score)	= SCORE:	
<u>evaluation cost amount being evaluated</u>			
<i>State Use -- RFP Coordinator Signature, Printed Name & Date:</i>			

REFERENCE QUESTIONNAIRE

The standard reference questionnaire provided on the following pages of this attachment MUST be completed by all individuals offering a reference for the Proposer.

The Proposer will be solely responsible for obtaining completed reference questionnaires as required (refer to RFP Attachment 6.2., Technical Proposal & Evaluation Guide, Section B, Item B.17.), and for enclosing the sealed reference envelopes within the Proposer's Technical Proposal.

RFP # 31786 – 00102 PROPOSAL REFERENCE QUESTIONNAIRE

REFERENCE SUBJECT: PROPOSER NAME (completed by proposer before reference is requested)

The "reference subject" specified above, intends to submit a proposal to the State of Tennessee in response to the Request for Proposals (RFP) indicated. As a part of such proposal, the reference subject must include a number of completed and sealed reference questionnaires (using this form).

Each individual responding to this reference questionnaire is asked to follow these instructions:

- complete this questionnaire (either using the form provided or an exact duplicate of this document);
- sign and date the completed questionnaire;
- seal the completed, signed, and dated questionnaire in a new standard #10 envelope;
- sign in ink across the sealed portion of the envelope; and
- return the sealed envelope containing the completed questionnaire directly to the reference subject.

(1) **What is the name of the individual, company, organization, or entity responding to this reference questionnaire?**

(2) **Please provide the following information about the individual completing this reference questionnaire on behalf of the above-named individual, company, organization, or entity.**

NAME:	
TITLE:	
TELEPHONE #	
E-MAIL ADDRESS:	

(3) **What services does /did the reference subject provide to your company or organization?**

(4) **What is the level of your overall satisfaction with the reference subject as a vendor of the services described above?**

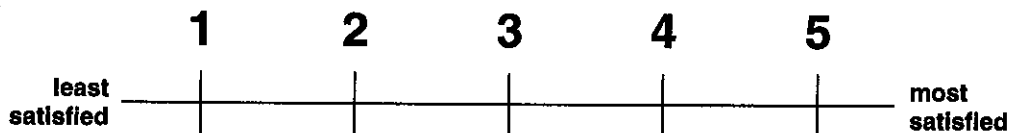
Please respond by circling the appropriate number on the scale below.

	1	2	3	4	5	
least satisfied						most satisfied

If you circled 3 or less above, what could the reference subject have done to improve that rating?

- (5) If the services that the reference subject provided to your company or organization are completed, were the services completed in compliance with the terms of the contract, on time, and within budget? If not, please explain.
- (6) If the reference subject is still providing services to your company or organization, are these services being provided in compliance with the terms of the contract, on time, and within budget? If not, please explain.
- (7) How satisfied are you with the reference subject's ability to perform based on your expectations and according to the contractual arrangements?
- (8) In what areas of service delivery does /did the reference subject excel?
- (9) In what areas of service delivery does /did the reference subject fall short?
- (10) What is the level of your satisfaction with the reference subject's project management structures, processes, and personnel?

Please respond by circling the appropriate number on the scale below.



What, if any, comments do you have regarding the score selected above?

- (11) Considering the staff assigned by the reference subject to deliver the services described in response to question 3 above, how satisfied are you with the technical abilities, professionalism, and interpersonal skills of the individuals assigned?

Please respond by circling the appropriate number on the scale below.

	1	2	3	4	5	
least						most
satisfied	—	—	—	—	—	satisfied

What, if any, comments do you have regarding the score selected above?

- (12) Would you contract again with the reference subject for the same or similar services?

Please respond by circling the appropriate number on the scale below.

	1	2	3	4	5	
least						most
satisfied	—	—	—	—	—	satisfied

What, if any, comments do you have regarding the score selected above?

REFERENCE SIGNATURE:

(by the individual completing this
request for reference information)

(must be the same as the signature across the envelope seal)

DATE:

PROPOSAL SCORE SUMMARY MATRIX

	<i>PROPOSER NAME</i>		<i>PROPOSER NAME</i>		<i>PROPOSER NAME</i>	
GENERAL QUALIFICATIONS & EXPERIENCE (maximum: 20)						
<i>EVALUATOR NAME</i>						
<i>EVALUATOR NAME</i>						
<i>REPEAT AS NECESSARY</i>						
	AVERAGE:		AVERAGE:		AVERAGE:	
TECHNICAL QUALIFICATIONS, EXPERIENCE & APPROACH (maximum: 40)						
<i>EVALUATOR NAME</i>						
<i>EVALUATOR NAME</i>						
<i>REPEAT AS NECESSARY</i>						
	AVERAGE:		AVERAGE:		AVERAGE:	
COST PROPOSAL: TABLE A (maximum: 38)	SCORE:		SCORE:		SCORE:	
COST PROPOSAL: TABLE B (maximum: 2)	SCORE:		SCORE:		SCORE:	
TOTAL PROPOSAL EVALUATION SCORE: (maximum: 100)						
<i>RFP Coordinator Signature, Printed Name & Date:</i>						

RFP # 31786 – 00102 *PRO FORMA* CONTRACT

The *pro forma* contract detailed in following pages of this exhibit contains some “blanks” (signified by descriptions in capital letters) that will be completed with appropriate information in the final contract resulting from the RFP.

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**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
AND LOCAL GOVERNMENT INSURANCE COMMITTEE
AND
CONTRACTOR NAME**

This Contract, by and between the State of Tennessee, State of Tennessee, State Insurance Committee, Local Education Insurance Committee, and the Local Government Insurance Committee, hereinafter referred to as the "State" and CONTRACTOR LEGAL ENTITY NAME, hereinafter referred to as the "Contractor," is for the provision of a pharmacy benefits manager for the Public Sector Plans, as further defined in the "SCOPE OF SERVICES."

The Contractor is A/AN INDIVIDUAL, FOR-PROFIT CORPORATION, NON-PROFIT CORPORATION, SPECIAL PURPOSE CORPORATION OR ASSOCIATION, PARTNERSHIP, JOINT VENTURE, OR LIMITED LIABILITY COMPANY.

Contractor Federal Employer Identification or Social Security Number: ID NUMBER

Contractor Place of Incorporation or Organization: LOCATION

A. SCOPE OF SERVICES:

A.1. The Contractor shall provide all service and deliverables as required, described, and detailed by this Scope of Services and shall meet all service and delivery timelines specified in the Scope of Services section or elsewhere in this Contract.

A.1.1. The Contractor shall provide pharmacy benefit management services, which shall include custom clinical programs as required, disease management, formulary management and a state-of-the-art online Point-of-Sale (POS) pharmacy claims processing system. This POS system shall include a state-wide retail pharmacy network, prospective/concurrent drug utilization review (DUR), retrospective drug utilization review (Retro-DUR), reporting capabilities, adjudication capabilities, and full pharmacy benefit member services for retail, mail order and specialty pharmacy benefits for members of the Public Sector Plans.

A.2. Pharmacy Benefit and Policies

A.2.1. The State will determine all pharmacy benefits and related policies. If the Contractor has a question on policy determinations, benefits, or operating guidelines required for proper performance of the Contractor's responsibilities, then the Contractor shall request a determination in writing from the State. The State will then respond in writing making a determination within thirty (30) days. The Contractor shall then act in accordance with such policy determinations and/or operating guidelines.

A.2.2. The State will have the sole responsibility for and authority to clarify and/or revise the Plan Documents (located on the State's website at www.state.tn.us/finance/ins/publications.html), which governs the structure of the pharmacy benefits available to members. It is understood between the parties that the program cannot and does not cover all benefit situations. In a case where the benefits are not referenced or are not clear, the Contractor shall clarify the State's intent with the State. The State shall have the exclusive and final authority to interpret the Plan Documents.

A.2.3. Unless otherwise directed by the State in writing, the Contractor shall not attempt to interpret statutes, regulations, plan documents, or policy materials. Rather, the Contractor shall refer, in writing, all questions regarding a policy interpretation to the contact designated by the State within one (1) business day of discovery of the issue in question.

- A.2.4. The Contractor shall possess and maintain full Pharmacy Benefit Management accreditation status with URAC, formerly the Utilization Review Accreditation Commission, during the entire term of this contract.

A.3. Plan Implementation

- A.3.1. The pharmacy benefit for the Public Sector Plans will take effect and be fully operational thirty (30) days prior to the "go-live" date specified in Contract Section A.30. (Project Deliverables/Milestones).
- A.3.2. The Contractor shall implement the systems required to process all Public Sector Plan pharmacy claims and all other services described herein. The Contractor shall work with the State to ensure that the program satisfies the functional and informational requirements as outlined by this Scope of Services, by the State and in the Plan Document.
- A.3.3. The Contractor shall provide a dedicated full-time implementation team. All of the Contractor's implementation team members shall have participated, as team members, in the implementation of pharmacy benefit services for at least one other large employer (i.e. employers with pharmacy plans covering at least 100,000 lives). The Contractor's implementation team shall include a full-time licensed Pharmacist dedicated to this contract, and a full-time Account Manager dedicated to this contract, who will be the main contact with the State for all of the day-to-day matters relating to the implementation and ongoing operations of the contract. Also, the Contractor shall assign a full-time Information Systems Project Coordinator (i) to serve as backup to the Account Manager and (ii) to coordinate activities among the Contractor and the State's existing vendors and all the internal and external participating and affected entities.
- A.3.4. All key Contractor project staff shall attend a project kick-off meeting at the State of Tennessee offices in Nashville, TN within the first thirty (30) days after the contract start date. State project staff shall provide access and orientation to the Public Sector Plans and system documentation, as requested by the Contractor.
- A.3.5. The Contractor shall provide a project implementation plan to the State no later than thirty (30) days after the Contract start date. The plan shall be electronically maintained, daily, in Microsoft Excel or Microsoft Project. The plan shall detail all aspects of implementation, which includes all tasks with deliverable dates necessary to satisfactorily install the program no later than the go-live date specified in Contract Section A.30. (Project Deliverables/Milestones) and a description of the members on the transition team and their roles. The plan shall include a detailed timeline description of all work to be performed both by the Contractor and the State. This plan shall require written approval by the State. At a minimum, the implementation plan shall provide specific details on the following:
- a. Identification and timing of significant responsibilities and tasks;
 - b. Names and titles of key implementation staff;
 - c. Identification and timing of the State's responsibilities;
 - d. Data requirements (indicate type and format of data required);
 - e. Data conversion plan including procedures for testing the conversion data;
 - f. Identification and timing for the testing, acceptance and certification of receipt of State's eligibility through Edison;
 - g. Identification and timing for testing and certification of claims payment and reconciliation process;
 - h. Drug formulary development consistent with the State pharmacy benefit;
 - i. Plan member communications;
 - j. Schedule of in-person meeting and conference calls;
 - k. Transition requirements with the incumbent health plans; and

- I. Staff assigned to attend and present (if required) at annual transfer/ educational sessions.

A.3.6. The Contractor shall schedule an implementation meeting on-site at the State of Tennessee offices in Nashville, TN no later than sixty (60) days prior to the pharmacy benefit go-live date.

A.3.7. The Contractor shall provide for a comprehensive operational readiness review (pre implementation audit) by the State, and/or its designee, at least sixty (60) days prior to the pharmacy benefit go-live date. The Contractor shall pay for the comprehensive readiness review to ensure the plan design, eligibility and financial contract terms have been set up correctly. Such review by the State, and/or its designee, may include, but not be limited to, an on-site review of the Contractor's operational readiness for all services required in this contract (e.g. claims processing and payment, customer services, Contractor staff education, website development, etc.). The review may also include desk reviews of documentation that includes but is not limited to:

- a. Interview Guide;
- b. Policy and Procedures Manual;
- c. Information systems; and
- d. Any and all deliverables required under this Contract.

A.3.8. At its discretion, the State may conduct an additional, pre-implementation review of the Contractor's progress towards fulfilling the IT and telecommunication technology requirements of this Contract.

A.3.9. Contractor shall participate in all readiness review activities conducted by State staff and/or the State's designee to ensure the Contractor's operational readiness for all services required in this contract. The State will provide the Contractor with a summary of findings that may include areas requiring corrective action prior to the pharmacy benefit go-live date. The Contractor shall ensure that the State has the opportunity to thoroughly test the system prior to the go-live date and that any findings identified by the State are resolved prior to the go-live date.

A.3.10. The Contractor shall host one or more officials of the State (or agents of the State) onsite at its Call Center during the week preceding and/or the three weeks following the pharmacy benefit go-live date. These officials will help to coordinate activities with Benefits Administration staff and the Call Center. The State will be responsible for the costs of travel, food, and lodging for these officials as well as providing their own laptop computers with all necessary software required to access State of Tennessee services and systems available only via the State Intranet. The Contractor shall provide onsite workspace and access to a telephone, fax, copy machine, and Internet connection.

A.3.11. The Contractor shall conduct status meetings concerning project development, project implementation and Contractor performance at least bi-weekly during implementation and daily for the first month following the go-live date, unless otherwise approved by the State. Thereafter, all ongoing operational meetings shall be conducted on a State specified schedule, but shall occur no less than once a month. Such meetings shall be either by phone or on-site at the offices of the State, as determined by the State and shall include the Account Manager, Pharmacist and appropriate systems staff. Any costs incurred by the Contractor as a result of a meeting with the State shall be the responsibility of the Contractor.

A.3.12. No later than forty-five (45) days post-implementation, the State will complete an Implementation Performance Assessment, which will be provided by the Contractor. This assessment will be used to document the State's satisfaction with the implementation process.

A.4. **Staffing**

A.4.1. The Contractor shall provide an ongoing dedicated, full-time Account Team that can provide daily operational support as well as strategic planning and analysis. All members of the Account Team

shall have previous experience administering pharmacy benefits for large employers (i.e. employers with over \$250 million in pharmacy benefits claims annually).

- A.4.2. The Account Team shall be available for consultation with the State during the hours of 8:00 a.m. to 4:30 p.m. Central Standard Time, Monday through Friday, as required to fulfill the scope of services specified in this Contract.
- A.4.3. The Contractor shall designate a dedicated full time licensed Chief Pharmacist as a member of the ongoing account team. This individual shall have over 5 years experience working at the executive level for a PBM and shall have the responsibility for providing the State with clinical pharmacological advice in the review and development of a specific formulary for the State Plans, pharmacy benefit design and utilization review activities to include Prior Authorization (PA), Step Therapy and other innovative approaches to managing the prescription drug benefits for the Public Sector Plans.
- A.4.4. The Contractor shall designate a dedicated full time Account Manager as a member of the ongoing account team. The Account Manager shall be a member of the implementation team in order to ensure a seamless transition from implementation to ongoing operations.
- A.4.5. The dedicated Account Manager shall have the responsibility and authority to manage the entire range of services discussed in this Contract and shall respond immediately to changes in benefit plan design, changes in claims processing procedures, or general administrative problems identified by the State.
- A.4.6. At a minimum, the Account Manager shall meet in person with the State once a month and more often if required by the State. At its discretion, the State may allow the Contractor to participate in such meetings by teleconference.
- A.4.7. The Contractor shall survey the State annually during the contract period to determine the State's satisfaction with the ongoing account team.
- A.4.8. The Contractor shall train all Contractor staff and sub-contracted staff regarding all applicable aspects of the Public Sector Plan Pharmacy Program. The State may approve or disapprove the Contractor's Subcontractors or its staff assigned to this Contract prior to the proposed staff assignment. All Subcontractors must be approved by the State in writing prior to the performance of any work required under this contract.
- A.4.9. The State may direct the Contractor to replace staff members or subcontractors, as it deems necessary and appropriate. The decision of the State on these matters shall not be subject to appeal.
- A.4.10. Personnel commitments made in the Contractor's proposal shall not be changed unless the Contractor receives prior written approval from the State. For these purposes, such commitments shall include any named individuals in the proposal and the levels of effort proposed. The Contractor shall notify the State at least thirty (30) days in advance of proposed changes and shall submit justification (including proposed substitutions) in sufficient detail regarding education and experience equal to previous staff to the State to evaluate the impact upon the Contract. The decision of the State on these matters shall not be subject to appeal.
- A.4.11. If any key positions become vacant, then the Contractor shall provide a replacement with commensurate experience and required professional credentials within sixty (60) days of the vacancy unless the State grants an exception to this requirement in writing.
- A.4.12. For matters designated as urgent by the State, the Contractor shall provide a response to the State within four (4) hours. Staff members, from the respective business unit, with final decision making authority shall provide responses.

A.4.13. The Contractor shall participate in review meetings with the State on a monthly basis for the first six (6) months of the contract, and quarterly thereafter. In these meetings, the Contractor's account team and the State will review the operations and financial performance of the Public Sector Plan pharmacy benefit. These meetings will take place at the State of Tennessee offices in Nashville, TN. However, at its discretion, the State may allow the Contractor to participate in such meetings by teleconference.

A.4.14. For its work under this Contract, the Contractor shall employ no employees or contract with subcontractors that are on the U.S. Department of Health and Human Services' Office of Inspector General (OIG) exclusions list unless the Contractor receives prior, written approval from the State.

A.5. Point-of-Sale Claims Adjudication (for Retail, Mail Order, and Specialty Pharmacy)

A.5.1. The Contractor shall provide an integrated, electronic retail, mail order and specialty pharmacy Point-of-Sale (POS) claims processing system that can meet the needs of the State and the Public Sector Plans, as outlined by this Scope of Services.

A.5.2. The Contractor shall provide system design, modification, development, implementation and operation for the Public Sector Plan POS system, which uses the specified, current National Council for Prescription Drug Programs, Inc. (NCPDP) format. The Contractor's POS system shall allow it to interface with the existing pharmacy "switch" networks that connect pharmacy providers with the Contractor's system.

A.5.3. The POS system shall automate the entire pharmacy claims processing system and shall price and adjudicate claims online and in real time. The POS system shall adjudicate and process all retail, specialty and mail order electronic point of sale and paper claims incurred during the term of the contract in strict accordance with the State Pharmacy Benefits as contained in the State Plan Document, which is located on the State's website.
(www.state.tn.us/finance/ins/publications.html)

A.5.4. The Contractor shall process ninety-nine and one half percent (99.5%) of POS claims on a daily basis within five (5) seconds. For this calculation the number of claims processed within five (5) seconds during each twenty-four (24) hour period shall be the numerator and the number of claims processed during each twenty-four (24) hour period shall be the denominator. To measure compliance with this standard, the Contractor shall measure for each claim the time from when the claim is received by the Contractor's processor to the time the results are transmitted from the Contractor's processor. The Contractor's measure shall reflect the time required for all procedures required to complete claim adjudication.

A.5.5. The Contractor shall notify the State's Project Manager, via e-mail and phone, immediately upon knowledge of unscheduled or unapproved downtime involving more than ten percent (10%) of production for a period greater than 15 minutes. The Contractor shall also provide the State updates at regular intervals during a sustained downtime. The State will be presented with recovery options as appropriate. Upon full system recovery, the Contractor shall provide the State with a System Downtime Analysis describing root cause issues and actions to mitigate future downtime occurrences.

A.5.6. Enrolled network pharmacy providers such as retail pharmacies, specialty pharmacies, outpatient hospital retail pharmacies and mail order pharmacies will be responsible for submitting member claims through point-of-sale telecommunications devices. However, the Contractor shall also process paper claims within thirty (30) days of receipt when submitted by members or for members on behalf of a prescriber.

A.5.7. The Contractor shall ensure that retail network claims submitted by network pharmacy providers will be paperless for the members. The Contractor's agreement with network pharmacy providers shall obligate the network pharmacy providers to submit claims directly to the Contractor.

- A.5.8. The Contractor shall institute a program of subrogation based on a mutually agreeable process between the Contractor and the State. Such process shall include:
- a. A defined process for the recovery of monies received through subrogation;
 - b. Notification, upon request by the State, of the status of cases under review for subrogation; and
 - c. Identification of, and approval by, the State of all subrogation subcontractors and, upon request by the State, copies of said subcontracts.

Additional requirements related to subrogation are listed in Section C.3 of the Contract.

- A.5.9. Regardless of the architecture of its Systems, the Contractor shall develop and be continually ready to invoke a business continuity and disaster recovery (BC-DR) plan. The BC-DR plan shall encompass all Information and Communications Technology as defined in this Contract. At a minimum the Contractor's BC-DR plan shall address the following scenarios:

- a. Central and/or satellite data processing, telecommunications, print and mailing facilities and functions therein, hardware and software are destroyed or damaged;
- b. System interruption or failure resulting from network, operating hardware, software, communications infrastructure or operational errors that compromise the integrity of transactions that are active in a live system at the time of the outage;
- c. System interruption or failure resulting from network, operating hardware, software, communications infrastructure or operational errors that compromise the integrity of data maintained in a live or archival system; and
- d. System interruption or failure resulting from network, operating hardware, software, communications infrastructure or operational errors that does not compromise the integrity of transactions or data maintained in a live or archival system but does prevent access to the System (i.e., causes unscheduled System Unavailability).

- A.5.10. The Contractor shall provide the State results of the most recent test of its BC-DR plan thirty (30) days prior to the go-live date. In the event no such test has been executed or the results were not satisfactory to the State, then the Contractor shall periodically, but no less than annually, test its BC-DR plan through simulated disasters and lower level failures in order to demonstrate to the State that it can restore System functions per the standards outlined in this Section of the Contract.

- A.5.11. In the event that the Contractor fails to demonstrate in the tests of its BC-DR plan that it can restore system functions per the standards outlined in this Contract, the Contractor shall submit to the State a Corrective Action Plan that describes how the failure will be resolved. The Contractor shall deliver the Corrective Action Plan within ten (10) business days of the conclusion of the test.

- A.5.12. The POS claims system shall fully integrate the PA and Step Therapy programs, as described in sections A.10.10 and A.10.11, and have edits to verify eligibility, the current formulary, and claim completeness as claims are submitted.

- A.5.13. The Contractor shall confirm eligibility of each member on the basis of enrollment information provided by the State, which applies to the period during which the charges were incurred. On a quarterly basis, the Contractor shall accurately process a minimum of ninety-eight percent (98%) of claims either filed directly by members and/or their prescriber(s), in accordance with the Liquidated Damages section (Contract Attachment B) of this contract. The Contractor shall provide Public Sector Plan pharmacy services only to eligible members. The Contractor shall track member utilization across all participating pharmacy providers (i.e. retail, mail, and specialty) and shall report member utilization to the State at the State's request.

- A.5.14. The POS system shall generate a claim pay status of pay, suspend, or deny. The system shall allow a pharmacy to initiate a reversal (void) of a submitted claim. The telecommunications system supporting the POS function shall be available for claims submissions by pharmacies twenty-four (24) hours-a-day, seven (7) days-a-week (except for regularly scheduled and separately approved downtimes) and shall be accessible and operational no less than ninety-

seven percent (97%) of this time. The Contractor shall not charge participating pharmacy providers any POS fees for services rendered under this contract. Network pharmacy providers are responsible for purchasing POS hardware, software and all telecommunications linkages. The Contractor shall require all participating network pharmacy providers to have the POS function.

- A.5.15. The Contractor shall apply a unique identification number to each claim and any supporting documentation. The Contractor shall use said identification number to recognize the claim for research or audit purposes. The Contractor shall ensure that all claims have been processed to completion (e.g. approved or denied). The Contractor shall ensure that safeguards are in place to protect the confidentiality of member information.
- A.5.16. At the point of sale, the Contractor shall identify and deny claims that contain invalid provider numbers. The Contractor shall return claims to the originating provider. Pharmacy providers shall submit claims and be identified by their individual and specific National Provider Identification numbers (NPI). Prescribers shall be identified on all pharmacy claims by their specific NPI or Drug Enforcement Agency (DEA) numbers, or any other identifying number as required by the State or HIPAA.
- A.5.17. The Contractor shall identify and deny claims (unless specifically instructed differently by the State) that contain National Drug Code (NDC) numbers including non-covered drug codes, less-than effective (LTE) drug codes based on the Drug Efficacy Study Implementation (DESI), drug codes which are identical, related or similar (IRS) to DESI drugs and any terminated or obsolete drug codes. Such claims shall reject with situation specific messaging and error codes.
- A.5.18. Upon conclusion of this contract, or in the event of its termination or cancellation for any reason, the Contractor shall be responsible for the processing of all claims incurred for eligible Public Sector Plan members rendered during the period of this contract with no additional administrative cost to the State and according to the pharmaceutical price quoted for the year in which the pharmacy expense was incurred. The Contractor shall also be responsible for the payment of rebates on all claims incurred prior to termination or cancellation. The claims run out period shall extend through the final day of the thirteenth (13th) month following contract termination.
- A.5.19. The Contractor shall maintain a dedicated toll-free number to support system operations. This Help Desk shall be available twenty-four (24) hours a day, seven days a week to respond to questions and problems from pharmacy providers regarding system operations and claims inquiries. The Contractor shall supply all the required information systems, telecommunications, and personnel to perform these operations. The Contractor's Help Desk and Help Desk representatives/operators shall be located in the United States.
- A.5.20. The Contractor shall process all of the State's claims on the same platform during the term of this Contract and shall not transition the State from the claims adjudication platform that they are implemented onto during the term of this contract without prior written approval by the State.

A.6. Claims Payment and Reconciliation

- A.6.1. The Contractor shall adjudicate claims as payable only if said claims are (i) for eligible members (ii) for approved services (iii) dispensed by in-network pharmacy providers and (iv) and in accordance with the payment rules and other policies of the State. The State will only pay for approved and correctly paid claims, not for rejected or reversed claims. Out of network claims shall be paid via direct member reimbursement for (i) eligible members (ii) for approved services (iii) and in accordance with the payment rules and other policies of the State.
- A.6.2. The Contractor shall pay the claim or advise the provider that a submitted claim is: (1) a "denied claim" (specifying all reasons for denial); or, (2) a claim that cannot be denied or allowed due to insufficient information and/or documentation (specifying all information and/or documentation that is needed from the provider in order to allow or deny the claim). An incomplete claim may be resubmitted with the information necessary to complete the claim. This resubmission shall constitute a new claim only for the purpose of establishing a timeframe for claims processing.

- A.6.3. The Contractor shall pass directly to the Public Sector Plan the contract terms the Contractor has negotiated with retail pharmacies (discounts and dispensing fees) and pharmaceutical manufacturers (rebates). Thus, the Contractor shall not receive any differential, or "spread", between the pharmacy or manufacturer contracted rate and the plan sponsor contracted rate.
- A.6.4. The Contractor shall provide a quarterly report to demonstrate the level of retail pass-through pricing, as required in Section A.6.3.
- A.6.5. The Contractor shall be responsible for ensuring that any payments funded by the State are accurate and in compliance with the terms of this contract, including the Liquidated Damages section (Contract Attachment B) of this contract; agreements between the State or Contractor and providers; and state and federal laws and regulations.
- A.6.6. The Contractor shall notify the State within thirty (30) days of a retroactive termination of all claims paid on behalf of the affected plan member during the period covering the retroactivity. The State will require the Contractor to assist the State in the recovery of claims.
- A.6.7. For the payment of all claims under this contract, the Contractor shall issue payments in the form of checks and/or Automated Clearing House (ACH) electronic funds transfer against the Contractor's own bank account. The Contractor shall maintain security and quality controls over the design, printing, and mailing of checks, as well as any fraud prevention features of checks. Additional requirements related to payments are listed in Section C.3 of the Contract.
- A.6.8. The State will monitor and age the outstanding check balance and the Contractor agrees, upon request of the State, to conduct a review and/or cancel-reissue of stale dated outstanding items. In a format mutually agreed to, the Contractor, on a daily basis, shall provide a detailed listing of the payment activity, including check serial numbers and ACH payment identifiers, payee names, payment amounts, plan group (State, Local Education and Local Government), active, retiree, or COBRA member and associated claim numbers, balancing to the required funding amount for that day. Said listing shall enable the State to reconcile the payment detail to the required funding amount, while providing related payment information needed to record the necessary accounting entries by expense classifications.
- A.6.9. The Contractor shall provide monthly Check Reconciliation Reports that provide detail (check number, issue date, payee name, claim numbers, check amount, paid or cancel date) of all checks issued or cancelled during the month, and detailed listing of outstanding checks at each month-end.
- A.6.10. The Contractor shall reimburse network pharmacies within ten (10) working days of claims approval for no less than ninety-five percent (95%) of direct reimbursement "clean" claims and within twenty (20) working days for 100% of direct reimbursement claims, or in accordance with State law.

A.7. Pharmacy Network

- A.7.1. The Contractor shall establish and maintain the broadest available national pharmacy provider network and a statewide Any Willing pharmacy provider network of retail, 90-day-at-retail, mail order, and specialty pharmacies. The network shall be adequate to provide covered pharmacy services and pharmacy location sites available and accessible in accordance with the Terms and Conditions as set forth by the State and in compliance with Tennessee Code Annotated Section 56-7-2359. The Contractor shall provide this said network through the entire term of the contract, including term extensions.
- A.7.2. The Contractor shall execute pharmacy provider agreements with Any Willing pharmacy providers for retail, mail and specialty pharmacies that maintain all federal, state and local licenses, certifications, and permits, without restriction, required to provide pharmaceutical services and shall comply fully with all applicable laws and regulations.

- A.7.3. The Contractor shall provide a list of pharmacies participating in the retail, 90-day-at retail, mail, and specialty networks on the Contractor's website at least thirty (30) days prior to the go-live date. The Contractor shall update the list at least quarterly.
- A.7.4. The Contractor shall not require the State to mandate the use of mail order pharmacies.
- A.7.5. Retail Network:
- A.7.5.1. The Contractor shall maintain under contract a network of pharmacy providers to provide the covered services such that in urban areas, at least ninety percent (90%) of Public Sector Plan members, on average, live within five (5) miles of a retail pharmacy participating in the Contractor's network; in suburban areas, at least ninety percent (90%) of Public Sector Plan members, on average, live within ten (10) miles of a retail pharmacy participating in the Contractor's network; and in rural areas, at least seventy percent (70%) of Public Sector Plan members, on average, live within fifteen (15) miles of a retail pharmacy participating in the Contractor's network. The Contractor shall justify and document all exceptions, which are subject to prior written approval by the State.
- A.7.6. 90-day-at-Retail Network:
- A.7.6.1. In accordance with Any Willing Pharmacy Act (codified at TCA § 56-7-2359), the Contractor shall allow any willing network retail pharmacies that agree with the Contractor's terms and conditions for mail order pharmacy to participate in a 90-day-at-retail network.
- A.7.7. Mail Order Network:
- A.7.7.1. The contracted mail order pharmacy shall possess sufficient staff and facilities capable of mailing ninety-five percent (95%) or more of all Public Sector Plan member prescription orders filled from "clean" prescriptions not requiring pharmacy intervention within three (3) business days and ninety-nine and nine-tenths percent (99.9%) of all prescriptions mailed to eligible Public Sector Plan members shall be dispensed with the correct drug strength and dosage form. The mail order pharmacy shall possess a current license to dispense controlled drugs (Schedule 2, 3, 4 and 5 substances).
- A.7.7.2. The Contractor's mail order pharmacy will not be required to dispense prescriptions for greater than a ninety (90) day supply of covered drugs, per prescription or refill, subject to the professional judgment of the dispensing pharmacist, limitations imposed on controlled substances, and manufacturer's recommendations. Prescriptions may be refilled providing the prescription states that refills remain. All prescriptions will be filled in accordance with Tennessee state laws and regulations.
- A.7.7.3. The Contractor shall guarantee that MAC pricing will apply at mail for generic medications.
- A.7.7.4. The Contractor shall guarantee that the AWP applied to mail order claims must be the actual National Drug Code-11 of the package size dispensed.
- A.7.7.5. The PBM mail order service shall inform the member, the prescriber, and the State if it substitutes products that will result in a member co-pay or plan cost that is greater than the co-pay or plan cost that would have been incurred had the prescription been dispensed as written. The Contractor shall only engage in such substitutions when there are widespread marketplace drug availability issues with the more cost effective product.
- A.7.7.6. The mail order pharmacy shall communicate to the member, by phone or e-mail, any delays, beyond three (3) days, in delivery of prescriptions. Members shall be notified of such delays within twenty-four (24) hours of the discovery of the delay.

- A.7.7.7. The mail order pharmacy shall provide members refunds for monies owed back to them instead of maintaining credits at the mail facility.
- A.7.7.8. The State will not pay any outstanding balances owed by Public Sector Plan members to the Contractor or its network pharmacy providers.
- A.7.7.9. The Contractor shall obtain open refill files from the State's current mail order vendors if available.
- A.7.7.10. The Contractor shall maintain a secure website supporting the mail order function, which allows members to access their pharmacy claims and request and pay for refills online. Said website shall be operational no later than thirty (30) days prior to the go-live date.

A.7.8. Specialty Network:

- A.7.8.1. The specialty pharmacy network shall be the preferred pharmacy provider of certain drugs. The specialty pharmacy network shall guarantee more favorable reimbursement rates on the designated products than the retail, mail, and 90-day-at-retail networks, and possess unique clinical monitoring, member assistance, and distribution capabilities.
- A.7.8.2. The Contractor or other third-party specialty pharmacy that has a written arrangement with the Contractor may provide specialty drugs. The Contractor shall add new specialty products and the pricing for these products to the list of specialty drugs only after providing written notice the State.
- A.7.8.3. Unless otherwise directed by the State, the Contractor shall evaluate additions to its "specialty drug list" using the criteria that the Contractor provided as an explanation in the Contractor's proposal, unless the State approves an alternative approach in advance and in writing.
- A.7.8.4. Unless otherwise directed by the State, the Contractor shall limit specialty drugs to a thirty (30) day supply, which it shall provide exclusively via specialty network pharmacies.
- A.7.8.5. The contractor shall guarantee that the AWP applied to specialty claims will be the actual NDC-11 of the package size dispensed.
- A.7.9. The Contractor shall lock members who meet the Contractor's lock-in guidelines into just one network pharmacy and one prescriber. The Contractor's lock-in guidelines shall be provided to the State for approval during plan implementation.
- A.7.10. The Contractor shall annually provide the State with a GeoNetworks® report showing service and geographic access for the retail network, the 90-day-at-retail network and the specialty network, if applicable. The State will review the pharmacy network structure and shall inform the Contractor in writing of any deficiencies. The State and Contractor shall then mutually develop a plan of action to correct said deficiencies within sixty (60) days from the date the Contractor was first notified of the problem.
- A.7.11. The Contractor shall generate and deliver to the State, within five (5) working days of the end of each contract quarter, a Quarterly Network Changes Report. This report shall include all additions to the network and all pharmacies no longer participating in the network, as well as a reason for the removal.

A.8. Formulary Management

- A.8.1. The Contractor shall design, develop, implement, administer and maintain the Public Sector Plan formulary, which shall include FDA approved drugs that have been evaluated for inclusion by the Contractor's Pharmacy and Therapeutics (P&T) Committee. The Contractor shall be the exclusive

formulary administrator for the prescription drug benefit delivered under this contract during its term.

- A.8.2. On the date the Contractor assumes full responsibility for the pharmacy benefits program, the Contractor shall assume responsibility for administering and maintaining the formulary, including the State's existing PA criteria and clinical programs.
- A.8.3. The Contractor shall implement their normal formulary within five (5) working days after receipt of the State's written approval. The Contractor shall allow formulary customizations at the State's request at no additional cost to the State, including the ability to add over-the-counter (OTC) products. The Contractor shall implement customized formularies within fifteen (15) working days after receipt of the State's written request.
- A.8.4. The Contractor shall monitor Public Sector Plan formulary compliance, report compliance information to the State quarterly, and provide suggestions for improving formulary compliance.
- A.8.5. The Contractor shall implement changes to the formulary, Step Therapy, PA and other clinical edit requirements within fifteen (15) business days of the State's approval or request. Changes shall include modifications to the POS system and all supporting systems and documents. The Contractor shall notify pharmacy providers and affected plan members in writing at least thirty (30) days prior to the implementation, unless the Contractor and State mutually agree to a shorter notification time. The State must provide prior written approval for all pharmacy provider and member notifications.
- A.8.6. The Contractor shall not implement or administer any program that results in the therapeutic switching of members from lower net cost products to higher net cost products.
- A.8.7. Final decisions for inclusion or exclusion from the Public Sector Plan formulary shall be at the sole discretion of the State.
- A.8.8. Formulary Design and Development:
 - A.8.8.1. The Contractor's P&T Committee shall design the Public Sector Plan formulary to (i) maximize the prescribing and dispensing of safe and clinically effective drugs within each therapeutic class that are the most clinically effective as well as the most cost-effective (ii) ensure that the more costly drugs, which do not have any significant clinical or therapeutic advantage over others in their class, are used only when medically necessary; have a higher formulary tier; and have a higher member cost share (in certain instances, these drugs may be excluded from the formulary) and (iii) ensure that ninety-five percent (95%) or more of mail order prescriptions and ninety percent (90%) or more of retail prescriptions for multi-source drugs will be dispensed with a generic product.
 - A.8.8.2. The Contractor's P&T formulary review process shall be an evidence-based review of clinical guidelines and medical literature to identify which agents and classes of drugs shall be included on the formulary. Within the classes of drugs determined to be included on the formulary, the Contractor shall determine which drugs within each class are safe, clinically effective, cost rational and provide equivalent clinical outcomes. The Committee's recommendations for inclusion on the formulary shall be based on a thorough review of clinical effectiveness, safety, and health outcomes, followed by an analysis of the relative costs of the drugs in each class under consideration. The Contractor shall, at the State's request, provide the State documentation describing the formulary review process, logic and methodology utilized by the Contractor's P&T Committee.
 - A.8.8.3. The Contractor shall identify therapeutic alternatives and opportunities for savings and report these opportunities at the quarterly review meetings with the State. The Contractor shall also present recommendations at the quarterly review meetings concerning therapeutic categories that should be avoided with regard to inclusion on the Public Sector Plan formulary, if applicable.

- A.8.8.4. The Contractor may modify drugs included on the formulary as a result of factors including, but not limited to, medical appropriateness, manufacturer rebate arrangements, and patent expirations. The Contractor shall notify the State of modifications to the formulary, which will include a statement as to the reason for the modification. In the event that one of the top twenty drugs (by prescription volume) utilized by eligible members is being removed, the Contractor shall provide a more detailed analysis justifying the proposed removal of the drug from the formulary including financial analysis, member disruption analysis and member and pharmacy provider communication strategy.
- A.8.8.5. Upon review and approval by the State, the Contractor shall implement formulary management programs, which may include cost containment initiatives, such as therapeutic interchange programs; communications with eligible members, participating pharmacies and/or physicians (including communications regarding generic substitution programs); and financial incentives to participating pharmacies for their participation.
- A.8.8.6. The Contractor shall design, develop, implement, administer and maintain a listing of quantity limits for certain preferred and non-preferred drugs. The Contractor shall base this list on therapeutic best practices (current clinical guidelines) or opportunities to reduce the cost of the most appropriate dosage form. The Contractor shall include drugs and quantities on the quantity limits listing in the formulary documents and shall code these limits and pharmacy messaging into the POS system.
- A.8.8.7. The Contractor shall coordinate its formulary development process and criteria with the Contractor's clinical program requirements (PA, Step Therapy, etc.) to ensure consistent processes and minimize member or prescriber impact.
- A.8.8.8. The Contractor shall ensure that the Public Sector Plan pharmacy program and POS system include provisions for the dispensing of an emergency supply (i.e. early refill, member lost prescription, vacation supply, dose increase, etc.), as described and determined by the Plan Document.

A.9. Benefit Coverage/Plan Design

- A.9.1. The Contractor shall support and administer the following if requested by the State:
- a. Updated benefit plan design;
 - b. Co-pays/Co-insurance at retail, 90-day-at-retail, mail and specialty;
 - c. Mixed co-pays at retail and mail (fixed dollar + %);
 - d. Minimum/Maximum amounts with co-insurance;
 - e. Annual Out-Of-Pocket maximums per person and per family;
 - f. Out-Of-Pocket maximum per Rx;
 - g. Deductibles on brand name drugs only;
 - h. Deductibles based on network (deductible applies to 30-day retail only);
 - i. Therapeutic Class "Maximum Allowable Charges";
 - j. Therapeutic co-pays/co-insurance for specific drug classes such as asthma and diabetes;
 - k. Co-pays/Co-insurance based on previous drug trials (e.g., higher co-pay if claims history does not include trial of first-line/preferred drug/drug class);
 - l. Co-pays/Co-insurance based on place of service (e.g., incentives to use preferred retail pharmacies, specialty pharmacies, etc.);
 - m. Co-pays/Co-insurance dependent on member's behavior (e.g. enrollment or stratification level in a disease management program); and
 - n. Co-pays/Co-insurance on the days supplied (e.g., a mail claim processed for a thirty (30) day supply).

A.10. Clinical Programs

- A.10.1. The Contractor shall utilize prescription drug claims data to enhance:
- a. Drug utilization review;
 - b. Disease management initiatives;
 - c. Therapeutic management initiatives; and
 - d. Gaps in care analysis
- A.10.2. The Contractor's clinical program offering shall include:
- a. An evidenced-based approach;
 - b. Compliance (poor adherence);
 - c. Utilization management programs;
 - d. Information available via the web;
 - e. Outcomes data (savings and member impact); and
 - f. Custom programs based on the State's specific utilization
- A.10.3. The Contractor shall provide clinical management utilization programs specific for specialty drugs/self-administered injectable medications. A clinician shall be available, through the specialty network pharmacy, to patients taking specialty medications twenty-four (24) hours a day, seven (7) days a week.
- A.10.4. Unless otherwise directed by the State, the Contractor shall implement, no later than ninety (90) days after the go-live date, disease management programs for the following conditions: asthma, diabetes mellitus, chronic obstructive pulmonary disease, hypertension, and tobacco cessation. The Contractor shall design disease management programs to optimize the health status of members, therefore reducing the need for high cost medical intervention.
- A.10.5. The Contractor shall provide a written report annually to the State which details plan member participation in the disease management programs as well as the State's return on investment (ROI) for each of the disease management programs. If the ROI does not equal the State's investment, the Contractor shall work with the State to make improvements to the programs that impact the ROI. The State reserves the right to review and comment on the programs and to add, based on mutually agreeable terms and conditions, additional disease management or other care management programs that can improve the health status of plan members and effectiveness and quality of care delivered.
- A.10.6. The State reserves the authority to "carve out" any of the disease management programs during the term of the contract upon a one hundred and twenty (120) day notice to the Contractor. If the State notifies the Contractor of its intention to exercise this option, the Contractor shall remain responsible for the performance of the disease management programs up to the go-live date of the carve-out. Contractor fees (Contract Section C.3) will be adjusted due to this reduction in service requirements.
- A.10.7. The Contractor shall provide a Therapeutic Substitution and Generic Dispensing Program with provisions for written, phone, and/or face-to-face contact with prescribing physicians and plan members in order to advise them of the potential saving resulting from substituting a costlier drug with a lower cost medically appropriate alternative drug. The Contractor shall report results of the program to the State on an annual basis. The Contractor shall receive approval from the State prior to implementing member-targeted activities.
- A.10.8. The Contractor shall guarantee a minimum annual increase in generic utilization of no less than one percent (1.5%).

- A.10.9. The Contractor shall only communicate with members about pharmacotherapy alternatives or alternative places of service when a change will save both the member and State monies (net of co-pays).
- A.10.10. Step Therapy
- A.10.10.1. The Contractor shall administer and maintain a Step Therapy program that promotes the use of the most cost-effective drug therapy for a specific indication, regardless of drug class.
- A.10.10.2. At the State's request, the Contractor shall implement a Step Therapy program, targeting all brands, for the following drug classes: Proton Pump Inhibitor's (PPIs), Angiotensin II Receptor Blockers (ARBs), Angiotensin-Converting Enzyme (ACE) Inhibitors, and Cholesterol lowering medications. At the State's request, additional drug classes may be targeted for Step Therapy at any time during the term of the contract and shall be implemented by the Contractor at no cost to the State. All members using PPIs prior to the go-live date shall not be subject to the PPI Step Therapy program (i.e. they will be "grandfathered" in).
- A.10.10.3. As the formulary is re-evaluated and/or expanded, the Contractor shall develop proposed Step Therapy criteria for non-preferred drugs and certain preferred drugs and present those criteria to the State for review and input (e.g. Non-steroidal Anti-inflammatory Drugs). The Contractor shall base these recommendations on therapeutic best practices and drive utilization to the most cost effective agents or classes.
- A.10.10.4. The Contractor shall describe the drugs and the criteria included in the Step Therapy program on all formulary documents. The Contractor shall code these criteria into the POS system such that the system shall have an edit on all drugs in the target classes that pharmacy providers submit for dispensing. Before the new drug may gain approval through a PA, the Contractor shall review the claims history of prior use of a more cost-effective drug and approve the PA only if such evidence is present.
- A.10.11. Prior Authorization (PA)
- A.10.11.1. The Contractor shall fully disclose, in writing, all PA criteria and procedures to the State during plan implementation.
- A.10.11.2. The Contractor's POS system shall determine whether a prescribed drug requires PA and if so, ensure that the member received the necessary approval prior to authorizing the transaction and permitting reimbursement. All PA services shall be provided at no additional cost to the State.
- A.10.11.3. The Contractor shall ensure that Call Center staff evaluates ninety-nine percent (99%) of PA requests and notifies the prescribing physician within twenty-four (24) hours, in writing or via phone or fax. The Contractor shall implement an agreed upon set of edits and PA criteria on the go-live date. Additional PA edits may be implemented at the State's direction at any point during the term of this Contract without additional cost to the State.
- A.10.11.4. The Contractor shall submit a quarterly PA report, which includes PA statistics including, but not limited to the number of PAs submitted, the number approved and denied and the purpose of the PA (clinical edit, emergency override, etc.).
- A.10.12. The State has the ability to "opt-out" of any clinical program.
- A.10.13. Prior to implementing any program or service for which the Contractor receives external funding, the Contractor shall disclose the details of such program and such external funding to the State. The State shall have the authority to opt-out of any such program that the State determines is not in the best interest of its members.

- A.10.14. The Contractor shall support the State's efforts to develop a Medication Therapy Management (MTM) program. Such assistance shall include providing requested member pharmacy data, communicating with and educating participating network pharmacies, and assisting in the identification of members who should receive MTM services.

A.11. Prospective/Concurrent Drug Utilization Review (DUR)

- A.11.1. The Contractor shall furnish a fully automated Prospective/Concurrent Drug Utilization Review system that meets all applicable state and federal requirements. The DUR function shall meet minimum federal DUR regulations as well as the additional specifications in Contract Section A.11. and be flexible enough to accommodate any future edit changes required by the State. The Contractor shall recommend to the State, annually at review meetings, new DUR edits that improve quality and reduce pharmacy program costs.
- A.11.2. Prior to authorizing claims and permitting reimbursement, the Contractor's system shall provide DUR services that apply State-approved edits to all claims. The edits shall determine problems with a prescription and shall validate medical appropriateness of the prescribed drug by comparing the circumstances surrounding the request with established pharmacy-related therapeutic criteria.
- A.11.3. The Contractor's POS system shall apply the results of DUR processing in the claim adjudication process. Claims that reject as a result of DUR processing shall include situation specific messaging and error codes that enable the pharmacy provider to take appropriate actions. The Contractor may use an existing DUR package which meets all applicable state and federal requirements but shall make any modifications required by the State. The Contractor's system shall include the following minimum DUR features at installation:
- a. Potential Drug Problems Identification - The Contractor's system shall perform automated DUR functions. The system shall automatically identify and report issues to the pharmacy provider including, but not limited to:
 - i. Problems that involve potential drug overutilization;
 - ii. Problems that involve therapeutic duplication of drugs when the submitted claim is associated with other drugs or historical claims identified for a given member;
 - iii. Problems that involve drug use contraindicated by age, gender and presumed diagnosis codes on historical claims for a given member;
 - iv. Problems that involve drug use contraindicated by other drugs on current or historical claims for a given member (drug-to-drug interactions);
 - v. The level of severity of drug-to-drug interactions;
 - vi. Potentially incorrect drug dosages or a change to the quantity per prescription to ensure the most cost-effective strength is dispensed;
 - vii. Potentially incorrect drug treatments;
 - viii. Potential drug abuse and/or misuse based on a given member's prior use of the same or related drugs; and
 - ix. Early refill conditions and provide, at the drug code level, the ability to deny these claims. The Contractor shall customize refill-too-soon edits.
 - b. POS Pharmacy Provider Cancel or Override Response to DUR Messages - Prior to the final submission of POS pharmacy claims, the Contractor's system shall automatically generate DUR messages in a manner that shall enable a pharmacy provider to cancel submission of the claim or to submit it if it is a message that can be overridden by the pharmacy.
 - d. Flexible Parameters for Generation of DUR Messages - The Contractor's system shall have the ability to transmit new or revised DUR messages and to define the DUR criteria that activate these messages.

- e. DUR Member Profile Records - The Contractor's system shall provide and maintain member profiles for DUR processing of submitted claims. The Contractor shall base member profiles on presumed diagnoses from pharmacy claims and other data available.
- f. Disease/Drug Therapy Issues Screening - The DUR system shall have the capability to screen for drug therapy concerns by specific drugs relative to high-risk diseases, to include but not limited to: cardiovascular disease; diabetes; psychiatric disease; and respiratory disease.
- g. Patient Counseling Support - The Contractor's system shall present DUR results to pharmacy providers in a format that supports their ability to advise and counsel members appropriately.

A.12. Retrospective Drug Utilization Review (Retro-DUR)

A.12.1. The Contractor shall provide a Retrospective Drug Utilization Review (Retro-DUR) program supported by licensed clinical pharmacists. The Contractor shall develop, maintain and update a set of evidence-based clinical criteria, which the Contractor shall use to detect potential problems such as poly-pharmacy and related over-utilization, underutilization, drug-to-drug interactions, therapeutic duplications, incorrect drug dosage and duration of treatment, possible fraud and abuse issues, and other instances of inappropriate drug therapy as may also be related to a member's age or disease state. The Contractor's Retro-DUR system shall:

- a. Provide provider practice analyses that includes identification of key performance indicators such as generic dispensing rate, controlled substances, formulary compliance, etc.;
- b. Trend providers' prescribing habits and identify those who practice outside of their peers' norm;
- c. Identify patients who may be abusing resources through poly-pharmacy utilization patterns or visiting multiple providers;
- d. Identify patients with excessive use of controlled substances or other highly abused medications;
- e. Produce reports that detail patient and prescriber trends and that identify potential quality of care problems and/or potential fraud and abuse; and
- f. Have in place an intervention process and a system for tracking prescriber response to the interventions.

A.12.2. The Contractor shall utilize the evidence-based clinical criteria to conduct quarterly prescriber and member profile reviews. The State and the Contractor shall mutually agree on the number of member and prescriber profile reviews to be conducted at the quarterly review meeting. The Contractor will notify the State in writing of the focus of, and methodology to be used in, the profile reviews at least thirty (30) days prior to the initial review start date.

A.12.3. The Contractor shall complete quarterly prescriber and member profile reviews and distribute results/interventions, as recommended by the Clinical Pharmacist, to prescribers within ninety (90) days of the end of the quarter. The Contractor shall implement interventions designed to address problems identified during profile reviews. These interventions may include mailings, phone calls, faxes, or face-to-face visits. Other interactions may occur after receiving approval from the State. Mailings shall consist of an intervention letter to the prescriber and/or pharmacy provider detailing the reason for the letter, the purpose of the intervention and providing educational information. Member profile(s) illustrating the potential problem and suggesting corrective action may also be included. The State will approve any summaries, correspondence or other documents produced as a result of the review process prior to their distribution.

A.12.4. The Contractor shall maintain a system capable of tracking all interventions and determining cost savings related to the specific interventions.

A.12.5. DUR and Retro-DUR Reporting

- A.12.5.1. The Contractor shall have a qualified DUR Clinical Pharmacist, dedicated to the Public Sector Plan, prepare presentations and attend meetings with the State to present DUR and Retro-DUR data, findings, utilization, and recommendations for improvement. Such presentations shall occur up to four (4) times annually, as requested by the State. The Contractor shall present, at a minimum, the following reports/information for each of the State sponsored plans, which shall convey rolling twelve (12) month trends:
- a. Utilizing-members data;
 - b. Utilization by age demographics;
 - c. Utilization by top twenty (20) therapeutic classes determined both by number of claims and by payment amount;
 - d. Top twenty (20) drugs as ranked by claim count and by total payment;
 - e. DUR data including totals of DUR messages sent and savings associated with the top twenty (20) drugs associated with each DUR edit;
 - f. Retro-DUR reviews, summary of the interventions and estimated cost savings information as associated with both member and provider profile review and interventions;
 - g. Distribution of Clinical Alerts as prepared monthly by the Contractor's Clinical Management staff; and
 - h. Any additional reports included in the Contractor's standard DUR reporting package.
- A.12.5.2. The Contractor shall report quarterly the outcomes of the Retro-DUR initiatives. The Contractor's system shall track the impact of DUR initiatives by comparing specified data elements pre- and post-intervention. At the State's request, the data elements tracked will vary according to the focus of study and/or type of intervention employed and may include, but shall not be limited to:
- a. Drug change within a sixty (60) or ninety (90) day period of the intervention;
 - b. Total number of drugs pre- and post- intervention;
 - c. Change in dose/dosing frequency of medication within a sixty (60) or ninety (90) day period of intervention;
 - d. Daily dose of drug in question pre- and post-intervention;
 - e. Assessment of various interactions (as relevant to the activity) pre- and post-intervention which may include drug-to-drug interactions (e.g., number of drugs identified and severity index), pregnancy interactions, disease state interactions, therapeutic duplications, allergy interactions, and age-related medication problems;
 - f. Compliance with national guidelines (e.g. percentage of patients with CHF on beta-blocker, diuretic, etc.) depending on the disease state targeted by the Retro-DUR initiative;
 - g. Generic medication utilization;
 - h. Emergency supply frequency;
 - i. Formulary compliance; and
 - j. Patient adherence as defined by medication possession ratio.

A.13. Financials

A.13.1. Other than those addressed in this contract, the Contractor shall not collect any additional fees, rebates, premiums, or revenue from the State of Tennessee.

A.13.2. Ingredient Cost

A.13.2.1. The Contractor shall guarantee the AWP used to price claims will be the one associated with the actual NDC-11 submitted by the pharmacy, and used to fill the prescription. The

Contractor shall communicate any exceptions to this rule (e.g., compound prescriptions, etc.) to the State in writing and such exceptions shall be mutually agreed upon by both parties.

- A.13.2.2. If using various sources to price claims, the Contractor shall use the AWP that provides the lowest price available.
- A.13.2.3. The Contractor shall guarantee that in the event there are changes in the marketplace to the baseline measure used for the ingredient costs of drugs (e.g. AWP) the Contractor shall adjust accordingly to provide an equivalent price. The Contractor shall provide notice to the State and the conversion shall be agreed upon in writing before any changes are made.
- A.13.2.4. The Contractor shall apply a MAC-list at mail pharmacies and at 90-day-at-retail network pharmacies for generic medications. The list will have prices equivalent to or lower than the MAC-list applied to retail claims. The Contractor shall use the same MAC list for network pharmacies and the State and shall provide the most current MAC list to the State on a quarterly basis in a spreadsheet format.
- A.13.2.5. The Contractor shall utilize the brand/generic indicator available from only one nationally recognized source like First DataBank, Medi-Span, etc. unless a change in the indicator will lower the price for the State or the State agrees that the change is acceptable.
- A.13.2.6. The Contractor shall guarantee that actual reimbursement rate to network pharmacies for pharmaceuticals will not exceed the guaranteed discount off AWP, plus the negotiated dispensing fee.
- A.13.2.7. The Contractor shall apply "lowest-of-pricing" logic at retail, mail, 90-day-at-retail, and specialty pharmacies, which means that the plan and plan members will pay the lesser of (i) co-pay/co-insurance, (ii) contracted rate (discounted average wholesale price (AWP)), or maximum allowable cost (MAC), if available) plus dispensing fee or (iii) Usual and Customary (U & C). In no event will the member or plan cost share be greater than the contracted cost.
- A.13.2.8. The Contractor shall not charge a minimum co-pay/co-insurance for any mail, retail, 90-day-at-retail, or specialty pharmacy claims.
- A.13.2.9. The Contractor shall guarantee that the terms offered for mail claims shall not vary based on the days supply (i.e., claims processed for less than a 90-day supply).
- A.13.2.10. The Contractor shall provide, during the first quarter of each calendar year, an annual reconciliation between the average network discounts achieved and the guaranteed average discount amounts for retail, 90-day-at-retail, mail and specialty for the previous calendar year.

A.13.3. Dispensing Fees

- A.13.3.1. The Contractor shall provide, during the first quarter of each calendar year, an annual reconciliation between the dispensing fees paid and the guaranteed maximum average dispensing fee amount for the previous calendar year.
- A.13.3.2. The Contractor shall adhere to the additional requirements related to dispensing fees listed in Section C.3 of the Contract.
- A.13.4. The Contractor shall adhere to rate guarantee requirements listed in Section C.3 of the Contract.

A.14. Pharmacy Rebates

- A.14.1. "Rebates" include all revenue received by the Contractor from outside sources related to the Public Sector Plan's utilization or enrollment in programs (collectively the "Total Manufacturer Value"). These would include but are not limited to access fees, market share fees, rebates,

formulary access fees, administrative fees and marketing grants from pharmaceutical manufacturers, wholesalers and data warehouse vendors.

- A.14.2. Any actions, approved by and implemented at the request of the State, which negatively affect the Contractor's guaranteed rebate amounts, may result in a contract amendment to the Contractor's guaranteed rebate amount. The Contractor shall substantiate the proposed adjustment, and the State must approve the adjustment through a contract amendment. The Contractor shall cooperate with the State by providing any requested documentation to the State, which may be necessary to substantiate the adjustment.
- A.14.3. The Contractor shall adhere to the additional requirements related to pharmacy rebates listed in Section C.3 of the Contract.

A.15. Market Check Provision

- A.15.1. The Contractor shall provide "Most Favored Nation" (MFN) terms wherein it shall not provide any similar account more favorable pricing terms than that provided to the State of Tennessee during the contract. During resulting contract term, if there are changes to any of the MFN measurement components or methodology and those changes are reasonably designed to achieve greater comparability under this provision, then the parties will negotiate in good faith to seek an appropriate solution. Further, the Contractor must agree to a "market check" provision to compare the economics of the resultant contract. The Contractor shall provide one (1) financial terms market check during the five (5) year contract term. The market check will be performed at month twenty-five (25) to comparable arrangements in the marketplace for the purpose of recommending adjustments necessary to restore and maintain competitive advantage. If financial benchmark pricing indicates that the State's financial terms are no longer competitive, the Contractor shall offer improved pricing.

A.16. Data Integration and Technical Requirements

- A.16.1. The Contractor shall maintain an electronic data interface with the State's Edison System, for the purpose of processing State member enrollment information. The Contractor shall be responsible for providing and installing the hardware and software necessary. When the Contractor requires the exchange of Protected Health Information (PHI) with the State of Tennessee, the State requires the use of second level authentication. This is accomplished using the State's standard software product, which supports Public Key Infrastructure (PKI). The Contractor shall design a solution, in coordination with the State, to connect to the State's Secure File Transfer Protocol (SFTP) server using a combination of the password and the authentication certificate. The initial sign-on and transmission testing will use a password. Certificate testing may also be performed during the test cycle. Subsequent production sign-on will be done using the authentication certificate. The Contractor will then download the file and decrypt the file in its secure environment. Additionally, federal standards require encryption of all electronic protected health data at rest as well as during transmission. The State of Tennessee uses public key encryption with Advanced Encryption Standard (AES) to encrypt PHI. If the State adopts a different or additional encryption standard or tool in the future, the Contractor is expected, with adequate notice, to cooperate with the State to maintain the security of protected information according to all applicable State and Federal standards.
- A.16.2. Notwithstanding the requirement to maintain enrollment data, the Contractor shall not initiate data changes to the system without the State's approval. This prohibition shall include, but not necessarily be limited to: initiation, termination, and/or changes of coverage.
- A.16.3. At least thirty (30) days prior to the go-live date specified in contract section A.30, the Contractor shall load, test, verify and make available online for use the state's eligibility information. The Contractor shall certify, in writing, to the State that the Contractor understands and can fully accept and utilize the eligibility files as provided by the State.

A.16.4. The Contractor shall maintain, in its computer system, in-force enrollment records of all Public Sector Plan members. Specifically, the Contractor shall perform the following tasks:

A.16.4.1. Daily Enrollment Update: To ensure that State plan members' enrollment records remain accurate and complete, the Contractor commits to retrieve, via secure medium (see A.16.1), daily enrollment data electronic transfer files from the State, in the State's Edison 834 file format (see Contract Attachment C), for members who are maintained in the State's Edison System [files will include full population records for all members and will be in the format of ANSI ASC X12.84, Benefit Enrollment and Maintenance (834), version 004010X095A1, with a few fields being customized by the state].

A.16.4.2. The Contractor shall complete and submit to the State a *Daily File Transmission Statistics Report* (format to be provided by the State), within twenty-four (24) hours of receipt of the file. The Contractor shall submit this report via email to designated State staff.

A.16.4.3. The Contractor and/or its subcontractors, as applicable, shall post ninety-eight percent (98%) of electronically transmitted enrollment updates within one (1) business day of receipt of the daily file and one hundred percent (100%) shall be posted within three (3) business days of receipt of the daily file.

A.16.4.4. The Contractor and/or its subcontractors, as applicable, shall resolve all discrepancies identified by the processing of the enrollment file within five (5) business days of receipt of the file from the State.

A.16.5. The Contractor shall add new groups to all systems within three (3) business days of receipt of necessary documents.

A.16.6. State Enrollment Data Match: Upon request by the State, not to exceed four (4) times annually, the Contractor shall submit to the State, in a secure manner, its full file of State members, by which the State may conduct a data match against the State's Edison database. The purpose of this data match will be to determine the extent to which the Contractor is maintaining its database of State members.

A.16.6.1. The State will communicate results of this match to the Contractor, including any Contractor requirements, and associated timeframes, for resolving the discrepancies identified by the data match.

A.16.7. The Contractor shall reconcile, within ten (10) working days of receipt, payment information provided by the State. Upon identification of any discrepancies, the Contractor shall immediately advise the State.

A.16.8. The Contractor shall maintain a duplicate set of all records relating to the pharmacy payments in electronic medium, usable by the State and Contractor for the purpose of disaster recovery. Such duplicate records are to be stored at a secure, fire, flood, and theft-protected facility located away from the storage location of the originals. The Contractor shall update duplicate data processing records, at a minimum, on a daily basis and shall retain said records for a period of sixty (60) days from the date of creation. Upon notice of termination or cancellation of this contract, the Contractor shall convey the original and the duplicate data processing records medium and the information they contain to the State on or before the date of termination or cancellation.

A.16.9. The Contractor shall transmit, in a secure manner as approved by the State, prescription drug claims data to the State's current health care decision support system (DSS) vendor and, if directed by the State, to the Department of Finance and Administration, Office for Information Resources in the format detailed in RFP Appendix 7.8 DSS Vendor File Format, or in a mutually agreed upon format. The data feed(s) shall be provided at no additional charge to the State. The Contractor shall transmit the claims data, via a mutually agreed upon secure methodology

no later than fifteen (15) days following the end of the calendar quarter, or more frequently as mutually agreed to by both parties during, and following, the term of this contract until all claims incurred during the term of this contract have been paid. The Contractor shall ensure that all claims processed for payment have complete NDC codes, valid provider identifications, and other identifying variables as contained in the file layout in RFP Appendix 7.8 - DSS Vendor File Format.

- A.16.10. The Contractor shall adhere to the additional requirements related to the State's DSS vendor listed in Section C.3. of the Contract.
- A.16.11. For each quarter of the contract term, and any extensions thereof, claims data shall meet the quality standards detailed in the Liquidated Damages section of this contract, as determined by the State's health care decision support system vendor.
- A.16.12. The Contractor shall provide transmittal of pharmacy data via secure medium to any additional third parties including the State's Third Party Administrator(s) (TPAs), Health Management contractor(s), Mental Health/Substance Abuse contractor(s) or others as identified by the State. Unless otherwise directed by the State, the Contractor shall provide, at no additional charge, daily data feeds of pharmacy claims to the third parties during the term of the contract and following the term of this contract until all claims incurred during the term of this contract have been paid. This data shall be provided in the format specified by the State.
- A.16.13. The Contractor shall load all current PAs, overrides, and open refills (mail and retail) that exist for current members from all existing PBMs no later than thirty (30) days prior to the go-live date.
- A.16.14. The Contractor shall accept at least one (1) year of historical data from each current PBM contractor. This includes, but is not limited to, pharmacy claims history, provider data, recipient data, preferred drug list, PAs, refills, lock-in and reference data. If requested, the data will be used to transfer prescriptions to the Contractor's mail and specialty pharmacy.
- A.16.15. The Contractor shall store claims data online for a minimum of twenty-four (24) months post-adjudication.
- A.16.16. The Contractor shall agree to transfer to the State, within sixty (60) days of notice of termination, all required data and records necessary to administer the plan(s)/program(s), subject to state and federal confidentiality considerations. The transfer may be made electronically via secure medium, in a file format to be determined based on the mutual agreement between State and the Contractor.

A.17. HIPAA Compliance

- A.17.1. The Contractor shall maintain staff responsible for ensuring HIPAA compliance and resolving HIPAA issues related to this contract.
- A.17.2. The Contractor shall ensure that the electronic data processing (EDP) environment (hardware and software), data security, and internal controls meet all present standards, and will meet all future standards, required by the Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), Public Law 104-191. Said standards shall include but not limited to the requirements specified under each of the following HIPAA subsections:

- Electronic Transactions and Code Sets
- Privacy
- Security
- National Provider Identifier
- National Employer Identifier
- National Individual Identifier
- Claims attachments
- National Health Plan Identifier
- Enforcement

The Contractor shall maintain an EDP and electronic data interface (EDI) environment that meets the requirements of this contract and meets the privacy and security requirements of the Health Insurance Portability and Accountability Act of 1996.

A.18. Privacy & Confidentiality

- A.18.1. These privacy and confidentiality standards apply to all forms of assistance that the Contractor provides.
- A.18.2. The Contractor shall develop, adopt, and implement standards, which are, at a minimum, compliant with the HIPAA statute and the HIPAA privacy and security rules in 45 Code of Federal Regulations Part 164, to safeguard the privacy and confidentiality of all information about members. For example, the Contractor shall ensure that it does not have completed forms sitting in public view, left in unsecure boxes or files, or left unattended in any off-site location (e.g., in an automobile, etc.). The Contractor's procedures shall include but not be limited to safeguarding the identity of members as plan members and preventing the unauthorized disclosure of information. The Contractor will comply with the HIPAA amendments in the American Recovery and Reinvestment Act, Public Law 111-5, and any implementing regulations when they become effective.
- A.18.3. The Contractor shall not use or further disclose protected health information (PHI) other than as permitted or required by HIPAA and the Business Associate Agreement; or as required by law. Use of PHI for payment, treatment, or health care operations may include disclosure only as permitted by HIPAA, including when such information is strictly necessary to resolve the issue or concern under discussion and the person has adequate permission or legal authority to review such information. In the absence of exigent circumstances, the Contractor shall not disclose any member's PHI to another business associate for pecuniary gain unless the State specifically authorizes such disclosures in advance and in writing.
- A.18.4. The Contractor shall use appropriate safeguards to prevent the unauthorized use or disclosure of the PHI. Contractor shall report to the State any unauthorized use or disclosure of the PHI.
- A.18.5. The Contractor shall mitigate, to the extent practicable, any harmful effect that is known to the Contractor of a use or disclosure of PHI by the Contractor in violation of the requirements of the federal privacy rule.
- A.18.6. The Contractor shall provide access to PHI in a "designated record set" in order to meet the requirements under 45 CFR §164.524.
- A.18.7. The Contractor shall make any amendment(s) to PHI in a "designated record set" pursuant to 45 CFR §164.526.
- A.18.8. The Contractor shall document such disclosures of PHI and information related to such disclosures as would be required to respond to a request by an individual for an accounting of disclosures of PHI in accordance with 45 CFR §164.528.
- A.18.9. The Contractor shall (i) implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic PHI that it creates, receives, maintains, or transmits, (ii) report to the State any security incident (within the meaning of 45 CFR § 164.304) of which the Contractor becomes aware, and (iii) ensure that any Contractor employee or agent, including any subcontractor, agrees to the same restrictions and conditions that apply to the Contractor with respect to such information.
- A.18.10. The Contractor shall not sell Public Sector Plan member or prescriber information or use member or prescriber identified information for advertising, marketing, promotion or any activity intended to influence sales or market share of a pharmaceutical product.

A.19. E-Prescribing

- A.19.1. The Contractor shall provide services offered through SureScripts, which include formulary look-up, prescription medication history and true electronic prescribing.
- A.19.2. The Contractor, through its connection to SureScripts, shall make available, at no charge, to any licensed health care providers and organizations authorized by the State and providing services in the state, a complete prescription medication history.

A.20. Provider Education

- A.20.1. The Contractor shall develop and implement ongoing, broad-based educational programs and notification processes for the Public Sector Plan prescriber and pharmacy provider community. The Contractor shall design these programs and processes with the goal of improving awareness of Public Sector Plan pharmacy program policies and procedures and increasing formulary compliance rates. Semiannual educational initiatives shall include, but not be limited to: pharmacy provider and prescriber letters, formulary distribution, POS messaging, training sessions, website postings of the formulary and other educational materials. The Contractor shall implement agreed upon communication strategies through direct involvement with prescribers and pharmacy providers via a combination of site visits, telephone support, internet-based application, and direct mail. No later than thirty (30) days prior to the go-live date, the Contractor shall submit educational plans and recommended training sessions to the State for review and approval.
- A.20.2. Educational topics shall include, at a minimum: PA criteria and processes; how to access and use the formulary; POS edits; Step Therapy criteria and processes; quantity level limits; and specialty medication processes.
- A.20.3. The Contractor shall ensure that all prescribers and pharmacy providers have timely and complete information about all drugs on the Public Sector Plan formulary. The Contractor shall make such information available through written materials, Internet sites, and electronic personal data assistants (PDA).
- A.20.4. The Contractor shall develop and produce letters and other program materials to be shared with prescribers and pharmacy providers. Such materials shall contain information related to the operation of the Public Sector Plan pharmacy program. The Contractor shall prepare and maintain a document suitable for printing or posting to the State website, which provides the formulary and all applicable drug PA criteria including Step Therapy algorithms. The Contractor shall obtain prior written approval from the State for all materials.
- A.20.5. The Contractor shall distribute all PA Call Center toll-free telephone numbers, facsimile numbers, web addresses and e-mail addresses, as well as the appropriate mailing address for PA requests, at all prescriber and pharmacy provider training sessions and education programs.
- A.20.6. Annually, the Contractor shall offer recommendations to the State regarding provider education.

A.21. Appeals

- A.21.1. The Contractor shall maintain a formal two (2) level grievance procedure, by which members and providers may appeal decisions and disputes regarding pharmacy administration and pharmacy benefit coverage. The Contractor shall comply with the appeals provisions set forth in the State's Plan Document. Certain pharmacy issues are not appealable including, but not limited to, co-pay/co-insurance amounts, formulary decisions, and network coverage.
- A.21.2. At least thirty (30) days prior to the go-live date, the Contractor shall provide to the State two (2) written copies describing in detail the Contractor's grievance procedures. The State reserves the right to review the procedure and make recommendations, where appropriate.

- A.21.3. The Contractor shall decide pre-service appeals within thirty (30) days and post-service appeals within sixty (60) days. The Contractor shall offer an expedited appeals process. If a denial of coverage or authorization can reasonably be expected to prevent a covered individual from obtaining urgently needed medications, then a request for an expedited consideration may be submitted by the member, their duly authorized representative or treating physician. The Contractor shall determine if the request qualifies for an expedited review and shall respond with seventy-two (72) hours.
- A.21.4. The Contractor shall include notification of a member's right to appeal in any member communications regarding pharmacy benefit coverage decisions.
- A.21.5. The State sponsors an appeal process available to members of self-insured plan options after the Contractor's appeal process has been exhausted. The Contractor shall have the appropriate qualified professionals available to participate in the State appeal process and be available to attend the State appeals meetings when requested by the State. The Contractor shall have a qualified individual available to provide support to the State Appeals Coordinator in the research and development of appeals.
- A.21.6. The Contractor shall respond to all inquiries in writing from the State within one (1) week after receipt of said inquiry. In cases where additional information to answer the State's inquiry is required, the Contractor shall notify the State immediately as to when the response can be furnished to the State.

A.22. Customer Services

- A.22.1. The Contractor shall operate and maintain a dedicated toll-free customer service phone line manned by qualified benefits specialists for State Public Sector Plan member and pharmacy provider inquiries twenty-four (24) hours a day, seven days a week. Contractor personnel shall be trained to answer questions regarding all aspects of the State's pharmacy benefit including, but not limited to, eligibility, plan design, participating pharmacies, clinical programs, disease management programs, mail order pharmacy, and the specialty network. The Contractor's toll-free customer service line shall be open and staffed with trained staff at last two (2) weeks prior to go-live.
- A.22.2. The Contractor's Call Center and Call Center representatives/operators shall be located in the United States.
- A.22.3. The Call Center shall have call management systems and communications infrastructure that can manage the potential call volume and achieve the performance standards described in this Contract.
- A.22.4. The Contractor's call management systems shall be scalable and flexible so they can be adapted as needed, within negotiated timeframes where applicable, in response to program, benefit or enrollment changes.
- A.22.5. The Contractor's call center shall be equipped with TDD (Telephone Device for the Deaf) or TTY (Teletype) in order to serve the hearing impaired population.
- A.22.6. The Contractor's Call Center shall have at least one member services representative who is bilingual in English and Spanish available twenty-four (24) hours a day, seven days a week.
- A.22.7. The Contractor's call center shall answer, by a person, one hundred percent (100%) of calls within five (5) minutes (300 seconds) and callers may not be placed on hold after the call is answered.
- A.22.8. The Contractor shall maintain an Average Speed of Answer (ASA) of less than one (1) minute (60 seconds) and callers may not be placed on hold after the call is answered.

- A.22.9. The Contractor's Call Center shall maintain a blocked call rate of less than one percent (1%) per quarter.
- A.22.10. The Contractor's Call Center shall maintain an Abandoned Call rate of not more than three percent (3%).
- A.22.11. The Contractor shall provide customer service/call center statistics for Public Sector Plan members to the State on a quarterly basis.
- A.22.12. The Contractor's call management systems shall provide greeting messaging when necessary. The Contractor may play canned music for the callers while they are on hold; the Contractor shall also play messages about disease management programs, clinical programs that the State has adopted, the Tobacco Quitline, and other subjects as approved by the State. The Contractor shall not play advertising or informational messages for callers while they are on hold unless approved in advance and in writing by the State (or the State directs the Contractor to play certain messages). Additionally, the Contractor's systems shall provide a message that notifies callers that calls may be monitored by the Contractor and the State for quality control purposes.
- A.22.13. The Contractor's call management system shall record and index all calls such that the Contractor can easily retrieve recordings of individual calls based on the phone number of the caller, the caller's name, the date/time of the call, or the Call Center representative who handled the call. The Contractor shall provide a full recording of each call upon the State's request, using only the member's name or identifier to locate the call(s).
- A.22.14. The Contractor shall have the ability to allow the State to monitor calls from a remote location.
- A.22.15. The system shall transfer calls to other telephone lines as necessary and appropriate, including transfers to Benefits Administration's Service Center and other external Call Centers, as designated by the State.
- A.22.16. The Contractor may use an automated interactive voice response (IVR) system for managing inbound calls, provided that the caller always has the ability to leave the IVR system and wait in queue in order to speak directly with a live-voice representative rather than continue through additional prompts. The Contractor shall not have more than one level of menu choices (limited to five (5) options) unless approved in advance and in writing by the State. The Contractor's decision tree and menu are subject to State review and approval.
- A.22.17. The Contractor shall inform callers of their likely wait times as they enter the queue. Additionally, the Contractor shall have voice-mail capabilities such that Callers can record messages when all Call Center representatives/operators are occupied tending to other callers. The Contractor shall also provide a "dial back" option that allows callers to receive a call back from the next available Call Center representative.
- A.22.18. The Contractor shall have the ability to make outbound calls without interrupting the ability of callers to continue to access the Call Center.
- A.22.19. The call management system shall enable the logging of all calls, including:
- a. The caller's identifying information (e.g., employee ID);
 - b. The call date and time;
 - c. The reason for the call (using a coding scheme approved by the State in advance and in writing);
 - d. The Call Center representative/operator that handled the call;
 - e. The length of call; and
 - f. The resolution of the call (and if unresolved, the action taken and follow up steps required).

Additionally, the call management systems shall maintain a history of correspondence and call transactions for performance management, quality management and audit purposes. This history will contain the actual information, a date/time stamp that corresponds to when the transaction took place, the origin of the data management transaction (the State and/or one of its Agent(s), the Customer, etc.) and the Contractor representative/operator that processed the transaction.

- A.22.20. The Contractor shall provide members and pharmacy providers with an option on the toll-free telephone number to immediately consult with a licensed pharmacist. This Help Desk shall be available twenty-four (24) hours a day, seven days a week to respond to questions and problems from pharmacy providers and members. The Contractor shall supply all the required information systems, telecommunications, and personnel to perform these operations.
- A.22.21. The Contractor's customer service representatives shall have access to an application, which allows them to review alternative drug therapies (i.e., formulary status, generic alternatives available, etc.) and run "test claims" for members who may request this information.
- A.22.22. The Contractor shall maintain a full service staff to respond to inquiries, correspondence, complaints, and problems. The Contractor shall answer, in writing, ninety-five percent (95%) of written (mail and e-mail) inquiries from members concerning requested information, including the status of claims submitted and benefits available through the pharmacy program within five (5) business and one hundred percent (100%) within ten (10) days.

A.23. Member Communication/Materials

- A.23.1. The Contractor shall, in consultation with and following approval by the State, print and distribute all pharmacy benefit member enrollment materials such as I.D. cards, welcome packets, network directories, letters, administrative forms and manuals.
- A.23.2. Unless otherwise specified, the Contractor shall be responsible for all costs related to the design, development, revision, printing, and distribution of all materials that are required to be produced under the terms of the Contract. The Contractor shall ensure that up-to-date versions of all printed materials can be downloaded from its website. This provision excludes enrollment forms, which are the State's responsibility.
- A.23.3. At the State's request, the Contractor shall notify members, in writing, of any pharmacy benefit plan changes (i.e. changes to co-pays/co-insurance, formulary changes, etc.) no less than thirty (30) days prior to the implementation of the change.
- A.23.4. Postage and production costs incurred by the Contractor, which are the direct result of communications requested by the State for benefit plan changes that have been initiated by the State, shall be treated as pass-through costs. Such costs shall be billed on a monthly basis to the State in addition to regular invoices and shall include substantiating documentation, including a line-item description of the postage and production costs incurred by the Contractor.
- A.23.5. The Contractor shall ensure communications sent to members are specific to the State's plan design. Exemption of incidental pieces such as newsletters and health promotional pieces will be considered by the State if the Contractor guarantees that pieces will be generic in nature and do not address State Plan eligibility issues or specific coverage issues.
- A.23.6. The Contractor shall have the exclusive responsibility to write, edit, and arrange for clearance of materials (such as securing full time use of a stock photograph used in brochures for perpetuity) for any and all materials contemplated under this Contract.
- A.23.7. The Contractor shall distribute materials that are culturally sensitive and professional in content, appearance, and design.

- A.23.8. All materials produced by (or at the direction of) the Contractor for use in the course of this Contract are subject to prior, written approval by the State. The Contractor shall provide the State with draft versions of all materials at least fourteen (14) days prior to planned printing, assembly and/or distribution (including web posting). The Contractor shall not distribute any materials until the State issues written approval to the Contractor for the respective materials.
- A.23.9. The Contractor shall provide electronic templates of all finalized materials in a format that the State can easily alter, edit, revise, and update, as well as hard copy.
- A.23.10. The Contractor shall, to the extent practicable, use relatively large and legible fonts in its materials. Additionally, the Contractor shall make maximum use of graphics to communicate key messages to populations with limited literacy or limited English proficiency. The Contractor shall also prominently display the Call Center's telephone number in large, bolded typeface and hours of operation on all materials.
- A.23.11. Unless otherwise approved in advance by the State, the Contractor shall design all printed materials at the sixth (6.0) grade reading level or lower using the Flesch-Kincaid Index or other suitable metric that the State approves in advance and in writing. The Contractor shall evaluate materials using the entire text of the materials (except return addresses). When submitting draft materials to the State for approval, the Contractor shall provide a certification of the reading level of each piece of material.
- A.23.12. The Contractor shall update printed and Web-based versions of all materials no less than quarterly. However, the Contractor shall produce corrected versions of the individual materials at the State's direction. Reimbursement for member materials containing an error, which were approved by the State, shall occur as outlined in Section C.3 of the contract.
- A.23.13. Member Identification Cards
- A.23.13.1. The Contractor shall provide eligible members with identification cards and shall establish a process that allows enrollees to request replacement cards. The cost of creating and mailing I.D. cards shall be borne by the Contractor.
- A.23.13.2. Initial member identification cards must be mailed to all eligible members no later than twenty-one (21) days prior to the go-live date. Thereafter, I.D. cards shall be mailed to eligible members no later than ten (10) days from receipt of the new enrollment or change in enrollment. Identification cards shall contain unique identifiers for each member; such identifier shall NOT be the member's Federal Social Security Number.
- A.23.13.3. Upon request by the State, the Contractor shall be able to process pharmacy claims using a state-assigned or TPA-assigned ID number on a TPA-issued card in lieu of a separate, PBM-assigned number on a PBM-issued card. The requirements for processing such pharmacy claims using a state-assigned or TPA-assigned ID number on a TPA-issued card shall be no more onerous on or costly to the member, the provider, the TPA(s), and/or the State than the requirements for processing such claims using the PBM-assigned ID number on a PBM-assigned card.
- A.23.14. On an annual basis, at least two months prior to the State's annual transfer period, the Contractor shall provide to the State, in electronic format, information regarding the pharmacy benefit. Such information shall include a network list, toll-free customer service number, website, website logon information, information on the retail, 90-day-at retail, mail, and specialty networks, current formulary, clinical program policies and procedures (Step Therapy, PA, etc.), a confidentiality statement, procedures for accessing services, and other updates and/or changes that may be helpful to the State's members.
- A.23.15. The Contractor shall mail a welcome packet to all members no later than twenty-one (21) days prior to go-live. Thereafter, all members shall receive a welcome packet within ten (10) days of

receipt of their enrollment in the Public Sector Plan pharmacy program. The welcome packet shall include, at a minimum, an I.D. card, a network list, toll-free customer service number, website, website logon information, information on the retail, 90-day-at retail, mail, and specialty networks, current formulary, clinical program policies and procedures (Step Therapy, PA, etc.), and a confidentiality statement.

A.23.16. The Contractor shall require that network pharmacies provide members a point-of-sale explanation of pharmacy benefits, which lists the individual member's pharmaceutical out-of-pocket expenses, the plan sponsor's costs, and any cost savings opportunities for the member.

A.23.17. The Contractor shall use first class rate for all mailings, unless otherwise directed by the State.

A.24. Website

A.24.1. The Contractor shall have available an up-to-date website dedicated to the State's Public Sector Plan pharmacy benefit. The website shall be available on the Internet and fully operational one (1) week prior to the commencement of claims processing. The Contractor shall design the website to aid prescribers, pharmacists and members in all aspects of the pharmacy program. The Contractor shall update documents posted to the website within fifteen (15) days of the State's approval of changes to said documents.

A.24.2. The Contractor shall submit the text and screenshots of the website to the State for review and approval at least one (1) month prior to the commencement of claims processing. However, the Contractor shall not re-submit to the State any materials that it plans to post on the website, provided that the State has already reviewed and approved these materials pursuant to this Contract. Additionally, the Contractor shall obtain prior, written approval from the State for any links from the site to a non-governmental website or webpage.

A.24.3. The Contractor shall have the responsibility to "host" the website on a non-governmental server, which shall be located within the United States. The Contractor shall have adequate server capacity and infrastructure to support the likely volume of traffic from plan members without disruption or delay. Further, the Contractor shall design the website such that it will minimize downloading time for "dial-up" or other relatively slower-speed connections.

A.24.4. To ensure accessibility among persons with a disability, the Contractor's website shall comply with Section 508 of the Rehabilitation Act of 1973 (29 U.S.C. 794d) and implementing regulations at 36 CFR 1194 Parts A-D.

A.24.5. The website shall contain a home page with general pharmacy information with links to dedicated areas for prescribers, pharmacists and members. The Contractor shall utilize appropriate security measures, including password protection, to ensure the protection of member data/PHI. Each area of the website shall contain information that shall answer the most common questions that each group would ask and documents required by each group to utilize the Public Sector Plan pharmacy benefit. This shall include, but is not limited to:

a. Home Page, which includes, but is not limited to:

- i. General information related to pharmacy benefit, and recent changes occurring within the Public Sector Plan Pharmacy Program;
- ii. An interactive formulary with links to Clinical Criteria, PA criteria, Step Therapy criteria, and Quantity Limits;

b. Prescriber Page, which includes, but is not limited to:

- i. An interactive formulary, complete with hot-links from drugs to the PA criteria established for those drugs and also linked to drug specific PA forms and drug specific web-based PA application;
- ii. A search function, which allows providers to enter a drug name and be routed to the drug in the interactive formulary;

- iii. Procedures for obtaining PAs, Call Center hours of operation and contact numbers;
- iv. Printable education material specific to prescribers.
- c. Pharmacist Page, which includes, but is not limited to:
 - i. An interactive inquiry system using pharmacy providers' identifying number (i.e. NCPDP, NPI, etc) to verify the status of pending payments, and other supported function(s) as deemed necessary by the State;
 - ii. An online listing of the Contractors MAC drug list;
 - iii. Printable online pharmacy handbook and Provider Education Material specific to Pharmacists;
- d. Member Page, which includes, but is not limited to:
 - i. A description of the pharmacy benefit including limitations, exclusions and out-of network use;
 - ii. Current formulary by therapeutic categories;
 - iii. Information regarding what to do if the member is unable to fill a prescription because PA is required, but has not been obtained;
 - iv. Printable education material specific to members;
 - v. List of pharmacies participating in the retail, 90-day-at retail, mail, and specialty networks;
 - vi. Online search, by address or zip code, to locate the network pharmacies nearest to the member;
 - vii. Application allowing review of claims history;
 - viii. Direct reimbursement claim forms for use by eligible members who do not have their identification cards at the point of sale;
 - ix. Pharmacotherapy alternatives (i.e. formulary status, generic alternatives available, etc.) and cost of each; and
 - x. Amounts the State paid for their prescriptions.

A.24.6. The website shall also have the following services/capabilities:

- a. E-mail notification of next refill to member, and
- b. Cost comparison on the web, along with alternatives.

A.25. Reporting & Systems Access

- A.25.1. The Contractor shall submit monthly operational/performance reports by which the State can assess the Public Sector Plan's activity and performance. The Contractor shall submit reports electronically, and shall include information such as enrollment, utilization, prescription sources and types, plan expenses, member demographic information and other information as requested by the State. All standard reports shall be distributed to the State within fifteen (15) days of the end of the previous month.
- A.25.2. The Contractor shall provide access to any online reporting system to a minimum of three (3) State employees and a maximum of five (5) State employees no later than one (1) week prior to the system go-live date. Additional users may be added at any time at the State's request.
- A.25.3. The Contractor shall provide a minimum of three (3) State employees and a maximum of five (5) State employees with access to the Contractor's eligibility system no later than one (1) week prior to the system go-live date. Additional users may be added at any time at the State's request.
- A.25.4. To maintain the privacy of personal health information, the Contractor shall provide to the State a method of securing e-mail for daily communications between the State and the Contractor.

- A.25.5. The Contractor shall train the three to five State staff with access to the Contractor's system on all Contractor systems and tools no less than (30) days prior to the go-live date. Such training may be delivered remotely or in-person.
- A.25.6. At the State's request, the Contractor shall provide reporting specific to the activity and outcomes associated with all of the utilization management tools and programs provided by the Contractor. The Contractor shall deliver such reports to the State within five (5) business days of the State's request.
- A.25.7. The Contractor shall provide the State access to an ad-hoc reporting liaison to assist in the development of reports that cannot be generated using the Contractor's standard reporting package. The Contractor shall deliver such reports to the State within five (5) business days of the State's request. If requested by the State, the Contractor shall deliver up to ten (10) reports annually deemed as "urgent" by the State within twenty-four (24) hours at no additional cost to the State.
- A.25.8. The Contractor shall provide the State a Compliance Report, no later than sixty (60) days following the end of each quarter, which captures performance related to the requirements outlined in the Liquidated Damages section of the Contract.
- A.25.9. The Contractor shall provide the State a report, no later than sixty (60) days following the end of each quarter, illustrating the Contractor's compliance with financial terms inclusive of AWP (or its equivalent), discounted ingredient cost and dispensing fees.
- A.25.10. The Contractor shall provide the State a report, no later than sixty (60) days following the end of each quarter, illustrating the rebate payments due to the State summarized at the NDC-11 level.
- A.25.11. The Contractor shall provide the State a monthly report describing open service issues at the plan level.
- A.25.12. Within thirty (30) days of the contract start date, the Contractor shall provide the State the most recent copy of the Contractor's SAS 70 report. Thereafter, a copy shall be provided to the State annually.

A.26. Returned Mail

- A.26.1. The Contractor shall ensure that the U.S. Postal Service returns all undeliverable mail and mail forwarding information to the Contractor, not to the State. For all mailing materials, the Contractor shall, unless otherwise directed by the State, use the "Address Service Requested" endorsement as described in Section 507.1.5 of the U.S. Postal Service's Domestic Mail Manual (DMM).
- A.26.2. The Contractor shall process all returned mail from any mailings to members or providers to determine if the member or provider has moved, if the Contractor has the wrong address, and/or if the member or provider is communicating other information to the Contractor or to the State. If the U.S. Postal Service indicates that a new address is available, the contractor shall send the member a "Notice of Address Change Instructions" within three (3) business days and communicate the updated address information to the State within thirty (30) days. The Contractor shall track returned mail and shall report monthly to the State the number of pieces of returned mail, the reason the mail was returned and action taken by the Contractor. The Contractor shall include in this report a list of all members whose mail was undeliverable due to an incorrect address provided by the State.
- A.26.3. The Contractor shall forward any "undeliverable" mail to the Agency Benefits Coordinator or Benefits Administration as directed by the State.

A.27. Member Satisfaction Survey

A.27.1. The Contractor shall perform, following review and approval by the State, member satisfaction surveys. The Contractor shall conduct the survey no more frequently than once during each calendar year at a time mutually agreed upon by the State and the Contractor and shall involve a statistically valid random sample of members. The State reserves the right to review and mandate changes in the survey it feels are necessary to obtain valid, reliable, unbiased results. Those changes may include, but are not limited to, changes in the research design, units of analysis or observation, study dimension, sample size, sample frame, sample method, coding, or evaluation method. Based upon the results of the survey, the Contractor and the State will jointly develop an action plan to correct problems or deficiencies identified through this activity.

A.28. Audits and Fraud

A.28.1. With provision by the State of thirty (30) days notice, and with the execution of any applicable third party confidentiality agreements, the State or its qualified authorized independent auditor (experienced in conducting pharmacy audits) has the right to examine and audit the services and pricing (including rebates) provided by the Contractor to ensure compliance with all program requirements and contractual obligations. For the purpose of audit requirements, Contractor shall include its parents, affiliates, subsidiaries and subcontractors. All eligibility and claims data belong to the State.

A.28.2. At the State's discretion, the State or a qualified authorized designated representative may perform such examination and audits. The State is responsible for the cost of the authorized third party representative for such audits.

A.28.3. The Contractor shall provide access, with thirty (30) days notice from the State, at any time during the term of this contract, and for three years after final contract payment (longer if required by law), to the State's authorized independent auditor to audit the services provided under this contract.

A.28.4. The State has the right to audit more than once per year if the audits are different in scope or for different services. The State also has the right to perform additional audits during the year of similar scope if requested as a follow-up to ensure significant/material errors found in an audit have been corrected and are not recurring or if additional information becomes available to warrant further investigation.

A.28.5. The State will have access to any data necessary to ensure the Contractor is complying with all contract terms, which includes but is not limited to, one hundred percent (100%) of claims data, which includes at least all NCPDP fields from the most current version and release; retail pharmacy contracts; pharmaceutical manufacturer and wholesaler agreements; mail and specialty pharmacy contracts to the extent they exist with other vendor(s); utilization management reviews; clinical program outcomes; appeals; information related to the reporting and measurement of Liquidated Damages; etc.

A.28.6. Pharmacy rebate audits can include, but are not limited to, review and examination of manufacturer rebate contracts, rebate payments, special discounts, fee reductions, incentive programs or the like with pharmacy manufacturers, and program financial records as necessary to perform an accurate and complete audit of rebates received by the State. Upon request by the State, or its designated authorized independent auditor, the Contractor shall provide full disclosure of rebates received by the Contractor, its affiliates, subsidiaries, or subcontractors on behalf of the State. This disclosure shall include line item detail by NDC-11 and line item detail by pharmaceutical manufacturer showing actual cost remitted and other related claim and financial information as needed to satisfy the scope of the audit.

A.28.7. The Contractor shall disclose to the State's authorized independent auditor any administrative fees or other reimbursements received in connection with any rebates, discounts, fee reductions, incentive programs, or the like received by Contractor as a result of the drug manufacturer payments, which include volume of pharmaceutical use by, or on behalf of, the State. In addition, the Contractor shall, upon request by the State, disclose fees or other

reimbursements received in connection with any grants, educational programs or other incentive programs received by the Contractor on behalf of the State.

- A.28.8. The Contractor shall provide reasonable cooperation with requests for information, which includes but is not limited to the timing of the audit, deliverables, data/information requests and the Contractor's response time to the State's questions during and after the process. The Contractor shall also provide a response to all "findings" received within thirty (30) days, or at a later date if mutually determined to be more reasonable based on the number and type of findings.
- A.28.9. The State is not responsible for time or any costs incurred by the Contractor in association with an audit including, but not limited to, the costs associated with providing reports, documentation, systems access, or space.
- A.28.10. Audits shall include third party confidentiality agreements between the auditor and the party being audited. The State shall provide at least thirty (30) days notice and all parties involved shall sign and execute applicable third party confidentiality agreements prior to such an examination and audit.
- A.28.11. If the outcome of the audit results in an amount due to the State, one hundred percent (100%) of the payment of such settlement will be made by the Contractor within thirty (30) days of the Contractor's receipt of the final audit report. The Contractor shall also pay the State interest on the overcharge by multiplying the amount of the overcharge by the Tennessee State Pooled Investment Fund's Gross Total Portfolio Average Earnings Rate for the month(s) in the overcharge period, times the number of days in the overcharge period(s), divided by 365 days/year. Any amount due the State which is not paid by the Contractor within (30) days of the Contractor's receipt of the final audit report shall be subject to a compounding interest penalty of one percent (1%) per month.
- A.28.12. The Contractor is expected to assist the State in identifying fraud and perform fraud investigations of members and providers, in consultation with the State, for the purpose of recovery of overpayments due to fraud. Reviews shall include all possible actions necessary to locate and investigate cases of potential, suspected, or known fraud and abuse. In the event the Contractor discovers evidence that an unusual transaction has occurred that merits further investigation, the Contractor shall simultaneously inform the State and the Division of State Audit, in the Office of the Comptroller of the Treasury. The State will review the information and inform the Contractor whether it wishes the Contractor to:
- a. Discontinue further investigation if there is insufficient justification; or
 - b. Continue the investigation and report back to the State and the Division of State Audit; or
 - c. Continue the investigation with the assistance of the Division of State Audit; or
 - d. Discontinue the investigation and turn the Contractor's findings over to the Division of State Audit for its investigation.
- A.28.13. The Contractor shall refer all media and legislative inquiries of any type to Benefits Administration, which will have the sole and exclusive responsibility to respond to all such queries. However, the Contractor shall respond directly to audit requests from the Comptroller, to audit requests from divisions within the Department of Finance & Administration, and to subpoenas; in all such instances, the Contractor shall copy the Benefits Administration on all correspondence.

A.29. Pharmacy Audits

- A.29.1. The Contractor shall audit at least 5% of network pharmacies annually. The same audits performed on the Contractor's retail pharmacy network will be conducted on the mail order and specialty pharmacies.

A.29.2. The Contractor shall establish and maintain a process to detect and prevent errors, fraud or abusive pharmacy utilization by members, pharmacies or prescribers. The Contractor shall contact pharmacies with aberrant claims or trends to gain an acceptable explanation for the finding or to submit a corrected claim. The Contractor shall develop a trend or log of aberrancies that shall be shared with the State. Each quarter the Contractor shall summarize findings from the reports and share with the State to address program revisions.

A.29.3. The State may request that the Contractor initiate a field audit when desk audits consistently identify aberrations that cannot be explained by other means or upon requests from legal authorities or regulatory agencies. The objective of the field audit shall include financial recovery, and elimination of the aberrant practice. The Contractor shall have the qualified staff available to conduct field audits or have an agreement with a vendor acceptable to the State within ninety (90) days of the date the Contractor assumes full responsibility for the pharmacy benefits program start date.

A.30. Due Dates for Project Deliverables

Unless otherwise specified in writing by the State, the Contractor shall adhere to the following schedule for the deliverables and milestones for which it is responsible under this Contract:

Deliverables/Milestones:		Contract Reference(s):	Deliverable Due Dates & Milestone Target Dates:
Planning/Initiation			
1.	Pharmacy benefit is fully operational	A.3.1	March 2, 2010
2.	Pharmacy benefit go-live	A.3.1	April 1, 2010
3.	Kick-off meeting for all key Contractor staff	A.3.4	Within 30 days after Contract start date
4.	Implementation plan and timetable	A.3.5	30 days after Contract start date
5.	On-site implementation meeting	A.3.6	January 29, 2010 (On or before)
6.	State readiness review	A.3.7	January 29, 2010 (On or before)
7.	Call center onsite visit	A.3.10	March 22-26, 2010 April 5-23, 2010
8.	Implementation Performance Assessment	A.3.12	May 17, 2010 (On or before)
Starting			
9.	Account Team satisfaction survey	A.4.7	Annually in January
Post-Go-Live/Adjustment			
10.	Business continuity/Disaster Recovery results	A.5.10	March 2, 2010
Claim Payment and Reconciliation			
11.	Pass-through pricing report	A.6.4	Quarterly after go-live
12.	Check reconciliation report	A.6.9	Monthly
Pharmacy Network			
13.	Network lists available on website	A.7.3	March 2, 2010

Deliverables/Milestones:		Contract Reference(s):	Deliverable Due Dates & Milestone Target Dates:
14.	Updated network lists	A.7.3	Quarterly after go-live
15.	Mail order website operational	A.7.7.10	March 2, 2010
16.	GeoNetworks® report	A.7.10	Annually in January
17.	Quarterly network changes report	A.7.11	Within five (5) working days of the end of each quarter following go-live
Formulary Management			
18.	Formulary compliance report	A.8.4	Quarterly after go-live
Clinical Programs			
19.	Disease management program implementation	A.10.4	June 30, 2010 (On or before)
20.	Disease management program reporting	A.10.5	Annually in January
21.	Therapeutic substitution and generic dispensing program reporting	A.10.7	Annually in January
22.	Disclosure of PA criteria and procedures	A.10.11.1	March 2, 2010 (On or before)
23.	PA Reporting	A.10.11.4	Quarterly after go-live
Retro-DUR			
24.	Profile review focus and methodology	A.12.2	30 days prior to initial review start date
25.	DUR and Retro-DUR presentations	A.12.5.1	Up to four (4) times annually, as requested by the State
26.	Retro-DUR Outcomes	A.12.5.2	Quarterly after go-live
Financials			
27.	Annual ingredient cost reconciliation	A.13.2.10	Annually during the first quarter of each calendar year for the previous calendar year
28.	Dispensing fee annual reconciliation	A.13.3.1	Annually during the first quarter of each calendar year for the previous calendar year
29.	Rate Guarantees	C.3.n	Within 90 days following each quarter
Pharmacy Rebates			
30.	Rebate and administrative fee reporting	C.3.q	Quarterly after go-live
31.	Rebate annual reconciliation	C.3.r	First quarter each calendar year
Data Integration & Technical Requirements			

Deliverables/Milestones:		Contract Reference(s):	Deliverable Due Dates & Milestone Target Dates:
32.	Eligibility file acceptance	A.16.3	March 2, 2010
33.	Daily enrollment update	A.16.4.1	Daily after go-live
34.	Daily File Transmission Statistics Report	A.16.4.2	Within 24 hours of receipt of weekly file
35.	State enrollment data match	A.16.6	Up to four (4) times annually, as requested by the State
36.	Duplicate data processing records	A.16.8	On or before the go-live of contract termination or cancellation
37.	Claims data transmission to DSS vendor	A.16.9	15 days following the end of each calendar quarter
38.	Claims data transmission to third parties	A.16.12	Daily, unless otherwise directed by the State
39.	Load PAs, overrides, and open refills	A.16.13	March 2, 2010
40.	Claims data transmission to State	A.16.16	Within 60 days of notice of termination
Provider Education			
41.	Submission of education plans	A.20.1	March 2, 2010 (on or before)
42.	Provider education recommendations	A.20.6	Annually in January
Appeals			
43.	Contractor grievance procedures	A.21.2	March 2, 2010
Customer Services			
44.	Customer service/call center statistics	A.22.7	Quarterly after go-live
Member Communication/Materials			
45.	I.D. cards	A.23.13.2	March 11, 2010
46.	Annual transfer materials	A.23.14	Annually in August
47.	Initial welcome packets	A.23.15	March 11, 2010
48.	Ongoing welcome packets	A.23.15	Within 10 days of receipt of enrollment
Website			
49.	Website go-live	A.24.1	March 25, 2010
50.	State review of website	A.24.2	March 1, 2010
Reporting and Systems Access			
51.	Operational/Performance reports	A.25.1	Monthly, within 15 days of the end of the previous month

Deliverables/Milestones:		Contract Reference(s):	Deliverable Due Dates & Milestone Target Dates:
52.	Reporting system access	A.25.2	March 25, 2010
53.	Eligibility system access	A.25.3	March 25, 2010
54.	State staff systems training	A.25.5	March 2, 2010
55.	Compliance report	A.25.8	60 days following the end of each quarter after go-live
56.	Financial terms compliance report	A.25.9	60 days following the end of each quarter after go-live
57.	Rebate payments report	A.25.10	60 days following the end of each quarter after go-live
58.	Open service issues	A.25.11	Monthly after go-live
59.	SAS 70 report	A.25.12	Within thirty (30) days of the contract start date and annually thereafter
Returned Mail			
60.	Returned mail report	A.26.2	Monthly after go-live
Member Satisfaction Survey			
61.	Member satisfaction survey	A.27.1	Annually
Pharmacy Audits			
62.	Network pharmacy audits	A.29.1	Annually
63.	Aberrancy findings	A.29.2	Quarterly after go-live
64.	Field audit staff	A.29.3	June 30, 2010

A.31. Definitions

- a. **Administrative Fee** – The fee for pharmacy benefit management services paid by the State to the Contractor. The administrative fee is the only compensation due the Contractor under the contract if a transparent pass-through pricing model is selected by the State. The contractor's monthly compensation is a function of the contractor's administrative fee multiplied by either the number of participating members per month (PMPM). The State recognizes that clinical program fees and disease management fees are not included in the administrative fee.
- b. **AWP** - Average Wholesale Price is a reference price for prescription drug products. Pharmacy reimbursement can be calculated based on AWP minus a percentage. The AWP amount is provided by commercial publishers of drug pricing data such as First Data Bank or Thomson Medical Economics.
- c. **Brand Drug** – The innovator drug product submitted to the FDA for approval. A brand drug is a drug produced and distributed with patent protection.

- d. **Clean Claim** - A claim received by the PBM for adjudication, and which requires no further information, adjustment, or alteration by the provider of the services in order to be processed and paid by the PBM.
- e. **Coinsurance** – That percentage of the charge for each drug dispensed to the member that is the responsibility of the member.
- f. **Compound Prescription** – A prescription that is not commercially available in the strength or quantity prescribed by the physician and meets the following criteria: two (2) or more solid, semi-solid, or liquid ingredients, at least one of which is a covered drug, that are weighed and measured then prepared according to the prescriber's order.
- g. **Control Totals** - The sum of the numbers in a specified record field of a batch of records, determined repetitiously during computer processing so that any discrepancy from the control indicates an error.
- h. **Copayment** - That portion of the charge (flat dollar amount) for each drug dispensed to the member that is the responsibility of the member.
- i. **Day(s)** – Calendar day(s) unless otherwise specified in the Contract.
- j. **DEA Number** - A Drug Enforcement Agency Number is a series of numbers assigned to a health care provider allowing them to write prescriptions for controlled substances. The DEA number is often used as a prescriber identifier.
- k. **Denied Claim** – A claim that is not paid for reasons such as eligibility, coverage rules etc.
- l. **DESI Drug** - A drug that has been designated as experimental or ineffective by the Food and Drug Administration (FDA).
- m. **Disaster** - A negative event or act of nature that significantly disrupts business operations for more than twenty-four (24) hours.
- n. **Discounts** – The percentage difference between the applicable AWP for a covered service and (i) the maximum allowable cost ("MAC"), where applicable, or (ii) the contractor's negotiated reimbursement amount with a participating pharmacy for prescription drugs, OTCs and other services provided by such pharmacy to members. The discount excludes the dispensing fee, copayment and sales tax, if any.
- o. **Dispensing Fee** – An amount paid by the contractor to a participating pharmacy per claim for providing professional services necessary to dispense medication to a member.
- p. **DSS** - A decision support system is a database and query tool.
- q. **Drug Utilization Review (DUR)** - A point of sale claim edit to facilitate drug utilization review objectives.
- r. **Formulary** – The list of clinically appropriate, cost-rational prescription drugs covered by the SHBP/SEHBP, organized into different 'tiers' or levels indicating how much the member cost share (copayment/coinsurance) will be for each drug.
- s. **Generic Code Number (GCN)** - A standard number assigned by First DataBank (a drug pricing service) to each strength, formulation, and route of administration of a drug entity.
- t. **Generic Drug** – A drug produced and distributed without patent protection. The generic drug may still have a patent on the formulation but not on the active ingredient. A generic must contain the same active ingredients as the original formulation. According to the U.S. Food and Drug Administration (FDA), generic drugs are identical or bioequivalent to the brand name counterpart with respect to pharmacokinetic and pharmacodynamic properties. Generic drugs are also referred to as "generics".
- u. **Generic Product Identifier (GPI)** – A six-digit code, which includes all drugs sharing the same chemical composition, in the same strength, in the same form and that are administered via the same route.

- v. **HIPAA** - Health Insurance Portability and Accountability Act of 1996 at 45 Code of Federal Regulations Sections 160 and 164.
- w. **Ingredient Cost** – Will be defined for the State contract according to the criteria below:
1. For retail, ingredient cost means the lowest of
 - U&C Price;
 - MAC, where applicable; or
 - AWP less all applicable discounts or other applicable reimbursement amounts negotiated with the participating retail pharmacy and that adheres to the guaranteed AWP discount percentage set forth in the contractor's pricing.
 2. For the contractor's mail order and specialty pharmacies, ingredient cost means the guaranteed AWP discount percentage set forth in the Price Schedule(s).
 3. Ingredient cost does not include the dispensing fee, the copayment, coinsurance, deductibles or sales tax, if any.
- x. **Identical, Related or Similar (IRS)** - Drugs that are identical, related or similar to drugs identified as LTE (less than effective) by the FDA.
- y. **Lock In** - A restrictive logic that limits claims at point of sale claims to selected prescribers or pharmacies. Members under this restriction are said to be "locked-in".
- z. **Less Than Effective (LTE)** - Drugs that the Food and Drug Administration (FDA) considers to be Less Than Effective because there is a lack of substantial evidence of effectiveness for all labeled indications and for which there is no compelling justification for their medical need.
- aa. **Mail Order Service** – A service designed for maintenance drugs taken by members on a regular basis, such as medication to reduce blood pressure or treat asthma, diabetes, or a chronic heart condition.
- bb. **Maximum Allowance Cost (MAC)** – A cost management program that sets upper limits on the payment for equivalent drugs available from multiple manufacturers. It is the highest unit price that will be paid for a drug and is designed to increase generic dispensing, to ensure the pharmacy dispenses economically, and to control future cost increases.
- cc. **MAC List** – A list of multi-source drugs that are reimbursed at an upper limit per unit price. The list is developed and maintained by the contractor and is usually reviewed quarterly but individual drug prices may be adjusted more frequently. MAC lists vary among PBMs. Considerations for inclusion on the MAC list include: availability of the generic drug from multiple manufacturers; clinical implications of generic substitution; national availability of generic versions; price differences between the brand and generic; therapeutic equivalence; and volume of claims.
- dd. **Member** - Any person who has enrolled in the public sector plan in accordance with State of Tennessee Rules and Regulations.
- ee. **Multi-source (MS)** - Brands and generics available from more than one source.
- ff. **National Council of Prescription Drug Programs (NCPDP)** - A not-for-profit ANSI-Accredited Standards Development Organization.
- gg. **National Drug Code (NDC or NDC-11)** – A universal product identifier. The National Drug Code (NDC) Number is a unique, eleven-digit, three-segment number that identifies the labeler/vendor, product, and trade package size.
- hh. **National Provider Identification Number (NPI)** - A 10-position, intelligence-free numeric identifier (10-digit number). The numbers do not carry other information about healthcare providers, such as the state in which they live or their medical specialty.
- ii. **Paid Claim** – A claim that meets all plan established coverage criteria and is paid by the PBM and submitted to the plan for reimbursement.
- jj. **Pass-Through Transparent Pricing** – An arrangement whereby the client receives the full value (100%) of the contractor's negotiated discounts, dispensing fees, and rebates. The

contractor's only profit is the administrative fee. All financial negotiated pharmacy contracts and rebate contracts are fully disclosed to and auditable by the client. The client is protected in this model by requiring guaranteed discounts, fees, and rebates from the PBM Contractor. Discounts and rebates achieved on the client's behalf that exceed the financial guarantees are payable to the client. Dispensing fees that are paid lower than the guaranteed are also passed through to the client. Hence, the financial guarantees are the minimum discounts and rebates the client will achieve and the maximum dispensing fees and administrative fees the client will pay.

- kk. **PEMPM** - Per enrolled member per month
- ll. **Pharmacy Benefit Manager (PBM)** – A vendor who provides a set of core pharmacy benefit services to a client.
- mm. **Pharmacy and Therapeutics (P&T) Committee** - A panel of experts consisting of physicians, pharmacists and clinical experts who assist PBMs in developing formularies and preferred drug lists which are clinically appropriate and cost rational.
- nn. **Physician Profiling**- A means of comparing prescribing behaviors (or other medical orders) among doctors in order to benchmark and/or improve quality of care by providing physicians with meaningful information on their clinical performances. Hence, the success of profiling should be measured by evidence of improvement over time in the structures, processes, and outcomes of care. Physician information is often sorted by specialty or diagnosis, and profiling can be used in a managed care setting as an incentive for quality improvement. Physicians are often give data such as that listed below at monthly or quarterly intervals:
- Formulary compliance
 - Generic utilization
 - mail/retail
 - top drugs by cost
 - top drugs by # of prescriptions
 - total prescriptions
 - total cost to the plan
- oo. **PMPM** - Per member per month
- pp. **Protected Health Information (PHI)** - As defined in HIPAA (45 C.F.R. §§ 160 and 164).
- qq. **POS** - Point-of-Sale.
- rr. **Prior Authorization (PA)** - A program requirement where certain therapies must gain approval before payment can be authorized.
- ss. **Rebates** - All revenue received by the Contractor from outside sources related to the Plan's utilization or enrollment in programs (collectively the "Total Manufacturer Value"). Also, the amounts paid to the contractor (i) pursuant to the terms of an agreement with a pharmaceutical manufacturer, (ii) in consideration for the inclusion of such manufacturer's drug(s) on the contractor's formulary, and (iii) which are directly related and attributable to, and calculated based upon, the specific and identifiable utilization of certain prescription drugs by members. These would include but are not limited to access fees, market share fees, rebates, formulary access fees, administrative fees and marketing grants from pharmaceutical manufacturers, wholesalers and data warehouse vendors.
- tt. **Retail Pharmacy** – A retail pharmacy establishment at which prescription drugs are dispensed by a registered pharmacist under the laws of each state.
- uu. **Retail Pharmacy 90-Day Network** – A network retail pharmacy that offers a 90-day supply of medications for chronic conditions also known as maintenance medications. The discounts, dispensing fees and rebates are significantly better than retail and similar to mail.
- vv. **Retro-DUR - Retrospective Drug Utilization Review** - A post payment claims analysis to facilitate drug utilization review objectives.
- ww. **RFP** - Request for Proposal.

- xx. **Single-Source (SS)** - Brands and generics only available from one manufacturer.
- yy. **Specialty Drugs** – Medications and biologicals used in the treatment of complex clinical conditions such as cancer, HIV/AIDS, organ transplant, Gaucher's disease and hemophilia. These agents require special handling and/or close supervision or clinical management and tend to be very expensive.
- zz. **Spread** - A term applicable to traditional pricing. The concept supports the PBM vendor retaining the differential between negotiated contracts and financial terms offered to the client. For example, the PBM may have a higher discount with pharmacies than it offers to its clients and retain the difference or "spread" as profit. With the traditional model, the "spread" represents the PBMs profit, but the actual amount of this profit may not be fully disclosed to the client.
- aaa. **Step Therapy** - The practice of beginning drug therapy for a medical condition with the most cost-effective and safest drug, and stepping up through a sequence of alternative drug therapies as a preceding treatment option fails. Step Therapy programs apply coverage rules at the point of service when a claim is adjudicated. If a claim is submitted for a second-line drug and the Step Therapy rule was not met, the claim is rejected, and a message is transmitted to the pharmacy indicating that the patient should be treated with the first-line drug before coverage of the second-line drug can be authorized.
- bbb. **Subcontract** - An agreement entered into by the Contractor with any other organization or person who agrees to perform any administrative function or service for the Contractor specifically related to securing or fulfilling the Contractor's obligations to the State under the terms of this Contract, when the intent of such an agreement is to delegate the responsibility for any major service or group of services required by this Contract.
- ccc. **Subcontractor** - Any organization or person who provides any function or service for the Contractor specifically related to securing or fulfilling the Contractor's obligations to the State under the terms of this Contract.
- ddd. **Total Manufacturer Value** – See Rebates
- eee. **Traditional Transparent Pricing** – Plan financial terms are negotiated without PBM disclosure of revenue streams. The PBM vendor may retain spread discounts, fees and rebates. The contractor's only profit in this model is spread. There is usually not an administrative fee with this pricing model. The PBM vendor will include disclosure language related to retention of revenue, but will not disclose all vendor contracts to the client. The client is protected in this model by requiring guaranteed discounts, fees and rebates from the PBM vendor. The financial results must match the discounts, dispensing fees, and rebates guaranteed to the client, regardless of whether the contractor falls short, meets, or exceeds any of the pricing terms.
- fff. **Transparent** – An arrangement pursuant to which the contractor discloses all sources of revenue, including revenue from network pharmacy contracts and from prescription drug manufacturers, directly attributable to and specifically derived from utilization of prescription drugs by the contractor's plan members. Pass-through transparent pricing is fully auditable by the client including all pharmacy and drug manufacturer contracts. Traditional transparent pricing discloses retention of spread but usually does not permit auditing of pharmacy or drug manufacturer contracts nor does it usually disclose the exact dollar amount of the spread retained by the PBM.
- ggg. **Usual and Customary (U&C)** - Retail price charged by a participating pharmacy for the particular drug in a cash transaction on the date the drug is dispensed.
- hhh. **URAC** – URAC is an independent, nonprofit organization that promotes health care quality through its accreditation and certification programs. Originally, URAC was incorporated under the name "Utilization Review Accreditation Commission." However, that name was shortened to just the acronym "URAC" in 1996 when URAC began accrediting other types of organizations such as health plans and preferred provider organizations.

- iii. **Wholesale Acquisition Cost (WAC)** – List price for wholesalers, distributors and other direct accounts before any rebates, discounts, allowances or other price concessions that might be offered by the supplier of the product.

B. CONTRACT TERM:

This Contract shall be effective for the period commencing on December 1, 2009 and ending on December 31, 2014. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

C. PAYMENT TERMS AND CONDITIONS:

- C.1. **Maximum Liability.** In no event shall the maximum liability of the State under this Contract exceed WRITTEN DOLLAR AMOUNT (\$NUMBER). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

- C.2. **Compensation Firm.** The payment rates and the maximum liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.
- C.3. **Payment Methodology.** The Contractor shall be compensated, beginning no earlier than April 1, 2010, based on the payment rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1.
- The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.
 - The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

Service Description	Amount (per compensable increment)				
	4/1/10 – 12/31/10	1/1/11 – 12/31/11	1/1/12 – 12/31/12	1/1/13 – 12/31/13	1/1/14 – 12/31/14
FEES (Guaranteed Maximum PMPM)					
Administration Fee Per Member Per Month	\$ Amount Per Member Per Month	\$ Amount Per Member Per Month	\$ Amount Per Member Per Month	\$ Amount Per Member Per Month	\$ Amount Per Member Per Month
Clinical Fee Per Member	\$ Amount	\$ Amount	\$ Amount	\$ Amount	\$ Amount

Service Description	Amount (per compensable increment)				
	4/1/10 – 12/31/10	1/1/11 – 12/31/11	1/1/12 – 12/31/12	1/1/13 – 12/31/13	1/1/14 – 12/31/14
Per Month	Per Member Per Month	Per Member Per Month	Per Member Per Month	Per Member Per Month	Per Member Per Month
DISPENSING FEES (Guaranteed Maximum Average Per Claim)					
Retail – Brand	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
Retail – Generic	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
90-Day Retail – Brand	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
90-Day Retail – Generic	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
Mail – Brand	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
Mail – Generic	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
All Brand Specialty Pharmacy Claims	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
RETAIL NETWORK DISCOUNTS (Guaranteed Minimum Average)					
Brand	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage
Generic	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage
90-DAY RETAIL NETWORK DISCOUNTS (Guaranteed Minimum Average)					
Brand	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage
Generic	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage
MAIL NETWORK DISCOUNTS (Guaranteed Minimum					

Service Description	Amount (per compensable increment)				
	4/1/10 – 12/31/10	1/1/11 – 12/31/11	1/1/12 – 12/31/12	1/1/13 – 12/31/13	1/1/14 – 12/31/14
Average)					
Brand	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage
Generic	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage
SPECIALTY NETWORK DISCOUNTS (Guaranteed Minimum Average)					
All Brand Specialty Pharmacy Claims	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage	AWP minus Percentage
REBATES PER CLAIM (Guaranteed Minimum Average)					
All Retail Claim Basis (Brand & Generic)	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
All 90-Day Retail Claim Basis (Brand & Generic)	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
All Mail Claim Basis (Brand & Generic)	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim
All Brand Specialty Pharmacy Claims	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim	\$ Amount Per Claim

Service Description	Amount (per compensable increment)
	Proposed Cost – Calendar Year 2010 through 2014
DISEASE MANAGEMENT (DM) PROGRAM	
DM All Inclusive Package Fee Per Enrolled Member Per Month (PEMPM)	\$ Amount Per Member Per Month

Service Description	Amount (per compensable increment)
	Proposed Cost – Calendar Year 2010 through 2014
INDIVIDUAL DM PROGRAMS	

1. Diabetes	\$ Amount Per Enrolled Member Per Month
2. Asthma	\$ Amount Per Enrolled Member Per Month
3. COPD	\$ Amount Per Enrolled Member Per Month
4. Hypertension	\$ Amount Per Enrolled Member Per Month
5. Tobacco Cessation	\$ Amount Per Enrolled Member Per Month

- c. The State reserves the right to review files prior to issuing payment and to hold or adjust any payment that is not satisfactory to the State. If the Contractor submits a claims payment request and the State overpays the claim, then the State may withhold the overpaid monies.
- d. After award of this Contract, the Contractor shall use the post-settlement AWP for this Contract's pricing terms.
- e. The State authorizes the Contractor to retain monies received through subrogation, on a per claim basis, of no more than five percent (5%) of the gross recoveries received. The Contractor shall understand that recovery of subrogation claims includes claims paid as a result of work related illnesses or injuries relative to worker's compensation claims.
- f. The State will fund the Contractor for the total issue amount of the payments, net of cancellations, voids or other payment credit adjustments, daily or at the time of each issuance of checks or ACH, provided the Contractor's payment process includes timely delivery of checks and settlement of ACH transactions. Unless otherwise mutually agreed to in writing by the parties, the Contractor shall notify the State of the day's funding requirement amount. The funding option for the State will include either receiving an ACH debit from the Contractor to a designated State bank account, or wire transfer of funds to the Contractor's designated bank account. The parties shall mutually agree in writing upon the funding option. The Contractor acknowledges and agrees that since the State intends to fund payments at the time of issuance, the State will not maintain a separate bank account or an escrow account with the Contractor or to otherwise pre-fund an account.
- g. The Contractor shall guarantee that the dispensing fee per claim is based on paid claims only not claims that are reversed or rejected.
- h. The Contractor shall guarantee that U&C priced claims will not be assessed a dispensing fee.
- i. The Contractor shall guarantee that the average dispensing fee per claim, if any, shall not exceed the guaranteed maximum average.
- j. The Contractor shall guarantee that all discounts and services and administrative fees are guaranteed for the life of this contract, including any optional contract extensions executed by the State.
- k. The Contractor shall guarantee that the terms presented are for the entire contract period, including any optional contract extensions, and do not require the State to implement any plan designs or programs that are different from the plan design and programs currently in place.
- l. The Contractor shall guarantee that the terms presented are State-specific, not book-of-business averages or discount guarantees.

- m. The contractor shall guarantee that the guaranteed discount off AWP shall not exclude any products from the calculations (e.g., zero balance claims, U&C claims, those generics during their exclusivity period, "specialty" drugs processed at retail), with the exception of compounds.
 - n. The Contractor shall individually measure the guaranteed minimum average discounts and fees for the retail networks, mail pharmacy program, specialty network and 90-day-at retail pharmacy network. Over performance in one network area shall not offset under performance in other network areas. The Contractor shall individually measure specific brand discounts, generic discounts and dispensing fee components of each contract guarantee. Over performance in one contract area will not offset under performance in other contract areas. The Contractor shall measure guaranteed financial contract terms within ninety (90) days following each quarter and reconcile with the State annually during the first quarter of the following calendar year. The Contractor shall reimburse the State the difference between actual average discounts and fees and the guaranteed minimum average discounts and fees by cash or check only. Credits to the Plan are not acceptable unless otherwise agreed upon by both Parties in writing.
 - o. The Contractor shall pay to the State one hundred percent (100%) of the Total Manufacturer Value collected based, directly or indirectly, on the State's claims. The Contractor shall provide the State with the greater of (i) one hundred percent (100%) of the Total Manufacturer Value, or (ii) the guaranteed rebates.
 - p. The Contractor shall pay out to the State all Total Manufacturer Value earned by the State during the entire term of this contract regardless of termination of said Contract.
 - q. The Contractor shall remit to the State no less frequently than quarterly a check for all Total Manufacturer Value obtained on behalf of the State due to the use of pharmaceuticals by members of the Public Sector Plans for the rebates accrued during the claim period ending six (6) months prior to the rebate payment date. Rebate and administrative fee reporting shall also be submitted quarterly based on the State's NDC-11 utilization to demonstrate the level of rebate pass-through pricing.
 - r. No later than the first quarter of each calendar year of the contract, the Contractor shall complete an annual reconciliation between the percentage of rebates paid and the guaranteed average amount. If the outcome of the reconciliation results in an amount due to the State, one hundred percent (100%) of the payment will be made by the Contractor within thirty (30) days of the completion of the reconciliation.
 - s. The Contractor is responsible for the fee charged by the DSS vendor to develop, test and implement conversion programs for the Contractor's claims data. Furthermore, the Contractor shall pay during the full term of this contract all applicable fees as assessed by the State's DSS vendor related to any data format changes, which are Contractor-initiated or are due to meeting compliance with new regulations. The Contractor shall also pay all applicable fees related to any DSS vendor efforts to correct Contractor data quality errors that occur during the term of this contract.
 - t. If member materials containing an error had been approved by the State in writing and the error was detected after the materials have been mailed, the State will reimburse the Contractor the postage cost of mailing the corrected version of the materials.
- C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.5. Invoice Requirements. The Contractor shall invoice the State only for completed increments of service and for the amount stipulated in Section C.3, above, and as required below prior to any payment.

- a. The Contractor shall submit invoices no more often than monthly, with all necessary supporting documentation, to:

Marlene Alvarez, Procurement & Contracting Manager
Tennessee Department of Finance & Administration
Benefits Administration Division
William R. Snodgrass Tennessee Tower
312 Rosa L Parks Avenue, Suite 2600
Nashville, Tennessee 37243

- b. The Contractor agrees that each invoice submitted shall clearly and accurately (all calculations must be extended and totaled correctly) detail the following required information.

- (1) Invoice/Reference Number (assigned by the Contractor);
- (2) Invoice Date;
- (3) Invoice Period (period to which all invoiced charges are applicable);
- (4) Contract Number (assigned by the State to this Contract);
- (5) Account Name: Finance & Administration, Benefits Administration Division;
- (6) Account/Customer Number (uniquely assigned by the Contractor to the above-referenced Account Name);
- (7) Contractor Name;
- (8) Contractor Federal Employer Identification Number or Social Security Number (as referenced in this Contract);
- (9) Contractor Contact (name, phone, and/or fax for the individual to contact with billing questions);
- (10) Contractor Remittance Address;
- (11) Complete Itemization of Charges, which shall detail the following:
 - i. Service or Milestone Description (including name /title as applicable) of each service invoiced;
 - ii. Number of Completed Units, Increments, Hours, or Days as applicable, of each service invoiced;
 - iii. Applicable Payment Rate (as stipulated in Section C.3.) of each service invoiced;
 - iv. Amount Due by Service; and
 - v. Total Amount Due for the invoice period.

- c. The Contractor understands and agrees that an invoice to the State under this Contract shall:

- (1) include only charges for service described in Contract Section A and in accordance with payment terms and conditions set forth in Contract Section C;
- (2) not include any future work but will only be submitted for completed service; and
- (3) not include sales tax or shipping charges.

- d. The Contractor agrees that timeframe for payment (and any discounts) begins when the State is in receipt of each invoice meeting the minimum requirements above.

- e. The Contractor shall complete and sign a "Substitute W-9 Form" provided to the Contractor by the State. The taxpayer identification number contained in the Substitute W-9 submitted to the State shall agree to the Federal Employer Identification Number or Social Security Number referenced in this Contract for the Contractor. The Contractor shall not invoice the State for services until the State has received this completed form.

C.6. Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall

neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.

- C.7. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this Contract, not to constitute proper remuneration for compensable services.
- C.8. Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any Contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.9. Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other Contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

D. STANDARD TERMS AND CONDITIONS:

- D.1. Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3. Termination for Convenience. The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least sixty (60) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.
- D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract below pertaining to "Conflicts of Interest," "Nondiscrimination," and "Records" (as identified by the section headings). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.
- D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

- D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.
- a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment A, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.
 - b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the Contractor and made available to state officials upon request.
 - c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
 - d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.
 - e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.
- D.9. Records. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed

representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

- D.10. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.11. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.12. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.13. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.
- The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.
- D.14. State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.15. Force Majeure. The obligations of the parties to this Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, natural disasters, riots, wars, epidemics, or any other similar cause.
- D.16. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.17. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.
- D.18. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.19. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.20. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

- E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by E-MAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or E-MAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Marlene D. Alvarez, Procurement & Contracting Manager
Tennessee Department of Finance & Administration
Benefits Administration Division
William R. Snodgrass Tennessee Tower
312 Rosa L. Parks Avenue, Suite 2600
Nashville, Tennessee 37243
Marlene.alvarez@tn.gov
Telephone: 615.253.8358
Fax: 615.253.8556

The Contractor:

NAME & TITLE OF CONTRACTOR CONTACT PERSON
CONTRACTOR NAME
ADDRESS
E-MAIL ADDRESS
Telephone # NUMBER
FAX # NUMBER

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

- E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- E.4. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in *Tennessee Code Annotated*, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to *Tennessee Code Annotated*, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not

that of an independent contractor, the Contractor may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.

E.5. Voluntary Buyout Program. The Contractor acknowledges and understands that, for a period of two years beginning August 16, 2008, restrictions are imposed on former state employees who received a State of Tennessee Voluntary Buyout Program (VBP) severance payment with regard to contracts with state agencies that participated in the VBP.

- a. The State will not contract with either a former state employee who received a VBP severance payment or an entity in which a former state employee who received a VBP severance payment or the spouse of such an individual holds a controlling financial interest.
- b. The State may contract with an entity with which a former state employee who received a VBP severance payment is an employee or an independent contractor. Notwithstanding the foregoing, the Contractor understands and agrees that there may be unique business circumstances under which a return to work by a former state employee who received a VBP severance payment as an employee or an independent contractor of a State contractor would not be appropriate, and in such cases the State may refuse Contractor personnel. Inasmuch, it shall be the responsibility of the State to review Contractor personnel to identify any such issues.
- c. With reference to either subsection a. or b. above, a contractor may submit a written request for a waiver of the VBP restrictions regarding a former state employee and a contract with a state agency that participated in the VBP. Any such request must be submitted to the State in the form of the *VBP Contracting Restriction Waiver Request* format available from the State and the Internet at: www.state.tn.us/finance/rds/ocr/waiver.html. The determination on such a request shall be at the sole discretion of the head of the state agency that is a Party to this Contract, the Commissioner of Finance and Administration, and the Commissioner of Human Resources.

E.6. Insurance. The Contractor shall carry adequate liability and other appropriate forms of insurance.

- a. The Contractor shall maintain, at minimum, the following insurance coverage:
 - (1) Workers' Compensation/ Employers' Liability (including all states coverage) with a limit not less than the relevant statutory amount or one million dollars (\$1,000,000) per occurrence for employers' liability whichever is greater.
 - (2) Comprehensive Commercial General Liability (including personal injury & property damage, premises/operations, independent contractor, contractual liability and completed operations/products) with a bodily injury/property damage combined single limit not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate.
 - (3) Automobile Coverage (including owned, leased, hired, and non-owned vehicles) with a bodily injury/property damage combined single limit not less than one million dollars (\$1,000,000) per occurrence.
- b. At any time State may require the Contractor to provide a valid Certificate of Insurance detailing Coverage Description; Insurance Company & Policy Number; Exceptions and Exclusions; Policy Effective Date; Policy Expiration Date; Limit(s) of Liability; and Name and Address of Insured. Failure to provide required evidence of insurance coverage shall be a material breach of this Contract.

E.7. Confidentiality of Records. Strict standards of confidentiality of records and information shall be maintained in accordance with applicable state and federal law. All material and information,

regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards. Such confidential information shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure. Nothing in this paragraph shall permit Contractor to disclose any information that is confidential under federal or state law or regulations, regardless of whether it has been disclosed or made available to the Contractor due to intentional or negligent actions or inactions of agents of the State or third parties.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

- E.8. HIPAA Compliance. The State and Contractor shall comply with obligations under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its accompanying regulations.
- a. Contractor warrants to the State that it is familiar with the requirements of HIPAA and its accompanying regulations, and will comply with all applicable HIPAA requirements in the course of this Contract.
 - b. Contractor warrants that it will cooperate with the State, including cooperation and coordination with State privacy officials and other compliance officers required by HIPAA and its regulations, in the course of performance of the Contract so that both parties will be in compliance with HIPAA.
 - c. The State and the Contractor will sign documents, including but not limited to business associate agreements, as required by HIPAA and that are reasonably necessary to keep the State and Contractor in compliance with HIPAA. This provision shall not apply if information received by the State under this Contract is NOT "protected health information" as defined by HIPAA, or if HIPAA permits the State to receive such information without entering into a business associate agreement or signing another such document.
- E.9. Printing Authorization. The Contractor agrees that no publication coming within the jurisdiction of *Tennessee Code Annotated*, Section 12-7-101, *et. seq.*, shall be printed unless a printing authorization number has been obtained and affixed as required by *Tennessee Code Annotated*, Section 12-7-103 (d).
- E.10. State Ownership of Work Products. The State shall have ownership, right, title, and interest, including ownership of copyright, in all work products, including computer source code, created, designed, developed, derived, documented, installed, or delivered under this Contract subject to the next subsection and full and final payment for each "Work Product." The State shall have royalty-free and unlimited rights and license to use, disclose, reproduce, publish, distribute, modify, maintain, or create derivative works from, for any purpose whatsoever, all said Work Products.
- a. To the extent that the Contractor uses any of its pre-existing, proprietary or independently developed tools, materials or information ("Contractor Materials"), the Contractor shall retain all right, title and interest in and to such Contractor Materials, and the State shall

acquire no right, title or interest in or to such Contractor Materials EXCEPT the Contractor grants to the State an unlimited, non-transferable license to use, copy and distribute internally, solely for the State's internal purposes, any Contractor Materials reasonably associated with any Work Product provided under the Contract.

- b. The Contractor shall furnish such information and data as the State may request, including but not limited to computer code, that is applicable, essential, fundamental, or intrinsic to any Work Product and Contractor Materials reasonably associated with any Work Product, in accordance with this Contract and applicable state law.
 - c. Nothing in this Contract shall prohibit the Contractor's use for its own purposes of the general knowledge, skills, experience, ideas, concepts, know-how, and techniques obtained and used during the course of providing the services requested under this Contract.
 - d. Nothing in the Contract shall prohibit the Contractor from developing for itself, or for others, materials which are similar to and/or competitive with those that are produced under this Contract.
- E.11. Competitive Procurements. This Contract provides for reimbursement of the cost of goods, materials, supplies, equipment, or contracted services. Such procurements shall be made on a competitive basis, where practical. The Contractor shall maintain documentation for the basis of each procurement for which reimbursement is paid pursuant to this Contract. In each instance where it is determined that use of a competitive procurement method was not practical, said documentation shall include a written justification, approved by the Commissioner of Finance and Administration, for such decision and non-competitive procurement.
- E.12. State Furnished Property. The Contractor shall be responsible for the correct use, maintenance, and protection of all articles of nonexpendable, tangible, personal property furnished by the State for the Contractor's temporary use under this Contract. Upon termination of this Contract, all property furnished shall be returned to the State in good order and condition as when received, reasonable use and wear thereof excepted. Should the property be destroyed, lost, or stolen, the Contractor shall be responsible to the State for the residual value of the property at the time of loss.
- E.13. Incorporation of Additional Documents. Included in this Contract by reference are the following documents:
- a. The Contract document and its attachments
 - b. All Clarifications and addenda made to the Contractor's Proposal
 - c. The Request for Proposal and its associated amendments
 - d. Technical Specifications provided to the Contractor
 - e. The Contractor's Proposal

In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these documents shall govern in order of precedence detailed above.

- E.14. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it, its current and future principals, its current and future subcontractors and their principals:
- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal or state department or agency;

- b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offence in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or grant under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
- c. are not presently indicted or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commission of any of the offenses detailed in section b. of this certification; and
- d. have not within a three (3) year period preceding this Contract had one or more public transactions (federal, state, or local) terminated for cause or default.

The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances, its principals or the principals of its subcontractors are excluded or disqualified.

- E.15. Contractor Commitment to Diversity. The Contractor shall comply with and make reasonable business efforts to exceed the commitment to diversity represented by the Contractor's proposal responding to RFP # 31786-00102 ((Attachment 6.3, Section B, Item B.15.) and resulting in this Contract.

The Contractor shall assist the State in monitoring the Contractor's performance of this commitment by providing, as requested, a quarterly report of participation in the performance of this Contract by small business enterprises and businesses owned by minorities, women, and persons with a disability. Such reports shall be provided to the state of Tennessee Governor's Office of Business Diversity Enterprise in form and substance as required by said office.

- E.16. Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

- failure to perform in accordance with any term or provision of the Contract;
- partial performance of any term or provision of the Contract;
- any act prohibited or restricted by the Contract, or
- violation of any warranty.

For purposes of this Contract, these items shall hereinafter be referred to as a "Breach."

- a. Contractor Breach— The State shall notify Contractor in writing of a Breach.
 - (1) In event of a Breach by Contractor, the State shall have available the remedy of Actual Damages and any other remedy available at law or equity.
 - (2) Liquidated Damages— In the event of a Breach, the State may assess Liquidated Damages as outlined in Contract Attachment B. The State shall notify the Contractor of amounts to be assessed as Liquidated Damages. The parties agree that due to the complicated nature of the Contractor's obligations under this Contract it would be difficult to specifically designate a monetary amount for a Breach by Contractor as said amounts are likely to be uncertain and not easily proven. Contractor hereby represents and covenants it has carefully reviewed the Liquidated Damages contained in above referenced, Attachment B and agree that said amounts represent a reasonable relationship between the amount and what might reasonably be expected in the event of Breach, and are a reasonable estimate of the damages that would occur from a Breach. It is hereby agreed between the parties that the Liquidated Damages represent solely the damages and injuries sustained by the State in losing the benefit of the bargain with Contractor and do not include any injury or damage sustained by a third party.

The Contractor agrees that the liquidated damage amount is in addition to any amounts Contractor may owe the State pursuant to the indemnity provision or other section of this Contract.

The State may continue to withhold the Liquidated Damages or a portion thereof until the Contractor cures the Breach, the State exercises its option to declare a Partial Default, or the State terminates the Contract. The State is not obligated to assess Liquidated Damages before availing itself of any other remedy. The State may choose to discontinue Liquidated Damages and avail itself of any other remedy available under this Contract or at law or equity; provided, however, Contractor shall receive a credit for said Liquidated Damages previously withheld except in the event of a Partial Default.

The State may conduct "secret shopper" and other monitoring activities during the operation of this Contract. The State may also assess liquidated damages for breaches of contract that it discovers during these and other activities as outlined in Contract Attachment B.

- (3) Partial Default— In the event of a Breach, the State may declare a Partial Default. In which case, the State shall provide the Contractor written notice of: (1) the date which Contractor shall terminate providing the service associated with the Breach; and (2) the date the State will begin to provide the service associated with the Breach. Notwithstanding the foregoing, the State may revise the time periods contained in the notice written to the Contractor.

In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the Department shall be entitled to receive within five (5) days any requested material from Contractor. The State shall make the final and binding determination of said amount.

The State may assess Liquidated Damages against the Contractor for any failure to perform which ultimately results in a Partial Default with said Liquidated Damages to cease when said Partial Default is effective. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken.

- (4) Contract Termination— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the State. Said notice shall hereinafter be referred to as Termination Notice. The Termination Notice may specify either that the termination is to be effective immediately, on a date certain in the future, or that the Contractor shall cease operations under this Contract in stages. In the event of a termination, the State may withhold any amounts which may be due Contractor without waiver of any other remedy or damages available to the State at law or at equity. The Contractor shall be liable to the State for any and all damages incurred by the State and any and all expenses incurred by the State which exceed the amount the State would have paid Contractor under this Contract. Contractor agrees to cooperate with the State in the event of a Contract Termination or Partial Takeover.

- b. **State Breach**— In the event of a Breach of Contract by the State, the Contractor shall notify the State in writing within 30 days of any Breach of Contract by the State. Said notice shall contain a description of the Breach. Failure by the Contractor to provide said written notice shall operate as an absolute waiver by the Contractor of the State's Breach. In no event shall any Breach on the part of the State excuse the Contractor from full performance under this Contract. In the event of Breach by the State, the Contractor may avail itself of any remedy at law in the forum with appropriate jurisdiction; provided, however, failure by the Contractor to give the State written notice and opportunity to cure as described herein operates as a waiver of the State's Breach. Failure by the Contractor to file a claim before the appropriate forum in Tennessee with jurisdiction to hear such claim within one (1) year of the written notice of Breach shall operate as a waiver of said claim in its entirety. It is agreed by the parties this provision establishes a contractual period of limitations for any claim brought by the Contractor.

E.17. Negligent, Reckless, or Willful Acts of Omission.

The Contractor shall have responsibility for overpayments resulting from the negligent, reckless, or willful acts or omissions of the Contractor, its officers, agents or employees, regardless of whether or not such overpayments can be recovered by the Contractor. The Contractor shall repay the State the amount of any such overpayment within thirty (30) calendar days of discovery of the overpayment. Overpayments due to provider fraud or fraud of any other type, other than fraud by employees or agents of the Contractor, will not be considered overpayments for purposes of this Section. The Contractor shall assist in identifying fraud and make reasonable efforts, in consultation with the State, to recover overpayments due to fraud.

IN WITNESS WHEREOF,

CONTRACTOR LEGAL ENTITY NAME:

CONTRACTOR SIGNATURE

DATE

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

**STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
LOCAL GOVERNMENT INSURANCE COMMITTEE:**

M. D. GOETZ, JR., CHAIRMAN

DATE

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	
CONTRACTOR LEGAL ENTITY NAME:	
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	

The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.

CONTRACTOR SIGNATURE

NOTICE: This attestation MUST be signed by an individual empowered to contractually bind the Contractor. If said individual is not the chief executive or president, this document shall attach evidence showing the individual's authority to contractually bind the Contractor.

PRINTED NAME AND TITLE OF SIGNATORY

DATE OF ATTESTATION

LIQUIDATED DAMAGES

The Contractor shall pay to the State the indicated total dollar assessment upon notification by the State that an amount is due, through the term of the contract.

All performance guarantees will be measured on a Plan-specific basis rather than the Contractor's book of business (BOB).

1. Pharmacy Benefit Operational	
Guarantee	Failure to provide a pharmacy benefit for the Public Sector Plans that is fully operational no later than thirty (30) days prior to the go-live date specified in Contract Section A.30. Operational is defined as the ability to accurately enroll members, accept and process POS claims, accept and process mail order prescriptions, and provide all other PBM services outlined in the contract.
Assessment	Two-hundred and fifty thousand dollars (\$250,000) for every day beyond the target date that the program is not operational.
Measurement	Measured, reported, and reconciled no later than three (3) months after go-live date.
2. Program Go-Live Date	
Guarantee	The pharmacy benefit for the Public Sector Plans shall take effect (i.e. "go-live") and be fully operational on the go-live date specified in Contract Section A.30.
Assessment	Two-hundred and fifty thousand dollars (\$250,000) for every day beyond the target date that the program is not operational.
Measurement	Measured, reported, and reconciled no later than three (3) months after go-live date.
3. Implementation Plan	
Guarantee	The Contractor shall provide a project implementation plan, as required in Contract Section A.3, to the State no later than thirty (30) days after contract start date, which includes all tasks with deliverable dates necessary to install the program by the go-live date.
Assessment	Two-hundred and fifty thousand dollars (\$250,000) for each day the beyond the deadline that the plan is not provided to the State.
Measurement	Measured, reported, and reconciled no later than three months after go-live of the new pharmacy benefit.
4. Operational Readiness	
Guarantee	The Contractor shall resolve all findings identified by the State during its operational readiness review, as required in Contract Section A.3.7, prior to go-live date.
Assessment	Two-hundred and fifty thousand dollars (\$250,000) if the standard is not met.
Measurement	Measured and reported no later than three (3) months after go-live date.
5. Plan Design	
Guarantee	Plan design as required in the Plan Document will be implemented correctly, as required in Contract Section A.3.2.
Assessment	One-hundred thousand dollars (\$100,000) if the standard is not met.
Measurement	Measured and reported no later than six (6) months after go-live date.
6. Data Review	
Guarantee	All plan design implementation data, associated with the program setup, and identified in the implementation plan, as required in Contract Section A.3.5. will be delivered to the State for review and approval prior to the go-live date.
Assessment	Two-hundred and fifty thousand dollars (\$250,000) if the standard is not met.
Measurement	Measured and reported no later than three (3) months after go-live.
7. Eligibility Set-Up	
Guarantee	As required in Contract Section A.16.3, eligibility information will be loaded,

	tested, verified and available online for use no later than thirty (30) days prior to the go-live date specified in Contract Section A.30.
Assessment	Two-hundred and fifty thousand dollars (\$250,000) for each day beyond the date specified in Contract Section A.30.
Measurement	Measured, reported, and reconciled no later than three (3) months after go-live date.
8. Implementation Satisfaction	
Guarantee	The Contractor's overall rating on the implementation performance assessment completed by the State, as required in Contract Section A.3.12, will be noted as met or exceeded expectations or the equivalent of the same measure on any other scale used.
Assessment	One-hundred thousand dollars (\$100,000) if the standard is not met.
Measurement	Measured, reported, and reconciled no later than three (3) months after go-live date.
9. Key Staff Vacancies	
Guarantee	As required in Contract Section A.4.11, if any key positions become vacant, the Contractor shall employ an adequate replacement within sixty (60) days of the vacancy unless the State grants an exception to this requirement.
Assessment	Fifty-thousand dollars (\$50,000) for each week beyond sixty (60) days that the vacancy is not filled.
Measurement	Measured, reported, and reconciled annually.
10. Staff Availability	
Guarantee	As required in Contract Section A.4.2, the Account Team shall be available for consultation with the State during the hours of 8:00 a.m. to 4:30 p.m. Central Standard Time, Monday through Friday.
Assessment	Fifty-thousand dollars (\$50,000) per occurrence.
Measurement	Measured, reported, and reconciled annually.
11. POS System Availability	
Guarantee	POS system, used by contracted pharmacies to process pharmacy claims, as required in Contract Section A.5.14, shall be accessible and operational ninety-seven percent (97%) of the time.
Assessment	Fifty-thousand dollars (\$50,000) for each percentage point below ninety-seven percent (97%), for each contracted quarter.
Measurement	Measured and reported quarterly; reconciled annually.
12. POS System Processing	
Guarantee	As required in Contract Section A.5.4, the Contractor shall process ninety-nine and a half percent (99.5%) of POS claims on a daily basis within five (5) seconds. This is the time from when the claim is received by the Contractor's processor to the time the results are transmitted from the Contractor's processor and shall include all procedures required to complete claim adjudication. For this calculation the number of claims processed within five (5) seconds during each twenty-four (24) hour period shall be the numerator and the number of claims processed during each twenty-four (24) hour period shall be the denominator. The Contractor's measure shall reflect the time required for all procedures required to complete claim adjudication.
Assessment	Fifty-thousand dollars (\$50,000) per percentage point below 99.5%.
Measurement	Measured and reported quarterly; reconciled annually.
13. Claims Processing Accuracy	
Guarantee	Claims processing accuracy, as required in Contract Section A.5.13, shall be ninety-eight percent (98%) or higher.
Assessment	Fifty-thousand dollars (\$50,000) for each percentage point below ninety-eight percent (98%), for each contracted quarter.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured and reported quarterly; reconciled annually.
14. Claims Payment Accuracy	
Guarantee	Claims payment accuracy, as required in Contract Section A.6.5, shall be ninety-eight percent (98%) or higher.

Assessment	Fifty-thousand dollars (\$50,000) for each percentage point below ninety-eight percent (98%), for each contracted quarter.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured and reported quarterly; reconciled annually.
15. Claims Payment Turnaround	
Guarantee	As required in Contract Section A.6.10, ninety-five percent (95%) or more of direct reimbursement "clean" claims will be paid within ten (10) working days after receipt and 100% of direct reimbursement claims will be paid within twenty (20) working days.
Assessment	Non-Investigated Claims (clean): Twenty-five thousand dollars (\$25,000) for each full percentage point below the required minimum standard of ninety-five percent (95%) within ten (10) days. Quarterly Guarantee. All Claims: \$ Fifty-thousand dollars (\$50,000) for each full percentage point below the required minimum standard of one hundred percent (100%) within twenty (20) days.
Measurement	Quarterly internal audit performed by the carrier on a statistically valid sample. Measured and reported quarterly; reconciled annually.
16. Pharmacy Pricing	
Guarantee	One hundred percent (100%) of participating pharmacies will adhere to "lowest of" pricing, as required in Contract Section A.13.2.7.
Assessment	Two-hundred and fifty thousand dollars (\$250,000) for each percentage point below one hundred percent (100%) for each contracted quarter.
Measurement	Measured and reported quarterly; reconciled annually.
17. Guaranteed Minimum Discounts & Dispensing Fees	
Guarantee	As required in Contract Section C.3.n. the Contractor shall individually measure the guaranteed minimum average discounts and fees for the retail network, mail pharmacy program, specialty network, and 90-day-at retail pharmacy network and specific brand discounts, generic discounts and dispensing fee components of each contract guarantee. Over performance in one network area shall not offset under performance in other network areas.
Assessment	Difference between the guaranteed minimum discount and the actual discount.
Measurement	Measured and reported within ninety (90) days following each quarter; reconciled annually during the first quarter.
18. Network Access	
Guarantee	As required in Contract Section A.7.5.1, the Contractor shall maintain under contract a network of pharmacy providers to provide the covered services such that in urban areas, at least ninety percent (90%) of Public Sector Plan members, on average, live within five (5) miles of a retail pharmacy participating in the Contractor's network; in suburban areas, at least ninety percent (90%) of Public Sector Plan members, on average, live within ten (10) miles of a retail pharmacy participating in the Contractor's network; and in rural areas, at least seventy percent (70%) of Public Sector Plan members, on average, live within fifteen (15) miles of a retail pharmacy participating in the Contractor's network. Exceptions shall be justified, documented, and approved by the State.
Assessment	Twenty-five thousand dollars (\$25,000) if <u>ANY</u> of the above listed standards is not met, either individually or in combination.
Measurement	Measured annually by the GeoNetworks [®] report provided by the Contractor.
19. Mail Order Accuracy	
Guarantee	99.9% of all prescriptions mailed to eligible Public Sector Plan members shall be dispensed with the correct drug strength and dosage form per the requirements of Contract Section A.7.7.1.
Assessment	Fifty-thousand dollars (\$50,000) for each percentage point below 99.9% for each contracted quarter.
Measurement	Measured and reported quarterly; reconciled annually.
20. Mail Order Turnaround	
Guarantee	Ninety-five percent (95%) or more of all orders filled from "clean" prescriptions not requiring pharmacy intervention shall be mailed within three (3) business

	days per the requirements of Contract Section A.7.7.1.
Assessment	One-hundred thousand dollars (\$100,000) for each percentage point below ninety (95%) for each contracted quarter.
Measurement	Measured and reported quarterly; reconciled annually.
21. Formulary Implementation	
Guarantee	As required in Contract Section A.8.3, the Contractor's normal formulary will be implemented within five (5) working days after receipt of the State's written approval. Customized formularies will be implemented within ten (10) working days after receipt of the State's formal request.
Assessment	One-hundred thousand dollars (\$100,000) if the standard is not met.
Measurement	Measured and reported quarterly; reconciled annually.
22. Formulary Changes	
Guarantee	As required in Contract Section A.8.5, changes to the formulary, Step Therapy or PA requirements shall be implemented within fifteen (15) days of the State's approval or request. Changes shall include modifications to the POS system and all supporting systems and documents. Such changes to the program shall require pharmacy provider and affected plan member notification at least thirty (30) days prior to the implementation, unless the Contractor and State mutually agree to a shorter notification time.
Assessment	One-hundred thousand dollars (\$100,000) each time the standard is not met.
Measurement	Measured and reported quarterly; reconciled annually.
23. Disease Management Programs	
Guarantee	As required in Contract Section A.10.4, unless otherwise directed by the State, no later than ninety (90) days after the go-live date, the Contractor shall implement disease management programs for the following conditions: asthma, diabetes mellitus, chronic obstructive pulmonary disease, hypertension, and tobacco cessation.
Assessment	Twenty thousand dollars (\$20,000) for each program of each year of the contract term in which the Contractor fails to establish such disease management programs.
Measurement	Measured and reported no later than three months after go-live.
24. Generic Utilization	
Guarantee	As required in Contract Section A.10.8, the Contractor shall increase generic utilization rates no less than 1.5% annually during the term of this contract. The calculation used to determine this rate shall be: Number of generic scripts / the sum of all generic and brand scripts.
Assessment	\$75 for retail prescriptions and \$150 for mail prescriptions The shortfall will be calculated as the guaranteed fill rate for the year minus the actual fill rate for the year, separately for mail and retail. The calculation will be as follows: Total Paid Rx's for the year * (guaranteed fill rate minus the actual fill rate) * penalty amount.
Measurement	Measured, reported and reconciled annually.
25. Generic Substitution	
Guarantee	As required in Contract Section A.8.8.1, ninety-five percent (95%) or more of mail order prescriptions and ninety percent (90%) or more of retail prescriptions for multi-source drugs will be dispensed with a generic product.
Assessment	Twenty thousand dollars (\$20,000) for each year the standard is not met.
Measurement	Measured, reported and reconciled annually.
26. PA Evaluation	
Guarantee	As required in Contract Section A.10.11.3, the Contractor's call center staff shall evaluate ninety-nine percent (99%) of PA requests within twenty-four (24) hours.
Assessment	Twenty thousand dollars (\$20,000) for each instance that the standard is not met.
Measurement	Measured and reported quarterly; reconciled annually.
27. Eligibility Posting	

Guarantee	Ninety-eight percent (98%) of electronically transmitted enrollment updates shall be posted within one (1) business day after receipt in specified format and one hundred percent (100%) posted within three (3) business days, as required in Contract Section A.16.4.3.	
Assessment	One-hundred thousand dollars (\$100,000) per day for the first (1 st) and second (2 nd) working days out of compliance; Two hundred and fifty thousand dollars (\$250,000) per working day thereafter.	
Measurement	Measured and reported weekly; reconciled annually.	
28. Eligibility Discrepancies		
Guarantee	Resolve all discrepancies (any difference of values between the State's database and the Contractor's database) identified by the processing of the enrollment file within five (5) business days of receipt of the file from the State, as required in Contract Section A.16.4.4.	
Assessment	One-hundred thousand dollars (\$100,000) per day for the first (1 st) and second (2 nd) working days out of compliance; Two hundred and fifty thousand dollars (\$250,000) per working day thereafter.	
Measurement	Measured and reported quarterly; reconciled annually.	
29. Group Additions		
Guarantee	New groups will be added to all systems within three (3) business days of receipt of necessary documents as required in Contract Section A.16.5.	
Assessment	One-hundred thousand dollars (\$100,000) for each instance that the standard is not met.	
Measurement	Measured and reported quarterly; reconciled annually.	
30. Data Loading		
Guarantee	All data required for the Public Sector Plan implementation, as described in Contract Section A.3., will be loaded correctly.	
Assessment	One-hundred thousand dollars (\$100,000) if the standard is not met.	
Measurement	Measured and reported quarterly; reconciled annually.	
31. Enrollment Data Match		
Guarantee	The Contractor shall submit an Enrollment Data Match, not to exceed four (4) times annually, in an agreed upon format, within fourteen (14) calendar days of the request from the State, as required in Contract Section A.16.6.	
Assessment	One-hundred thousand dollars (\$100,000) for each instance that the standard is not met.	
Measurement	Measured, reported, and reconciled annually.	
32. Enrollment Data Match Discrepancies		
Guarantee	The Contractor shall resolve the discrepancies identified in the Enrollment Data Match, within the specified timeframe(s) as required in Contract Section A.16.6.1.	
Assessment	One-hundred thousand dollars (\$100,000) for each instance that the standard is not met.	
Measurement	Measured, reported, and reconciled annually.	
33. Claims Data Quality		
Guarantee	As measured by the State's Claims Data Management vendor, the Contractor's data submission to said vendor shall meet the following Data Quality measures as required in Contract Section A.16.11.	
Definition	Measure	Benchmark
	Date of birth	Data missing for ≤ 3% of claims
	Pharmacy provider ID missing	Data missing for ≤ 1.5% of claims
	NDC 11 missing	Data missing for ≤ 1.5% of claims
Assessment	One-hundred thousand dollars (\$100,000) if <u>ANY</u> of the above listed standards is not met, either individually or in combination. Quarterly Guarantee.	
Measurement	Measured and reported by the State's Claims Data Management vendor	

	quarterly; reconciled annually.
34. Claims Data Submission	
Guarantee	The Contractor shall submit claims data to the State's data management vendor no later than fifteen (15) days following the end of each calendar quarter, or more frequently as mutually agreed to by both parties, as required in Contract Section A.16.9.
Assessment	One-hundred thousand dollars (\$100,000) per day for the first (1 st) and second (2 nd) working days out of compliance; Two hundred and fifty thousand dollars (\$250,000) per working day thereafter.
Measurement	Measured, reported and reconciled quarterly.
35. Data Transmission to Third Party Vendors	
Guarantee	Unless otherwise directed by the State, the Contractor shall provide daily data feeds of pharmacy claims to the State's third party contractors during the term of the contract and following the term of this contract until all claims incurred during the term of this contract have been paid, as required in Contract Section A.16.12.
Assessment	Fifty-thousand dollars (\$50,000) for each day the standard is not met.
Measurement	Measured and reported monthly; reconciled annually
36. Appeal Decisions	
Guarantee	Ninety-five percent (95%) of pre-service appeals shall be decided within thirty (30) days and ninety-five percent (95%) of post-service appeals within sixty (60) days, as required in Contract Section A.21.3.
Assessment	Fifty-thousand dollars (\$50,000) for each instance that the standard is not met.
Measurement	Measured, reported, and reconciled annually.
37. Appeal	
Guarantee	The Contractor shall respond to all appeals related inquiries in writing from the State within one (1) week after receipt of said inquiry, as required in Contract Section A.21.6.
Assessment	Fifty-thousand dollars (\$50,000) for each instance that the standard is not met.
Measurement	Measured, reported, and reconciled annually.
38. Customer Service	
Guarantee	The Contractor's toll-free customer service lines for members and pharmacy providers shall be open and staffed with trained staff at least two (2) weeks prior to go-live, as required in Contract Section A.22.1.
Assessment	Fifty-thousand dollars (\$50,000) for each day the standard is not met.
Measurement	Measured, reported, and reconciled no later than three (3) months after go-live.
39. Telephone Coverage	
Guarantee	The Contractor shall provide uninterrupted telephone coverage for twenty-four (24) hours a day/seven (7) days a week for claims, systems and customer service and pharmacy provider inquiries, as required in Contract Section A.22.1.
Assessment	One-hundred thousand dollars (\$100,000) if the standard is not met.
Measurement	Measured and reported quarterly; reconciled annually.
40. Maximum Speed of Answer	
Guarantee	The Contractor's call center shall answer, by a person, one hundred percent (100%) of calls within five (5) minutes (300 seconds) and callers may not be placed on hold after the call is answered, as required in Contract Section A.22.7.
Assessment	Fifty-thousand dollars (\$50,000) if the standard is not met.
Measurement	Based on Contractor's internal telephone support system reports. Measured and reported quarterly; reconciled annually.
41. Average Speed of Answer (ASA)	
Guarantee	The Contractor shall maintain an ASA of less than one (1) minute (60 seconds) and callers may not be placed on hold after the call is answered, as required in Contract Section A.22.8.
Assessment	Fifty-thousand dollars (\$50,000) if the standard is not met.
Measurement	Based on Contractor's internal telephone support system reports. Measured and reported quarterly; reconciled annually.

42. Blocked Call Rate	
Guarantee	The Contractor's Call Center shall maintain a blocked call rate of less than one percent (1%) per quarter, as required in Contract Section A.22.9.
Assessment	Fifty-thousand dollars (\$50,000) if the standard is not met.
Measurement	Based on Contractor's internal telephone support system reports. Measured, reported and reconciled quarterly.
43. Abandoned Call Rate	
Guarantee	The Contractor's Call Center shall maintain an Abandoned Call rate of not more than three percent (3%), as required in Contract Section A.22.10.
Assessment	Fifty-thousand dollars (\$50,000) for each full percentage over three percent (3%).
Measurement	Based on Contractor's internal telephone support system reports. Measured, reported and reconciled quarterly.
44. Written Inquiries	
Guarantee	As required in Contract Section A.22.22, ninety-five percent (95%) of written inquiries (mail and e-mail) will be responded to within five (5) business days and one hundred percent (100%) will be responded to within ten (10) business days.
Assessment	Fifty-thousand dollars (\$50,000) for each full percentage under each standard. Quarterly guarantee.
Measurement	Measured, reported and reconciled annually.
45. Member Communications	
Guarantee	All materials produced by the Contractor shall be provided to the State for review and approval at least fourteen (14) days prior to planned printing, assembly, and/or distribution, as required in Contract Section A.23.8.
Assessment	Fifty-thousand dollars (\$50,000) for each instance that the standard is not met.
Measurement	The State will notify the Contractor of any such occurrence. Any amounts due for the Contractor's noncompliance with this pre-approval provision shall be paid annually upon request by the State.
46. Distribution of Member Handbooks and Provider Network Directories	
Guarantee	On an annual basis, at least two months prior to the State's annual transfer period, the Contractor shall provide to the State, in electronic format, information regarding the pharmacy benefit, as required in Contract Section A.23.14.
Assessment	If the aforementioned information is not distributed to the State as required, then the total assessment shall be one-hundred thousand dollars (\$100,000) per year in which the standard is not met.
Measurement	Measured, reported, and reconciled annually.
47. Initial Member ID Card/Welcome Packet Distribution	
Guarantee	Ninety-five percent (95%) of welcome packets containing I.D. cards will be produced and mailed no later than twenty-one (21) days prior to go-live date, as required in Contract Section A.23.13.2.
Assessment	Two-hundred and fifty thousand dollars (\$250,000) if the standard is not met.
Measurement	Measured, reported, and reconciled no later than three (3) months after go-live date.
48. Distribution of Ongoing Member ID Card/Welcome Packet	
Guarantee	Ninety-five percent (95%) of welcome packets shall be produced and mailed within ten (10) days of receipt of complete and accurate eligibility information, as required in Contract Section A.23.13.2.
Assessment	One-hundred thousand dollars (\$100,000) per year in which the standard is not met.
Measurement	Measured, reported, and reconciled annually.
49. Website	
Guarantee	The Contractor's Public Sector Plan website shall be available on the internet and fully operational one (1) week prior to the commencement of claims processing, as required in Contract Section A.24.1.
Assessment	One-hundred thousand dollars (\$100,000) per day that the standard is not met.
Measurement	Measured, reported, and reconciled no later than three (3) months after go-live.

50. Systems Access	
Guarantee	Access to the Contractor's online reporting and eligibility systems shall be granted to a minimum of three (3) State employees and a maximum of five (5) State employees no later than one (1) week prior to go-live date, as required in Contract Section A.25.2.
Assessment	Fifty-thousand dollars (\$50,000) per day that the standard is not met.
Measurement	Measured, reported, and reconciled no later than three (3) months after go-live.
51. Member Satisfaction Survey	
Guarantee	The level of overall customer satisfaction, as measured annually by the State approved Member Satisfaction survey(s) required in Contract Section A.27.1, will be equal to or greater than eighty-five percent (85%) in the first year of the Contract, and ninety percent (90%) in all subsequent year(s) within the contract term.
Assessment	Fifty thousand dollars (\$50,000) for each year that the standard is not met.
Measurement	Measured, reported, and reconciled annually.
52. URAC Accreditation	
Guarantee	As required in Contract Section A.2.4, the Contractor shall possess and maintain full Pharmacy Benefit Management accreditation status with URAC during the entire term of this contract.
Assessment	Fifty-thousand dollars (\$50,000) if the standard is not maintained.
Measurement	Measured, reported, and reconciled annually.
53. Reporting	
Guarantee	The Contractor shall distribute to the State all reports required in Contract Sections A.1 through A.30 within the time frame specified in the Contract.
Assessment	Fifty-thousand dollars (\$50,000) for each report not delivered to the State within the time frame specified in the contract.
Measurement	Measured, reported, and reconciled annually.
54. Breach	
Guarantee	As required in Contract Section E.15, any misrepresentation or false statements to stakeholder, enrollees, or potential enrollees by the Contractor shall result in a breach of contract.
Assessment	A maximum of ten thousand dollars (\$10,000) for each determination.
Measurement	Measured, reported, and reconciled after each occurrence.
55. Audit Recovery	
Guarantee	As required in Contract Section A.28.11, any amount due the State which is not paid by the Contractor within (30) days of the Contractor's receipt of the final audit report shall be subject to a compounding interest penalty of one percent (1%) per month.
Assessment	Compounding interest penalty of one percent (1%) per month for each month payment is not received.
Measurement	Measured, reported, and reconciled after each occurrence.

EDISON 834 FILE VALUES

Special Notes:

Items highlighted in yellow indicate TN specific values. Due to the variety of coverage codes required by the State of TN, it was necessary to add custom values to the 834 mapping document. The coverage code of E1D could include Spouse dependents. The coverage code of IND will be used for Dependent Only coverage. The Relationship of '38' denotes a Child claimed on Income Tax. Any dependent with a Relationship of '38' and a "F" in INS09 is not a Student. All dependents in Edison will have the student flag turned on (INS09 = "F") until age 19. At age 19 and greater, only students (with the exception of the Relationship '38') will have INS09 = "F". The REF03, REF04 and HD11 fields contain TN Specific information that is not defined on the PeopleSoft delivered 834. REF04 is defined as a Group Element field, so the budget code is preceded by "ZZ."

FIELD NAME	BN_834 _FIELD VALUE	EFFDT	BN_834 _FIELD FLD_DESCR1	BN_834 _FIELD MAPPD	BN_834 _FIELD FLD_DESCR2	DATA _TYPE _CD	DEFAULT _ED I_CD
COBRA_EV ENT_CLASS	RED	1/1/1900 0:00	Reduction in Hours	2	Reduction of work hours	Y	N
COBRA_EV ENT_CLASS	OVG	1/1/1900 0:00	Overtime	7	Ineligible Child	Y	N
COBRA_EV ENT_CLASS	MIL	1/1/1900 0:00	Military Leave	1	Termination of Employment	Y	N
COBRA_EV ENT_CLASS	MED	1/1/1900 0:00	Medicare Entitlement	3	Medicare	Y	N
COBRA_EV ENT_CLASS	RET	1/1/1900 0:00	Retired	1	Termination of Employment	Y	N
COBRA_EV ENT_CLASS	DEP	1/1/1900 0:00	Married Dependent	7	Ineligible Child	Y	N
COBRA_EV ENT_CLASS	DEA	1/1/1900 0:00	Death	4	Death	Y	N
COBRA_EV ENT_CLASS	GMC	1/1/1901 0:00	Gross Misconduct - Not Eligible	1	Termination of employment	N	N
COBRA_EV ENT_CLASS	TER	1/1/1900 0:00	Termination	1	Termination of Employment	Y	N
COBRA_EV ENT_CLASS	DIV	1/1/1900 0:00	Divorce	5	Divorce	Y	N

COVRG_CD	C	1/1/1901 0:00	Employee plus 1	E1D	Employee and One Dependent	N	N
COVRG_CD	7	1/1/1900 0:00	Dom Partner Adult+Child (ren)	E6D	Employee and Two or More Dependents	Y	N
COVRG_CD	6	1/1/1900 0:00	Domestic Partner Child (ren)	E5D	Employee and One or More Dependents	Y	N
COVRG_CD	5	1/1/1900 0:00	Domestic Partner Adult	E1D	Employee and One Dependent	Y	N
COVRG_CD	4	1/1/1900 0:00	Family	E6D	Employee and Two or More Dependents	Y	N
COVRG_CD	3	1/1/1900 0:00	Employee + Dependents	E5D	Employee and One or More Dependents	Y	N
COVRG_CD	2	1/1/1900 0:00	Employee + Spouse	ESP	Employee and Spouse	Y	N
COVRG_CD	1	1/1/1900 0:00	Employee Only	EMP	Employee Only	Y	N
COVRG_CD	G	1/1/1901 0:00	Employee plus 2	E2D	Employee plus two dependents	N	N
COVRG_CD	F	1/1/1901 0:00	2 Dependent Coverage	TWO	2 Dependent Coverage	N	N
COVRG_CD	H	1/1/1901 0:00	Generic Coverage Code	EHD	Generic coverage code for all Family Members	N	N
COVRG_CD	I	1/1/1901 0:00	Multiple Dependents Only	DEP	Multiple Dependents Only	N	N
COVRG_CD	D	1/1/1901 0:00	Split	ECH	Split	N	N
COVRG_CD	B	1/1/1901 0:00	Family	FAM	Family	N	N
COVRG_CD	A	1/1/1901 0:00	Single	EMP	Employee Only	N	N
COVRG_CD	E	1/1/1901 0:00	Dependent only	IND	Dependent Only	N	N
EMPL_STAT US	T	1/1/1900 0:00	Terminated	TE	Terminated	Y	N

EMPL_STAT US	A	1/1/1900 0:00	Active	FT	Full time active employee	Y	N
EMPL_STAT US	V	1/1/1900 0:00	Terminated Pension Pay Out	TE	Terminated	Y	N
EMPL_STAT US	W	1/1/1900 0:00	Short Work Break	FT	Full time active employee	Y	N
EMPL_STAT US	X	1/1/1900 0:00	Retired- Pension Administration	RT	Retired	Y	N
EMPL_STAT US	U	1/1/1900 0:00	Terminated With Pay	TE	Terminated	Y	N
EMPL_STAT US	D	1/1/1900 0:00	Deceased	TE	Terminated	Y	N
EMPL_STAT US	L	1/1/1900 0:00	Leave of Absence	L1	Leave of Absence	Y	N
EMPL_STAT US	P	1/1/1900 0:00	Leave With Pay	L1	Leave of Absence	Y	N
EMPL_STAT US	Q	1/1/1900 0:00	Retired With Pay	RT	Retired	Y	N
EMPL_STAT US	R	1/1/1900 0:00	Retired	RT	Retired	Y	N
EMPL_STAT US	S	1/1/1900 0:00	Suspended	FT	Full time active employee	Y	N
MAR_STAT US	W	1/1/1900 0:00	Widowed	W	Widowed	Y	N
MAR_STAT US	U	1/1/1900 0:00	Unknown	R	Unknown	Y	N
MAR_STAT US	S	1/1/1900 0:00	Single	I	Single	Y	N
MAR_STAT US	M	1/1/1900 0:00	Married	M	Married	Y	N
MAR_STAT US	H	1/1/1900 0:00	Head of Household	U	Head Of Household	Y	N
MAR_STAT US	E	1/1/1900 0:00	Separated	S	Separated	Y	N
MAR_STAT US	D	1/1/1900 0:00	Divorced	D	Divorced	Y	N
MAR_STAT US	C	1/1/1900 0:00	Common-Law	U	Common-Law	Y	N

PLAN_TYPE	1X	1/1/1901 0:00	Wellness	WELL	Wellness	N	Y
PLAN_TYPE	1Z	1/1/1901 0:00	Mental Health Substance Abuse	AK	Mental Health Substance Abuse	N	Y
PLAN_TYPE	10	1/1/1900 0:00	Medical	HLT	Health	Y	Y
PLAN_TYPE	11	1/1/1900 0:00	Dental	DEN	Dental	Y	Y
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	HLT	Health	Y	Y
PLAN_TYPE	13	1/1/1900 0:00	Major Medical	MM	Major Medical	Y	Y
PLAN_TYPE	14	1/1/1900 0:00	Vision	VIS	Vision	Y	Y
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	HLT	Health	Y	Y
PLAN_TYPE	16	1/1/1900 0:00	Domestic Partner Dental	DEN	Dental	Y	Y
PLAN_TYPE	17	1/1/1900 0:00	Domestic Partner Vision	VIS	Vision	Y	Y
PLAN_TYPE	10	1/1/1900 0:00	Medical	AG	Preventive Care/Wellness	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	EPO	Exclusive Provider Org (EPO)	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	FAC	Facility	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	HE	Hearing	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	HMO	Health Maintenance Org (HMO)	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	MOD	Mail Order Drug	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	PDG	Prescription Drug	Y	N
PLAN_TYPE	10	1/1/1900 0:00	Medical	POS	Point of Service (POS)	Y	N

PLAN_TYPE	10	1/1/1900 0:00	Medical	PPO	Preferred Provider Org (PPO)	Y	N
PLAN_TYPE	11	1/1/1900 0:00	Dental	DCP	Dental Capitation (DMO)	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	AG	Preventive Care/Wellness	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	DEN	Dental	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	EPO	Exclusive Provider Org (EPO)	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	FAC	Facility	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	HMO	Health Maintenance Org (HMO)	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	MOD	Mail Order Drug	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	PDG	Prescription Drug	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	POS	Point Of Service (POS)	Y	N
PLAN_TYPE	12	1/1/1900 0:00	Medical/Dental	PPO	Preferred Provider Org (PPO)	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	AG	Preventive Care/Wellness	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	EPO	Exclusive Provider Org (EPO)	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	FAC	Facility	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	HE	Hearing	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner	HMO	Health Maintenance	Y	N

			Medical		Org (HMO)		
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	MOD	Mail Order Drug	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	PDG	Prescription Drug	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	POS	Point Of Service (POS)	Y	N
PLAN_TYPE	15	1/1/1900 0:00	Domestic Partner Medical	PPO	Preferred Provider Org (PPO)	Y	N
PLAN_TYPE	16	1/1/1900 0:00	Domestic Partner Medical	DCP	Dental Capitation (DMO)	Y	N
PLAN_TYPE	1V	1/1/1901 0:00	Medicare Supplement	SUP	Medicare Supplement	N	Y
PLAN_TYPE	1Y	1/1/1901 0:00	Employee Assistance Program	AG	Employee Assistance Program	N	Y
RELATIONS HIP	CN	1/1/1901 0:00	Natural Child	19	Child	N	N
RELATIONS HIP	CS	1/1/1901 0:00	Step Child	19	Child	N	N
RELATIONS HIP	A	1/1/1900 0:00	Aunt	06	Uncle or Aunt	Y	N
RELATIONS HIP	B	1/1/1900 0:00	Brother	14	Brother or Sister	Y	N
RELATIONS HIP	D	1/1/1900 0:00	Daughter	19	Child	Y	N
RELATIONS HIP	E	1/1/1900 0:00	Employee	38	Collateral Dependent	Y	N
RELATIONS HIP	FA	1/1/1900 0:00	Father	03	Father or Mother	Y	N
RELATIONS HIP	FI	1/1/1900 0:00	Father-in-Law	13	Mother-in-law or Father-in-law	Y	N
RELATIONS HIP	FR	1/1/1900 0:00	Friend	38	Collateral Dependent	Y	N

RELATIONS HIP	GC	1/1/1900 0:00	Grandchild	05	Grandson or Granddaughter	Y	N
RELATIONS HIP	GF	1/1/1900 0:00	Grandfather	04	Grandfather or Grandmother	Y	N
RELATIONS HIP	GM	1/1/1900 0:00	Grandmother	04	Grandfather or Grandmother	Y	N
RELATIONS HIP	M	1/1/1900 0:00	Mother	03	Father or Mother	Y	N
RELATIONS HIP	MI	1/1/1900 0:00	Mother-in-Law	13	Mother-in-law or Father-in-law	Y	N
RELATIONS HIP	N	1/1/1900 0:00	Neighbor	38	Collateral Dependent	Y	N
RELATIONS HIP	NA	1/1/1900 0:00	Domestic Partner Adult	53	Life Partner	Y	N
RELATIONS HIP	ND	1/1/1900 0:00	Domestic Partner Daughter	38	Collateral Dependent	Y	N
RELATIONS HIP	NE	1/1/1900 0:00	Nephew	07	Nephew or Niece	Y	N
RELATIONS HIP	NI	1/1/1900 0:00	Niece	07	Nephew or Niece	Y	N
RELATIONS HIP	NS	1/1/1900 0:00	Domestic Partner Son	38	Collateral Dependent	Y	N
RELATIONS HIP	O	1/1/1900 0:00	Other	38	Collateral Dependent	Y	N
RELATIONS HIP	R	1/1/1900 0:00	Other Relative	38	Collateral Dependent	Y	N
RELATIONS HIP	RO	1/1/1900 0:00	Roommate	38	Collateral Dependent	Y	N
RELATIONS HIP	S	1/1/1900 0:00	Son	19	Child	Y	N
RELATIONS HIP	SI	1/1/1900 0:00	Sister	14	Brother or Sister	Y	N
RELATIONS HIP	SP	1/1/1900 0:00	Spouse	01	Spouse	Y	N
RELATIONS HIP	T	1/1/1900 0:00	Estate	31	Court Appointed Guardian	Y	N
RELATIONS HIP	U	1/1/1900 0:00	Uncle	06	Uncle or Aunt	Y	N
RELATIONS HIP	X	1/1/1900	ExSpouse	25	Ex-spouse	Y	N

TIMEZONE	CASST	1/1/1900 0:00	Central Asia Time, Almaty, Dhaka	06	Equivalent to ISO P06	Y	N
TIMEZONE	CAUDT	1/1/1900 0:00	DST Central Australia, Adelaide	10	Equivalent to ISO P10	Y	N
TIMEZONE	CAUST	1/1/1900 0:00	Central Australia, Adelaide	09	Equivalent to ISO P09	Y	N
TIMEZONE	CDT	1/1/1900 0:00	DST Central Time	CD	Central Daylight Time	Y	N
TIMEZONE	CPST	1/1/1900 0:00	Central Pacific, Magadan, Solomon Is.	11	Equivalent to ISO P11	Y	N
TIMEZONE	CST	1/1/1900 0:00	Central Time	CS	Central Standard Time	Y	N
TIMEZONE	DST	1/1/1900 0:00	Dateline Time, Eniwetok, Kwajalein	13	Equivalent to ISO M12	Y	N
TIMEZONE	EDT	1/1/1900 0:00	DST Eastern Time	ED	Eastern Daylight Time	Y	N
TIMEZONE	EKDT	1/1/1900 0:00	DST Ekaterinburg Time	06	Equivalent to ISO P06	Y	N
TIMEZONE	EKST	1/1/1900 0:00	Ekaterinburg Time	05	Equivalent to ISO P05	Y	N
TIMEZONE	EST	1/1/1900 0:00	Eastern Time	ES	Eastern Standard Time	Y	N
TIMEZONE	GFTDT	1/1/1900 0:00	DST GFT Time, Athens, Istanbul, Minsk	03	Equivalent to ISO P03	Y	N
TIMEZONE	GFTST	1/1/1900 0:00	GFT Time, Athens, Istanbul, Minsk	02	Equivalent to ISO P02	Y	N
TIMEZONE	GMDT	1/1/1900 0:00	DST GMT, London, Dublin, Lisbon, Edinburgh	01	Equivalent to ISO P01	Y	N
TIMEZONE	GMT	1/1/1900 0:00	GMT, London, Dublin, Lisbon, Edinburgh	GM	Greenwich Mean Time	Y	N

TIMEZONE	HST	1/1/1900 0:00	Hawaiian Time	HT	Hawaii-Aleutian Time	Y	N
TIMEZONE	IRDT	1/1/1900 0:00	DST Iran Time, Tehran	04	Equivalent to ISO P04	Y	N
TIMEZONE	IRST	1/1/1900 0:00	Iran Time, Tehran	03	Equivalent to ISO P03	Y	N
TIMEZONE	IST	1/1/1900 0:00	India Time, Bombay, Calcutta, New Delhi	05	Equivalent to ISO P05	Y	N
TIMEZONE	MADT	1/1/1900 0:00	DST Mid- Atlantic Time	24	Equivalent to ISO M01	Y	N
TIMEZONE	MAST	1/1/1900 0:00	Mid-Atlantic Time	23	Equivalent to ISO M02	Y	N
TIMEZONE	MDT	1/1/1900 0:00	DST Mountain Time	MD	Mountain Daylight Time	Y	N
TIMEZONE	MST	1/1/1900 0:00	Mountain Time	MS	Mountain Standard Time	Y	N
TIMEZONE	NDT	1/1/1900 0:00	DST Newfoundland Time	ND	Newfoundland Daylight Time	Y	N
TIMEZONE	NST	1/1/1900 0:00	Newfoundland Time	NS	Newfoundland Standard Time	Y	N
TIMEZONE	NZDT	1/1/1900 0:00	DST New Zealand Time, Auckland, Wellington	13	Equivalent to ISO M12	Y	N
TIMEZONE	NZST	1/1/1900 0:00	New Zealand Time, Auckland, Wellington	12	Equivalent to ISO P12	Y	N
TIMEZONE	PDT	1/1/1900 0:00	DST Pacific Time, Tijuana	PD	Pacific Daylight Time	Y	N
TIMEZONE	PST	1/1/1900 0:00	Pacific Time, Tijuana	PS	Pacific Standard Time	Y	N
TIMEZONE	RDT	1/1/1900 0:00	DST Russian Time, Moscow, St. Petersburg, Volgogra	04	Equivalent to ISO P04	Y	N

	FML	1/1/1901	FML Benefits Billing	FML Benefits Billing	FML Edison Benefit Program Code and Description	Y	2000	REF	REF03
	GA1	1/1/1901	Local Gov Active Prem Level 1	GA1 Local Gov Active Prem Level 1	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	GA2	1/1/1901	Local Gov Active Prem Level 2	GA2 Local Gov Active Prem Level 2	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	GA3	1/1/1901	Local Gov Active Prem Level 3	GA3 Local Gov Active Prem Level 3	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	HED	1/1/1901	Higher Education	HED Higher Education	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	OLA	1/1/1901	Offline Actives	OLA Offline Actives	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	OLC	1/1/1901	Offline Closed	OLC Offline Closed	Edison Benefit Program Code and Description	Y	2000	REF	REF03

	PAR	1/1/1901	Part Time Non-1450 Hours	PAR Part Time Non- 1450 Hours	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	PTN	1/1/1901	Local Education 25 Hours	PTN Local Educati on 25 Hours	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	PTP	1/1/1901	Part Time 1450 Hours	PTP Part Time 1450 Hours	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RCS	1/1/1901	Retiree Central State	RCS Retiree Central State	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RG1	1/1/1901	Local Gov Retiree Prem Level 1	RG1 Local Gov Retiree Prem Level 1	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RG2	1/1/1901	Local Gov Retiree Prem Level 2	RG2 Local Gov Retiree Prem Level 2	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RG3	1/1/1901	Local Gov Retiree Prem Level 3	RG3 Local Gov Retiree Prem Level 3	Edison Benefit Program Code and Description	Y	2000	REF	REF03

	RGF	1/1/1901	Retiree Grandfathered	RGF Retiree Grandfathered	Edison Benefit Program Code and Description	Y	2000	REF	REF03
				RSS Loc Ed Retiree Support Staff	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	RTE	1/1/1901	Loc Ed Retiree Teacher	RTE Loc Ed Retiree Teacher	Edison Benefit Program Code and Description	Y	2000	REF	REF03
				SUR Survivor Benefit Program	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	TEA	1/1/1901	Local Education	TEA Local Education	Edison Benefit Program Code and Description	Y	2000	REF	REF03
				WCP Worker's Compensation	Edison Benefit Program Code and Description	Y	2000	REF	REF03
	Y	1/1/1901	Payment Indicator	Y	Payment Indicator	Y	2300	HD	HD11
	N	1/1/1901	Payment Indicator	N	Payment Indicator	Y	2300	HD	HD11
	Range 01000 thru 99929	1/1/1901	Budget Code	Range 01000 thru 99929	Budget Code	Y	2000	REF	REF04

Financial Evaluation

The State has assigned a total of forty (40) points to the financial evaluation. Of the forty (40) points, no more than two (2) points will apply to Disease Management, and the remainder will be assigned based on the results of the Financial Analytic Model analysis, which includes the administration fee, clinical fee, dispensing fees, network discounts and rebates.

Description of the Financial Analytic Model for the PBM Evaluation

Conceptual Overview

The State will utilize Aon Consulting for the cost proposal evaluation. Aon has established a methodology to evaluate the PBM proposals in an objective manner, to factor in future trends and to calculate the total cost related to the Pharmacy Benefits Manager. This supplement explains how Aon will use the model in its evaluation of each proposal.

There are three steps in the model.

1. The base data from the existing vendors is used to determine costs under the current program.
2. This data is trended to get the utilization to the RFP time period.
3. Each bidder's specific pricing terms are applied to get to the overall cost to the State.

The formulas to be used for the analysis are as follows:

1. Trended Plan AWP – Proposed AWP Discount = **Discounted Ingredient Cost**
2. Discounted Ingredient Cost + Trended Dispensing Fee + Trended Clinical Fees = **Total Cost**
3. Total Cost – Rebates = **Net Cost**

Financial Model Output

Aon's financial analytic model will deliver the following results to the State. The Proposer with the highest Savings over Current Total shall be awarded the maximum points for the financial evaluation.

Category	Incumbent	Vendor #1 -	Vendor #2 -	Vendor #3 -
----------	-----------	-------------	-------------	-------------

	Vendor - 5 yr	Pass- Through 5 yr	Pass- Through 5 yr	Pass- Through 5 yr
Total Gross Drug Spend				
Rebates				
Total Drug Spend After Rebates				
Additional Fees				
Total Net Drug Spend				
Ranking				

*Gross Drug Spend is the sum of Employee copays and coinsurance, claim payments made by the State of Tennessee, and administrative fee payments.

Description of model calculation

Working with the State, Aon Consulting has developed a model to compare the pricing offers submitted by the proposers. Aon Consulting staff will input the responses from each proposal into the model. The model will calculate the total cost impact from each proposal. Aon Consulting will forward these costs to the RFP co-coordinator who will then convert the relative cost into point allocations.

The model starts by using the utilization summary from each existing vendor, and calculating the total Rx's, and AWP for 2008 in each of the following buckets:

1. Retail Brands
2. Retail Generics
3. Mail Brands
4. Mail Generics
5. Specialty Brands
6. Specialty Generics

The specialty drugs used in the model are the State's top 50 specialty drugs, which are listed below.

Drug Name (Brand)	NDC
ADVATE	944294510
RECOMBINATE	944293803

RECOMBINATE	944283310
SUPPRELIN LA	67979000201
HEMOFIL M	944293503
THALOMID	59572020514
CEREZYME	58468466301
HEMOFIL M	944293501
NORDITROPIN NORDIFLEX	169770811
TEMODAR	85143001
KUVAN	68135030002
ARALAST	944280102
REVLIMID	59572041030
REVLIMID	59572041000
HEMOFIL M	944293502
OCTAGAM	67467084303
Drug Name (Brand)	NDC
NUTROPIN	50242001821
TEMODAR	85142501
TEMODAR	85142502
TEMODAR	85143002
PROLASTIN	13533060135
REVLIMID	59572042500
SUTENT	69098038
REVLIMID	59572042525
REVLIMID	59572041500
REVLIMID	59572040500
SUTENT	69055038
SPRYCEL	3085222
THALOMID	59572021095
THALOMID	59572020594
THALOMID	59572022016
NEXAVAR	50419048858
GLEEVEC	78040134
ACTIMMUNE	64116001112
THALOMID	59572022096

NORDITROPIN	169777011
THALOMID	59572021015
REMICADE	57894003001
NEXAVAR	26848858
GENOTROPIN	13264681
KYTRIL	4023909
INCRELEX	15054104005
ADVATE	944294310
HEMOFIL M	944293201
HUMIRA	74433906
REVLIMID	59572041521
SAIZEN CLICK EASY CARTRIDGE	44087108001
TRACLEER	66215010206
NUTROPIN AQ PEN	50242007301
NEULASTA	55513019001

These numbers are trended into the time period for the RFP (2010 through 2014) and used as the basis for the analysis.

Each vendor's discounts, dispensing fees, admin fees, rebates and clinical fees are factored in the analysis and an overall cost impact is calculated.

Estimating the cost impact

The first step in getting the baseline Rx's and AWP's is to use the claims data from the existing vendors, but exclude certain claims (Compounds, Paper Claims, NDCs). The total Rx's and AWP are combined for the calendar year 2008.

The second step is to trend to the years 2010 through 2014. Aon will use the following table as the basis for assumptions in trending the utilization:

Table 1
Trend Assumptions

	2009	2010	2011	2012	2013	2014
Total Rx's (Mail and Retail)	2%	2%	2%	2%	2%	2%
Specialty Rx's	4%	4%	4%	4%	4%	4%
Brand AWP/Rx	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Generic AWP/Rx	4%	4%	4%	4%	4%	4%
Generic Dispensing Rate Change	2%	4%	3%	5%	2%	1%

We assume that there is no shift in utilization to mail, and overall mail order usage stays the same.

The third step is to apply the discounts, dispensing fees, rebates, admin fees and clinical fees from each vendor to the trended utilization to calculate the total cost to the State. We will use the guaranteed rates for purposes of calculations, with the assumption that the State will receive the full amount of over-performance.

Time Value of Money

We will NOT factor in the time value of money in calculating the 5 year value of the proposal. In other words, we will assume that a dollar in 2014 is the same as a dollar in 2010.

Drug Mix Analysis

In order to account for the differences in each proposer's formulary and determine the actual net cost to the State, a drug mix analysis will be conducted on a subset of drugs. We will do the drug mix analysis for the following six (6) categories: Antidepressants; Cholesterol lowering drugs; Antidiabetic agents; Insulin; Recombinant TNA Inhibitors; and Asthma. This will give an overall cost for the six categories for all vendors. We will set the vendor that has the lowest overall cost as zero, and find the increase in cost for each other vendor. This will be added to the total calculated cost in the cost proposal.

See Drug Mix Data Request, included in the PBM Cost Proposal Spreadsheet, for data required for the analysis.

See Drug Mix Analytic Model Description below for how the data will be analyzed.

Network Type: ☐ Retail ☐ Mail

Ther. Category: _____

1. State Data used in analysis

	1A	1B	1C	1D	1E	1F
Drug by NDC	Market Share by Rxs	# of Rxs	Total Cost/Rx	Total Drug Cost	Units/Rx	Ingr Cost @ AWP/Rx
	calc. (1B/total 1B)	State	State	calc. (1B x 1C)	State	State
00000-0000-00	80.0%	800	\$200.00	\$160,000.00	32.0	\$230.00
11111-1111-11	10.0%	100	\$150.00	\$15,000.00	34.3	\$175.00
22222-2222-22	4.0%	40	\$100.00	\$4,000.00	88.0	\$120.00
33333-3333-33	4.0%	40	\$100.00	\$4,000.00	58.7	\$120.00
44444-4444-44	2.0%	20	\$100.00	\$2,000.00	13.7	\$120.00
Total	100.0%	1,000		\$185,000.00	226.7	

2. Data from PBM (Q1 2009)

		2A	2B	2C	2D	2E	2F	2G	2H	2I	2M
Drug (NDC)	Drug Description	Preferred (Mark w/ 'x')	Brand 'B' or Generic 'G'	# of Rxs	Market Share By # of Rxs	Units/Rx	Total Cost* per Rx	Ingr Cost @ AWP/Rx	Ingr Cost @ WAC/Rx	Ingr Cost @ MAC/Rx	Current MAC/Unit
		PBM	PBM	PBM	calc. (2C/total 2C)	PBM	PBM	PBM	PBM	PBM	PBM
00000-0000-00		x	B	850,000	85.0%	32.1	\$195.00	\$232.00	\$185.60		

11111-1111-11			B	70,000	7.0%	34.7	\$172.00	\$178.00	\$142.40		
22222-2222-22			G	30,000	3.0%	89.3	\$110.00	\$123.00	\$67.65	\$60.00	\$0.70
33333-3333-33			G	30,000	3.0%	59.7	\$102.00	\$124.00	\$68.20	\$60.00	\$0.80
44444-4444-44			G	20,000	2.0%	14.1	\$100.00	\$123.00	\$67.65	\$60.00	\$0.90
Total				1,000,000	100.0%	229.9					
						* Plan Paid + copay but not net of rebates					

3. Calculation of Total Cost/Rx for PBM by Therapeutic Category (Q1 2009)

	from 3A	3B	3C	3D	3E	3F	3G	3H	3I	3J	3K
Drug (NDC)	Preferred (Mark w/ 'x')	Brand or Generic	Mkt Share by Rx	Rxs/Drug from PBM Mkt Share & State Volume*	Ingr Cost @ AWP/Rx from State	AWP Discount	Discounted AWP/Rx	MAC \$/Rx (if exists)	Ingr Cost = Lower of: AWP-X% or MAC	Dispensing Fee/Rx	Calculated Total Cost/Rx
			PBM			PBM proposal	PBM	PBM			PBM
	from 2A	from 2B	from 2D (PBM)	Total 1B x 3C	from 1F (state)	PBM proposal	calc. (3E x (1- 3F))	calc (1E x 2M)	lower of 3G or 3H	PBM proposal	calc. (3I + 3J)
00000-0000-00	x	B	85.0%	850	\$230.00	15%	\$195.50		\$195.50	\$3.00	\$198.50
11111-1111-11		B	7.0%	70	\$175.00	15%	\$148.75		\$148.75	\$3.00	\$151.75
22222-2222-22		G	3.0%	30	\$120.00	15%	\$102.00		\$102.00	\$3.00	\$105.00
33333-3333-33		G	3.0%	30	\$120.00	15%	\$102.00	\$60.00	\$60.00	\$3.00	\$63.00
44444-4444-44		G	2.0%	20	\$120.00	15%	\$102.00	\$60.00	\$60.00	\$3.00	\$63.00
Total			100.0%	1,000							
				* Total from state							

4. Calculation of Total Cost/Rx less Rebates for PBM by Therapeutic Category (Q1 2009)

	from 4A	4B	4C	4D	4E	4F	4G	4H	4I
Drug (NDC)	Preferred (Mark w/ 'x')	Brand or Generic	Calculated Total Cost/Rx	Rebate % of WAC	WAC \$/Rx	Rebate \$/Rx	Total Cost After Rebates	Rxs/Drug from PBM Mkt Share & State Volume*	Total Cost After Rebates
			PBM		State				
	from 2A	from 2B	from 3K	PBM	(3E x 0.8)*	calc. (4D x 4E)	calc. (4C - 4F)	from 3D	lower of 3G or 3H

00000-0000-00	x	B	\$198.50	15%	\$184.00	\$27.60	\$170.90	850	\$145,265.00
11111-1111-11		B	\$151.75	0%	\$140.00	\$-	\$151.75	70	\$10,622.50
22222-2222-22		G	\$105.00			\$-	\$105.00	30	\$3,150.00
33333-3333-33		G	\$63.00			\$-	\$63.00	30	\$1,890.00
44444-4444-44		G	\$63.00			\$-	\$63.00	20	\$1,260.00
Total								1,000	\$162,187.50
Use the rebate percentage for Q1 2009.					*for brands				

Disease Management Analytic Model

The estimated disease management evaluation factors are included in the Cost Proposal spreadsheet. These will be multiplied by the individual program fees to get the total cost for the DM programs and factored into the analysis. The DM portion of the cost proposal will account for two of the forty cost proposal points.

APPENDIX 7.2 – MEDICAL OPTIONS COMPARISON FOR 2009

BENEFIT	PRO OPTION		PRO LIMITED OPTION		POS OPTION		HMO OPTION
	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network	
Preexisting Condition Requirement	6 months if no immediately prior coverage		6 months if no immediately prior coverage		6 months if no immediately prior coverage		None
Annual Medical Deductible*	\$350 per individual; \$875 family*		\$500 per individual; \$1,500 family*		None	\$300 per individual; \$750 family	None
Annual Out-of-Pocket Maximum (excludes MHSA & pharmacy)	\$1,350 per individual; \$2,700 family	\$4,050 per individual; \$8,100 family	\$5,500 per individual; \$11,500 family	\$16,500 per individual; \$33,000 family	None	None	None
Physician Office Visit	90% of MAC	70% of MAC	80% of MAC	60% of MAC	\$25 copay general; \$30 copay specialist	70% of MAC after deductible	\$20 copay PCP; \$25 copay specialist
Maternity	90% of MAC	70% of MAC	80% of MAC	60% of MAC	\$25 copay general; \$30 copay specialist; first visit only; \$100 copay hospital admission	\$300 copay then 70% per diem after deductible	\$20 copay PCP; \$25 copay specialist; first visit only; \$100 hospital admission
Well Child Checkup & Immunizations	90% of MAC; 12 visits through age 5, annually ages 6-17	70% of MAC; 12 visits through age 5, annually ages 6-17	80% of MAC; 12 visits through age 5, annually ages 6-17	60% of MAC; 12 visits through age 5, annually ages 6-17	100% benefit (office visit copay may apply); 12 visits through age 5, annually ages 6-17	70% of MAC after deductible; 12 visits through age 5, annually ages 6-17	100% benefit (office visit copay may apply); 12 visits through age 5, annually ages 6-17
Annual Physical Exam – Adult	90% of MAC	70% of MAC	80% of MAC	60% of MAC	100% benefit (office visit copay may apply)	70% of MAC after deductible	100% benefit (office visit copay may apply)
Lab and X-ray	90% of MAC	70% of MAC	80% of MAC	60% of MAC	100% benefit	70% of MAC after deductible	100% benefit
Physical, Speech & Occupational Therapy	90% of MAC; Some limitations may apply	70% of MAC; Some limitations may apply	80% of MAC; Some limitations may apply	60% of MAC; Some limitations may apply	\$20 copay per visit; Limited to 45 visits per year, per condition	70% of MAC; Limited to 45 visits per year, per condition after deductible	\$15 copay per visit; Limited to 45 visits per year, per condition
Chiropractic Care	90% of MAC; Maintenance visits not covered when no additional progress is apparent or expected to occur	70% of MAC; Maintenance visits not covered when no additional progress is apparent or expected to occur	80% of MAC; Maintenance visits not covered when no additional progress is apparent or expected to occur	60% of MAC; Maintenance visits not covered when no additional progress is apparent or expected to occur	\$25 copay; Maintenance visits not covered when no additional progress is apparent or expected to occur	70% of MAC after deductible; Maintenance visits not covered when no additional progress is apparent or expected to occur	\$20 copay; Maintenance visits not covered when no additional progress is apparent or expected to occur
Ambulance Service – Air & Ground	80% of reasonable charges when deemed medically necessary by claims administrator		80% of reasonable charges when deemed medically necessary by claims administrator		100% of reasonable charges when deemed medically necessary by claims administrator		100% of reasonable charges when deemed medically necessary by claims administrator
Emergency Room	\$75 copay per visit (waived if certain conditions are met); 90% of MAC	\$75 copay per visit (waived if certain conditions are met); 70% of MAC	\$75 copay per visit (waived if certain conditions are met); 80% of MAC	\$75 copay per visit (waived if certain conditions are met); 60% of MAC	\$75 copay per visit (waived if certain conditions are met)	\$75 copay per visit then 70% of MAC (copay waived if certain conditions are met)	\$75 copay per visit (waived if certain conditions are met)
Hospital Care	90% of MAC	70% of MAC	80% of MAC	60% of MAC	\$100 per admission	\$300 per admission, then 70% per diem after deductible	\$100 per admission
Prescription Drug Copurchase/Copay**	\$5 generic; \$25 preferred brand; \$75 non-preferred brand***; Extended prescriptions up to 102 days \$10/\$50/\$100	\$5 generic; \$25 preferred brand; \$50 non-preferred brand + amount exceeding MAC***; Extended prescriptions up to 102 days \$10/\$50/\$100	0% generic; 20% preferred brand; 40% non-preferred brand***	0% generic; 20% preferred brand; 40% non-preferred brand + amount exceeding MAC**	\$5 generic; \$25 preferred brand; \$50 non-preferred brand***; Extended prescriptions up to 102 days \$10/\$50/\$100	70% of MAC after deductible	\$5 generic; \$25 preferred brand; \$50 non-preferred brand***; Extended prescriptions up to 102 days \$10/\$50/\$100
Annual Pharmacy Copay Maximum	\$1,620 per individual**		None		None		None
Mental Health Inpatient	90% of MAC; Limited to 45 days per year	70% of MAC; Limited to 45 days per year	80% of MAC; Limited to 45 days per year	60% of MAC; Limited to 45 days per year	\$100 copay per admission; Limited to 30 days per year	Not covered	\$100 copay per admission; Limited to 30 days per year
Substance Abuse Inpatient	90% of MAC; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	70% of MAC; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	80% of MAC; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	60% of MAC; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	\$100 copay per admission; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	Not covered	\$100 copay per admission; Limited to two 5-day detox stays per lifetime; plus one 28-day lifetime stay
Mental Health/Substance Abuse Outpatient*	1-15 \$5 copay/session 16-45 \$25 copay/session Limited to 45 sessions per year MHSA combined	1-15 \$40 copay/session 16-45 \$100 copay/session Limited to 45 sessions per year MHSA combined	1-15 \$5 copay/session 16-45 \$25 copay/session Limited to 45 sessions per year MHSA combined	1-15 \$40 copay/session 16-45 \$100 copay/session Limited to 45 sessions per year MHSA combined	\$25 copay per session; Limited to 45 sessions per year MHSA combined	Not covered	\$20 copay per session; Limited to 45 sessions per year MHSA combined

MAC – Maximum Allowable Charge. Use of out-of-network providers will result in increased cost to members as you will be required to pay the difference between the MAC and the amount billed by the provider.

* Separate \$150 deductible for mental health/substance abuse care required under the PPO and PPO Limited; Benefits must be preauthorized by Magellan to be reimbursable at the highest level for the PPO and PPO Limited. If preauthorization is not obtained, benefits will be reduced for the PPO and PPO Limited, and denied for the POS and HMO.

** Does not apply to annual medical deductible or the annual medical out-of-pocket, if applicable. If cost of prescription is less than the copay, the lesser amount will apply. Extended prescriptions written for 90-102 days (as authorized by the claims administrator) available for one copay when using home delivery or certain participating retail pharmacies. Copay for oral diabetic medications and insulin waived for generic and preferred brand when using in-network pharmacy.

**APPENDIX 7.3 -
TN ZIP CODE COUNTS**

Subsector	Public Sector Plans
Time Period	2008
Zip Code	Members

37075	3,449
37922	3,278
37920	3,123
38305	3,042
38501	2,977
37013	2,971
37918	2,907
37919	2,849
38401	2,706
38506	2,641
37129	2,522
37130	2,522
37604	2,285
37066	2,277
37643	2,218
37923	2,200
37211	2,100
37743	2,076
38024	2,000
38237	1,968
37814	1,965
38063	1,952
37312	1,922
37207	1,886
37172	1,845
37601	1,843
38464	1,816
37388	1,805
37830	1,781
37355	1,774
37128	1,771
37659	1,756
37221	1,727
37055	1,702
37849	1,684
37122	1,645
37214	1,607
37043	1,587
37076	1,562
37745	1,547
37072	1,540
37914	1,539
37865	1,533
37921	1,520
37115	1,512
38301	1,507
37931	1,439
37087	1,426
37110	1,415

Subset Public Sector Plans

Time Period 2008

Zip Code Members

37660	1,414
38019	1,402
37917	1,396
38008	1,389
37664	1,375
37064	1,373
37748	1,362
37209	1,360
38372	1,336
38555	1,332
37015	1,319
37167	1,316
38478	1,283
37857	1,281
37321	1,259
37938	1,250
37091	1,249
38583	1,230
37160	1,225
37725	1,223
37027	1,222
37821	1,216
37148	1,213
37763	1,213
37620	1,212
37367	1,209
38351	1,208
37217	1,198
37876	1,171
37716	1,163
37615	1,160
37912	1,143
37040	1,134
37909	1,129
37334	1,112
37323	1,108
38261	1,097
37803	1,058
37042	1,019
37398	1,019
38111	1,018
37303	1,017
37206	1,016
38242	1,008
37216	998
37138	990
37760	985
37343	974
37663	940
37934	937
38012	906

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

37421	905
37188	904
38572	892
37086	887
37218	880
38016	880
38343	879
37804	877
38018	871
37813	867
38134	866
37766	852
38068	847
37854	846
38571	845
37862	844
37354	839
37073	836
38570	834
37721	831
37127	829
37311	825
37932	823
37033	816
37327	816
37641	811
38340	811
37683	805
37205	792
38002	787
38556	785
37617	781
38128	781
38225	776
38358	762
38117	761
37083	757
37801	755
37887	753
37166	747
37924	747
38059	744
38462	734
37185	725
37146	713
37757	709
38127	708
38201	704
38116	703
37618	701
37642	692

Subset: 7,22 Public Sector Plans

Time Period: 2008

Zip Code Members

38320	692
37841	689
37877	686
38011	686
38079	678
37174	668
38104	664
37415	635
37840	631
38135	627
38138	626
37771	620
38125	617
37208	616
37871	609
38485	608
37215	602
37347	601
37820	599
38109	599
37067	598
37774	598
37681	597
38053	594
37777	592
38344	592
37874	590
38382	587
37377	576
38375	564
37616	563
37096	557
38004	554
37650	549
37058	546
37190	539
38017	539
37772	533
38119	533
37363	532
37397	524
38120	511
38585	511
37381	493
37080	492
37082	492
38040	489
37861	485
37330	483
37101	481
37411	471

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

37686	467
37187	464
38139	462
37090	461
37074	458
37807	454
38544	453
37030	442
38058	440
37204	439
37890	437
37062	428
37069	427
37405	426
37701	425
37379	423
38115	423
38041	422
38112	422
37029	418
38474	415
38118	414
37210	413
38574	413
37764	398
37818	397
38001	393
38469	393
37212	390
37385	390
37036	389
37186	389
38049	388
37034	386
38141	381
38260	381
38106	373
38468	367
37032	365
38483	360
38075	359
37416	356
38230	352
38363	352
37324	348
38103	348
38080	343
37035	337
38133	337
37690	336
37380	335

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

38310	335
38006	333
37658	332
38060	328
38122	325
38107	324
37860	323
37322	322
37687	321
37048	314
37341	314
37179	313
38229	313
38355	309
37412	307
38114	305
37061	299
37037	298
37329	296
37219	295
37362	294
37705	294
38330	294
37708	293
37025	292
37357	292
38451	292
37714	285
38549	283
37098	280
37331	280
37843	280
37022	277
37769	277
37692	273
37640	266
37404	265
37370	255
38654	253
37387	251
38315	250
37873	249
38562	249
37010	248
37711	245
37770	244
37645	241
37135	240
38456	240
37203	236
37307	236

Subset: Public Sector Plans

Time Period: 2008

Zip Code Members

37342	233
37049	231
37143	229
37220	225
38255	225
38551	225
38356	223
38232	222
37020	221
37150	220
37737	220
38257	219
37722	217
37754	215
37869	214
37885	214
38015	214
37406	213
37134	212
37306	209
37709	209
38052	209
37085	206
38034	206
38329	205
37189	204
37742	204
37872	204
38581	204
37891	203
38313	203
37879	202
37846	200
38233	200
38472	198
37853	197
38221	194
37051	191
37153	189
38069	189
38108	189
37031	188
37047	188
37310	188
37332	188
37756	188
37184	186
37137	185
37183	185
38023	180
38563	180

Subject Public Sector Plans

Time Period 2008

Zip Code Members

30736	178
38671	178
37356	175
38316	175
38367	175
37097	174
38425	174
37144	173
37762	172
37826	172
37656	171
38037	168
37145	167
37755	167
38366	167
37886	166
37738	163
37811	163
37863	162
37828	161
38240	157
38388	155
37149	153
37228	152
38222	152
37915	151
38557	148
37825	146
38105	145
37806	144
37880	144
37353	142
37829	142
38381	142
38251	141
37180	138
30741	137
37079	137
38028	137
38256	136
37360	135
37916	135
38039	133
38341	129
38573	129
38504	128
38547	128
38580	128
37318	127
37888	126
38450	126

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

37665	125
38374	125
38568	124
37694	123
37809	123
38379	123
37095	121
38253	121
37852	120
38368	120
37726	119
37336	118
38321	118
37419	115
38582	114
37052	113
38541	113
37847	112
37996	112
38334	112
38317	111
38482	111
37345	108
37301	107
38362	106
38637	106
38326	105
37046	104
37335	104
38369	104
38545	104
37866	103
38553	103
38577	103
24201	102
37325	102
37375	102
37810	102
38259	101
38461	101
37012	100
37779	100
37845	100
37403	99
37864	99
38477	99
37178	98
37313	98
38502	98
38558	98
38044	97

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

38057	97
37870	96
37026	95
37059	95
37362	95
37309	94
37339	94
37023	93
38345	91
38357	91
37133	90
38454	90
38391	88
37018	87
37727	87
37744	87
37882	87
38371	87
72364	87
37181	86
37644	86
38337	85
38342	85
37349	84
37902	83
37338	82
37881	82
38463	82
38565	81
37940	79
37892	77
38460	77
30707	76
37057	76
37320	76
38328	76
38258	73
38560	73
24202	71
37409	71
37011	70
37371	70
37614	70
37118	69
37365	69
38672	68
37317	67
38220	67
38231	67
38486	67
~	67

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

37710	66
37752	66
38488	66
72301	66
24251	65
38025	65
38241	65
38457	65
38503	65
37060	64
37201	64
37374	64
38632	64
37348	63
37802	63
38575	63
38579	63
37014	62
37688	62
38834	62
37056	61
37141	61
37822	61
38067	61
37050	60
37713	60
37950	60
38061	60
38588	60
42050	60
42071	60
37019	58
37366	58
38473	58
42134	58
37831	57
38302	57
38567	57
37016	56
37142	56
37901	56
38126	56
38332	56
38402	56
37132	54
37407	54
38452	54
37222	53
37602	53
37680	53
37077	52

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

37308	52
37373	52
37024	51
37111	51
37402	51
38152	51
38449	51
38559	51
37162	50
37191	50
38361	50
38487	49
42041	49
38308	48
38548	48
37070	47
37723	47
37410	46
37717	46
37719	46
38066	46
38311	46
38481	46
38505	46
38543	46
37078	45
37337	45
37361	45
37684	45
38554	45
37152	44
37350	44
37364	44
37824	44
37088	43
37753	43
38030	43
37175	42
37605	42
37939	42
37171	41
38076	41
38339	41
38370	41
38587	41
37151	40
38174	40
38365	40
38390	40
37202	39
37328	39

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

37724	39
37326	38
37359	38
37927	38
38392	38
24236	37
37302	37
37928	37
38333	37
38476	37
37229	36
38348	36
38352	36
38475	36
37369	35
37657	35
37819	35
37868	35
38224	35
37933	34
38168	34
38190	34
24210	33
38042	33
38050	33
38578	33
42240	33
42276	33
37121	32
37401	32
37930	32
38184	32
38611	32
30725	31
37116	31
37391	31
37682	31
38327	31
37065	30
37815	30
38338	30
42164	30
37140	29
37729	29
38175	29
38236	29
38281	29
38459	29
42104	29
42101	28
38088	27

Subset Public Sector Plans

Time Period 2008

Zip Code Members

38453	27
38668	27
37408	26
38683	26
37662	25
38077	25
38235	25
42262	25
37731	24
38238	24
40769	24
37305	23
37424	23
38036	23
38380	23
24244	22
30739	22
30742	22
37028	22
37394	22
38564	22
38618	22
37071	21
37691	21
38303	21
38651	21
42066	21
38101	20
38181	20
24258	19
30750	19
35630	19
37041	19
37333	19
37732	19
37816	19
38083	19
38124	19
38163	19
38552	19
38635	19
35750	18
35979	18
37376	18
37848	18
38387	18
28615	17
30738	17
30752	17
38173	17
38359	17

Subset Public Sector Plans

Time Period 2008

Zip Code Members

40965	17
35634	16
37340	16
37621	16
38070	16
38680	16
42202	16
24211	15
37068	15
37384	15
37422	15
38187	15
38347	15
42167	15
30728	14
35958	14
38007	14
38021	14
38455	14
37315	13
37414	13
37856	13
38130	13
38186	13
38378	13
38569	13
30757	12
35758	12
37224	12
38177	12
38346	12
38376	12
73072	12
37351	11
38167	11
38254	11
38324	11
38471	11
38661	11
42103	11
42120	11
42220	11
32162	10
37103	10
37378	10
37625	10
37765	10
37878	10
38183	10
38655	10
42020	10

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

42025	10
42135	10
42234	10
42649	10
63830	10
72303	10
72401	10
24340	9
30058	9
31220	9
35739	9
37243	9
38014	9
38029	9
38071	9
38389	9
38732	9
39401	9
30710	8
30755	8
35652	8
35740	8
35761	8
35811	8
37044	8
38047	8
38304	8
38606	8
38664	8
63873	8
29609	7
30012	7
30033	7
30165	7
30701	7
30721	7
31210	7
35633	7
35677	7
35772	7
35806	7
35981	7
37396	7
38110	7
38642	7
38647	7
38663	7
38835	7
38852	7
42170	7
42206	7

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

72327	7
72331	7
72376	7
72543	7
02138	6
23069	6
24290	6
24361	6
24502	6
26241	6
27410	6
27540	6
28698	6
28805	6
30097	6
32169	6
33157	6
34982	6
35773	6
35802	6
36618	6
37158	6
37213	6
37383	6
38157	6
38271	6
38589	6
38629	6
38658	6
38674	6
38930	6
39402	6
40509	6
42031	6
42085	6
42124	6
42133	6
42602	6
45459	6
72207	6
01003	5
24250	5
24270	5
24271	5
24293	5
24354	5
26330	5
27587	5
28622	5
28705	5
28723	5

Subset
Time Period
Zip Code

Public Sector Plans

2008

Members

28744	5
28753	5
28786	5
28906	5
29464	5
30084	5
30121	5
30319	5
30513	5
31088	5
32118	5
32259	5
32606	5
33594	5
33950	5
34293	5
35645	5
35749	5
35810	5
35984	5
36542	5
36830	5
37125	5
37165	5
37231	5
37478	5
37808	5
37823	5
38027	5
38226	5
38252	5
38318	5
38603	5
38659	5
38804	5
42141	5
42211	5
42629	5
42642	5
45424	5
45433	5
48224	5
60013	5
60091	5
60404	5
60614	5
61455	5
61801	5
63110	5
66502	5
68701	5

Subset Public Sector Plans

Time Period 2008

Zip Code Members

70001	5
72335	5
72404	5
74074	5
76051	5
79407	5
84074	5
85286	5
92373	5
99066	5
02889	4
06511	4
14617	4
16803	4
20636	4
20715	4
21713	4
22303	4
22554	4
22903	4
23229	4
23238	4
24221	4
25701	4
27253	4
28732	4
28754	4
29483	4
30083	4
30127	4
30256	4
30326	4
30339	4
30622	4
30901	4
31419	4
31522	4
32082	4
32174	4
32207	4
32408	4
32413	4
32507	4
32550	4
34209	4
34684	4
34746	4
34748	4
35148	4
35216	4
35620	4

Subset Public Sector Plans

Time Period 2008

Zip Code Members

35763	4
36106	4
37100	4
37114	4
37236	4
37248	4
37264	4
37382	4
37463	4
37565	4
37609	4
37655	4
37715	4
37733	4
37805	4
37949	4
38010	4
38048	4
38182	4
38331	4
38336	4
38420	4
38621	4
39429	4
40205	4
41041	4
42088	4
42140	4
42171	4
42286	4
42301	4
42635	4
43016	4
43204	4
47403	4
47906	4
47960	4
48236	4
49509	4
55044	4
60560	4
60647	4
61821	4
62959	4
63851	4
70737	4
71457	4
71913	4
72348	4
72386	4
72801	4

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

75085	4
76022	4
76522	4
80526	4
80631	4
81230	4
83702	4
83714	4
85715	4
91801	4
92120	4
92612	4
98006	4
03064	3
04106	3
06092	3
10607	3
11218	3
11361	3
11554	3
12550	3
12570	3
13676	3
14212	3
14221	3
15220	3
18020	3
19063	3
19808	3
19810	3
20016	3
20052	3
20878	3
21084	3
22180	3
22203	3
24084	3
24263	3
24266	3
24319	3
24459	3
27106	3
27712	3
27858	3
28025	3
28104	3
28227	3
28328	3
28607	3
28714	3
28734	3

Subset Public Sector Plans

Time Period 2008

Zip Code Members

28743	3
28777	3
28803	3
29414	3
29630	3
29654	3
30066	3
30096	3
30145	3
30281	3
30331	3
30506	3
30534	3
30546	3
30731	3
31792	3
32025	3
32176	3
32225	3
32459	3
32563	3
32578	3
32601	3
32833	3
32836	3
33062	3
33547	3
33573	3
33701	3
33810	3
35119	3
35243	3
35473	3
35611	3
35613	3
35616	3
35647	3
35648	3
35661	3
35769	3
37021	3
37344	3
37372	3
37417	3
37434	3
37501	3
37576	3
37707	3
37720	3
37773	3
37998	3

Subset Public Sector Plans

Time Period 2008

Zip Code Members

38045	3
38102	3
38137	3
38153	3
38206	3
38262	3
38319	3
38360	3
38665	3
38685	3
38701	3
38801	3
39576	3
40014	3
40206	3
40242	3
40759	3
42049	3
42076	3
42122	3
42127	3
42131	3
42274	3
45669	3
45810	3
46120	3
47304	3
48239	3
48443	3
50125	3
53216	3
60076	3
64063	3
64132	3
65201	3
65804	3
66046	3
66209	3
67402	3
71291	3
72116	3
72315	3
72476	3
73112	3
76017	3
76209	3
77070	3
77340	3
77429	3
77573	3
78258	3

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

78363	3
79416	3
85222	3
85364	3
92563	3
92627	3
92677	3
92704	3
95130	3
97912	3
99503	3
01420	2
01561	2
02451	2
03820	2
04011	2
04538	2
05091	2
05874	2
07624	2
08052	2
08330	2
08550	2
08701	2
11803	2
13083	2
13778	2
15214	2
17501	2
18966	2
20036	2
20906	2
21663	2
21705	2
22101	2
22213	2
22314	2
22405	2
23435	2
23453	2
23608	2
23692	2
24019	2
24060	2
24064	2
24203	2
24209	2
24277	2
24401	2
24605	2
25526	2

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

26416	2
26704	2
27320	2
27407	2
27513	2
27612	2
27615	2
27713	2
28105	2
28557	2
28560	2
28601	2
28605	2
28645	2
28722	2
28740	2
28745	2
28747	2
28779	2
28785	2
28787	2
28801	2
28806	2
29108	2
29118	2
29201	2
29229	2
29451	2
29526	2
29575	2
29582	2
29611	2
30022	2
30039	2
30041	2
30064	2
30094	2
30132	2
30135	2
30228	2
30236	2
30241	2
30528	2
30582	2
30606	2
30720	2
31023	2
31322	2
31721	2
32034	2
32070	2

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

32084	2
32141	2
32189	2
32233	2
32256	2
32333	2
32347	2
32407	2
32513	2
32763	2
32818	2
32931	2
33070	2
33351	2
33408	2
33455	2
33486	2
33823	2
33837	2
33838	2
33855	2
33919	2
33928	2
33936	2
33948	2
33991	2
34105	2
34109	2
34112	2
34221	2
34292	2
34442	2
34476	2
34481	2
34482	2
34653	2
34749	2
35023	2
35055	2
35601	2
35643	2
35672	2
35673	2
35674	2
35741	2
35752	2
35757	2
35759	2
35762	2
35766	2
35801	2

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

35803	2
35966	2
35967	2
36027	2
36037	2
36205	2
36525	2
36532	2
36535	2
36549	2
36862	2
37006	2
37045	2
37124	2
37155	2
37194	2
37197	2
37230	2
37288	2
37319	2
37502	2
37506	2
37511	2
37547	2
37661	2
37700	2
37706	2
37789	2
37851	2
37937	2
38051	2
38064	2
38078	2
38129	2
38171	2
38205	2
38214	2
38223	2
38250	2
38263	2
38312	2
38314	2
38435	2
38507	2
38610	2
38641	2
38666	2
38703	2
38740	2
38761	2
38824	2

Subset: Public Sector Plans

Time Period: 2008

Zip Code Members

38837	2
39272	2
39466	2
39531	2
39730	2
39759	2
39837	2
40065	2
40208	2
40223	2
40243	2
40278	2
40356	2
40601	2
40873	2
41011	2
41035	2
41102	2
42001	2
42204	2
42210	2
42223	2
42232	2
42261	2
42444	2
42633	2
42719	2
43007	2
43085	2
44691	2
45230	2
45244	2
45429	2
45504	2
46012	2
46123	2
46227	2
47025	2
47203	2
47408	2
47904	2
48103	2
49546	2
50219	2
51173	2
52003	2
52319	2
53066	2
53964	2
54915	2
55104	2

Subset Public Sector Plans

Time Period 2008

Zip Code Members

57332	2
58078	2
59718	2
59730	2
59860	2
59870	2
60061	2
60610	2
60621	2
61820	2
62326	2
62526	2
62801	2
62856	2
62901	2
63011	2
63501	2
63755	2
65401	2
65466	2
65668	2
65810	2
66216	2
67042	2
70056	2
70118	2
70131	2
71295	2
72034	2
72044	2
72201	2
72205	2
72445	2
72450	2
72464	2
72501	2
72512	2
72525	2
72538	2
72542	2
72602	2
72626	2
72658	2
72715	2
72903	2
72956	2
73162	2
73505	2
74868	2
75070	2
75201	2

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

75652	2
76088	2
76179	2
76247	2
77373	2
78121	2
78253	2
78382	2
78653	2
78676	2
79423	2
80524	2
82072	2
82717	2
83201	2
83501	2
83616	2
84117	2
85207	2
85212	2
85296	2
85501	2
85614	2
85622	2
85705	2
86504	2
89052	2
89117	2
89121	2
89436	2
89447	2
89523	2
90620	2
91117	2
91401	2
92071	2
92504	2
93308	2
93711	2
95122	2
95128	2
95338	2
95826	2
96719	2
97220	2
97301	2
97302	2
98362	2
98528	2
98902	2
99645	2

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

01005	1
01960	1
02136	1
02140	1
02143	1
02190	1
02215	1
02557	1
02842	1
02882	1
03077	1
03301	1
03766	1
03811	1
04345	1
04578	1
04644	1
05663	1
06040	1
06896	1
08021	1
08075	1
08755	1
10454	1
10469	1
11021	1
11072	1
11223	1
11224	1
11231	1
11375	1
11412	1
11570	1
12110	1
12721	1
13066	1
13367	1
14610	1
14618	1
14620	1
14625	1
15108	1
15342	1
16423	1
16505	1
17055	1
17201	1
17252	1
18252	1
19053	1
19103	1

Subset
Time Period
Zip Code

Public Sector Plans

2008

Members

19425	1
19958	1
20009	1
20011	1
20135	1
20137	1
20850	1
20886	1
20950	1
22026	1
22201	1
22206	1
22305	1
22306	1
22406	1
22643	1
22801	1
22980	1
23150	1
23220	1
23227	1
23434	1
23454	1
23705	1
24015	1
24204	1
24216	1
24243	1
24245	1
24272	1
24312	1
24523	1
24592	1
24630	1
24639	1
25430	1
26301	1
27006	1
27115	1
27127	1
27406	1
27455	1
27510	1
27526	1
27529	1
27530	1
27539	1
27573	1
27588	1
27591	1
27604	1

Subset Public Sector Plans

Time Period 2008

Zip Code Members

27613	1
27617	1
27633	1
27703	1
28012	1
28078	1
28146	1
28262	1
28304	1
28305	1
28376	1
28501	1
28692	1
28713	1
28717	1
28726	1
29036	1
29170	1
29203	1
29205	1
29211	1
29412	1
29458	1
29485	1
29568	1
29585	1
29588	1
29651	1
29661	1
29678	1
29689	1
29691	1
29720	1
29906	1
29910	1
30008	1
30013	1
30014	1
30019	1
30032	1
30040	1
30044	1
30052	1
30054	1
30067	1
30071	1
30075	1
30101	1
30143	1
30152	1
30180	1

Subsector	Public Sector Plans
Time Period	2008
Zip Code	Members

30214	1
30253	1
30306	1
30309	1
30311	1
30318	1
30329	1
30341	1
30344	1
30358	1
30452	1
30461	1
30529	1
30540	1
30541	1
30549	1
30553	1
30555	1
30559	1
30605	1
30796	1
30809	1
30813	1
30824	1
30906	1
31215	1
31305	1
31516	1
31537	1
31604	1
31707	1
31709	1
31791	1
31798	1
32003	1
32111	1
32137	1
32164	1
32304	1
32312	1
32346	1
32451	1
32461	1
32514	1
32669	1
32725	1
32792	1
32828	1
32905	1
32907	1
32920	1

Subset Public Sector Plans

Time Period: 2008

Zip Code Members

32940	1
32951	1
32953	1
33076	1
33111	1
33290	1
33301	1
33305	1
33510	1
33540	1
33569	1
33710	1
33773	1
33775	1
33803	1
33844	1
33884	1
33897	1
33971	1
33980	1
33993	1
34103	1
34114	1
34217	1
34275	1
34288	1
34601	1
34613	1
34986	1
34997	1
35004	1
35005	1
35016	1
35022	1
35031	1
35124	1
35150	1
35217	1
35260	1
35456	1
35475	1
35581	1
35603	1
35610	1
35614	1
35619	1
35639	1
35646	1
35670	1
35746	1
35747	1

Subset
Time Period
Zip Code

Public Sector Plans

2008

Members

35754	1
35768	1
35776	1
35804	1
35844	1
35956	1
35976	1
35978	1
36046	1
36079	1
36089	1
36108	1
36301	1
36360	1
36527	1
36619	1
36904	1
37053	1
37054	1
37084	1
37120	1
37147	1
37164	1
37227	1
37237	1
37239	1
37255	1
37271	1
37296	1
37297	1
37314	1
37358	1
37386	1
37418	1
37443	1
37479	1
37541	1
37545	1
37549	1
37555	1
37572	1
37578	1
37649	1
37704	1
37718	1
37749	1
37780	1
37800	1
37834	1
37850	1
37859	1

Subset Public Sector Plans

Time Period 2008

Zip Code Members

37875	1
37896	1
37910	1
37913	1
37963	1
37966	1
37971	1
37981	1
37992	1
38043	1
38046	1
38087	1
38113	1
38200	1
38243	1
38248	1
38299	1
38307	1
38377	1
38384	1
38400	1
38424	1
38542	1
38601	1
38614	1
38617	1
38620	1
38634	1
38719	1
38751	1
38770	1
38829	1
38840	1
38865	1
38868	1
38877	1
38920	1
38965	1
38966	1
39083	1
39110	1
39120	1
39152	1
39208	1
39211	1
39305	1
39362	1
39503	1
39540	1
39555	1
39564	1

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

39702	1
39773	1
39817	1
40119	1
40207	1
40216	1
40220	1
40222	1
40228	1
40383	1
40472	1
40503	1
40515	1
40516	1
40701	1
42002	1
42038	1
42045	1
42054	1
42082	1
42102	1
42129	1
42159	1
42241	1
42345	1
42445	1
42503	1
42647	1
42728	1
43235	1
43338	1
43610	1
44023	1
44685	1
45039	1
45324	1
45427	1
45432	1
45434	1
46038	1
46060	1
46140	1
46226	1
46256	1
46322	1
46383	1
46545	1
46614	1
46624	1
46705	1
46835	1

Subset Public Sector Plans

Time Period 2008

Zip Code Members

46902	1
47150	1
47331	1
47404	1
47714	1
47903	1
48188	1
48235	1
48331	1
48346	1
48362	1
48430	1
48642	1
49093	1
49270	1
49423	1
49426	1
49503	1
49508	1
49512	1
50014	1
50263	1
50421	1
50701	1
53005	1
53029	1
53051	1
53213	1
54873	1
55414	1
56567	1
57106	1
59047	1
59457	1
60053	1
60137	1
60443	1
60490	1
60491	1
60527	1
60532	1
60601	1
60626	1
60660	1
61071	1
61115	1
61625	1
61874	1
62301	1
62557	1
62863	1

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

62983	1
63005	1
63019	1
63028	1
63104	1
63108	1
63701	1
63901	1
63957	1
64118	1
64155	1
65101	1
65240	1
65606	1
65803	1
66047	1
66054	1
67037	1
67801	1
68512	1
68523	1
70065	1
70117	1
70360	1
71016	1
71111	1
71603	1
71730	1
71909	1
72143	1
72210	1
72214	1
72370	1
72398	1
72472	1
72719	1
72762	1
72830	1
72908	1
73110	1
74023	1
74055	1
74464	1
75013	1
75025	1
75034	1
75035	1
75067	1
75248	1
75454	1
76048	1

Subset	Public Sector Plans
Time Period	2008
Zip Code	Members

76082	1
76092	1
76131	1
76135	1
76252	1
76502	1
76520	1
76903	1
77003	1
77025	1
77042	1
77242	1
77339	1
77356	1
77388	1
77411	1
77469	1
77584	1
77650	1
77836	1
77840	1
77845	1
78130	1
78214	1
78216	1
78251	1
78305	1
78602	1
78666	1
79331	1
79549	1
79606	1
79930	1
79932	1
80203	1
80401	1
80403	1
80439	1
80516	1
80828	1
83741	1
83763	1
85071	1
85203	1
85249	1
85712	1
85718	1
85730	1
85733	1
86002	1
86303	1

Subject	Public Sector Plans
Time Period	2008
Zip Code	Members

86409	1
87043	1
87102	1
87123	1
87323	1
87510	1
88312	1
89012	1
89139	1
89519	1
89701	1
89815	1
90032	1
90505	1
90802	1
92009	1
92014	1
92130	1
92646	1
92657	1
92683	1
92688	1
92705	1
92782	1
93422	1
93933	1
94061	1
94110	1
94306	1
94903	1
94931	1
95039	1
95134	1
95757	1
95819	1
95973	1
96728	1
97027	1
97223	1
97267	1
97439	1
98107	1
98335	1
98837	1

State of Tennessee Pharmacy Benefit Management Services Formulary Disruption Summary

- a) Please use All claims for the formulary analysis.
- b) Please use the LATEST formulary available. The formulary **MUST** be the same formulary you are proposing for the State.
- c) Please summarize the analysis in the following general manner:

***It is understood that a member can be in multiple rows (e.g. they could be on multiple drugs that fall in different rows)

[illegible]

**APPENDIX 7.5 -
SOT SUMMARY BY PLAN GROUP**

Subset:	All Data					
Time Period:	FY 2008					
Division	Employee Status Medstat	Plan Group	Employees Avg	Members Avg	Net Pay Rx	Scripts Rx
Local Education	Active Full Time	LocEd HMO	7,149.8	14,441.3	\$11,658,824.02	202,820
		LocEd POS	22,379.1	44,802.9	\$35,272,604.94	540,971
		LocEd PPO	18,612.8	33,141.0	\$41,057,814.38	565,264
	COBRA Continuee	LocEd HMO	17.5	25.7	\$48,060.73	655
		LocEd POS	58.2	86.6	\$172,353.35	2,310
		LocEd PPO	93.6	118.2	\$270,297.73	3,625
	Retiree (Status Unknown)	LocEd HMO	427.3	577.6	\$978,634.43	16,204
		LocEd POS	1,026.1	1,373.5	\$1,801,255.64	22,971
		LocEd PPO	3,934.9	5,097.6	\$13,018,578.16	151,504
	Surviving Spouse/Dependent	LocEd HMO	8.8	17.3	\$14,440.05	288
		LocEd POS	4.4	8.4	\$417.57	4
		LocEd PPO	4.2	8.5	\$2,316.52	79
Local Government	Active Full Time	LocGov PPO Limited	1,051.3	1,574.0	\$877,646.56	22,029
		LocGovt HMO	2,520.8	3,602.9	\$3,687,192.77	65,714
		LocGovt POS	6,005.3	8,862.8	\$9,246,639.19	135,312
		LocGovt PPO	3,306.4	4,423.1	\$6,510,650.23	89,968
	COBRA Continuee	LocGov PPO Limited	8.5	10.1	\$31,522.52	370
		LocGovt HMO	13.7	17.8	\$51,837.42	649
		LocGovt POS	31.8	35.7	\$166,350.56	1,542
		LocGovt PPO	28.1	36.5	\$139,365.72	1,378
	Retiree (Status Unknown)	LocGov PPO Limited	2.5	2.5	\$2,674.73	40
		LocGovt HMO	10.8	12.6	\$25,435.75	452
		LocGovt POS	53.2	70.3	\$123,451.28	1,511
		LocGovt PPO	59.6	77.0	\$188,435.94	2,234
	Surviving Spouse/Dependent	LocGov PPO Limited	4.0	8.0	\$3,145.28	58
		LocGovt HMO	2.5	5.0	\$1,777.23	42
		LocGovt POS	10.8	21.5	\$141.45	6
		LocGovt PPO	9.9	18.8	\$27,752.79	347
State Employee	Active Full Time	State HMO	22,675.0	47,900.6	\$39,691,063.74	623,009
		State POS	24,346.0	52,929.4	\$48,056,305.21	632,691
		State PPO	21,968.9	41,885.1	\$62,452,779.80	747,592
	COBRA Continuee	State HMO	54.9	68.9	\$260,183.05	2,838
		State POS	71.6	115.8	\$291,839.82	3,308
		State PPO	157.4	192.8	\$567,596.47	5,232
	Retiree (Status Unknown)	State HMO	1,177.8	1,802.3	\$3,026,471.57	41,810
		State POS	1,058.6	1,688.1	\$2,493,875.88	25,441
		State PPO	4,870.6	7,623.2	\$18,131,469.56	208,477
	Surviving Spouse/Dependent	State HMO	6.3	16.5	\$4,624.40	90
		State POS	7.7	19.5	\$3,993.90	92
		State PPO	30.6	67.3	\$102,944.58	1,254

**APPENDIX 7.6 -
SOT SUMMARY BY PLAN**

Subset: Time Period:	All Data FY 2008					
Division	Employee Status Medial	Plan	Employees Avg	Members Avg	Net Pay Rx	Scripts Rx
Local Education	Active Full Time	CIGNA POS East	8,359.2	15,888.7	\$12,247,329.25	193,495
		CIGNA HMO Memphis	275.8	558.4	\$520,500.18	8,234
		CIGNA POS Middle	9,241.1	18,908.4	\$14,884,959.56	223,515
		CIGNA HMO Nashville	617.8	1,482.4	\$945,531.59	16,158
		CIGNA POS West	4,778.8	10,005.8	\$8,140,316.13	123,961
		UHC HMO Chattanooga	564.8	980.2	\$724,605.84	13,332
		UHC HMO Knoxville	3,491.2	7,091.8	\$5,852,954.86	97,717
		UHC HMO TriCities	2,200.4	4,368.5	\$3,615,231.55	67,379
		BCBS PPO	18,612.8	33,141.0	\$41,057,814.38	585,284
		COBRA Continuee				
		CIGNA POS East	14.1	24.6	\$58,922.58	659
		CIGNA POS Middle	26.8	34.8	\$80,434.50	1,025
		CIGNA HMO Nashville	2.0	2.2	\$6,490.46	104
		CIGNA POS West	17.3	27.3	\$52,996.27	626
		UHC HMO Knoxville	7.9	15.6	\$20,901.22	284
		UHC HMO TriCities	7.6	7.9	\$20,689.06	267
		BCBS PPO	93.6	118.2	\$270,297.73	3,625
	Retiree (Status Unknown)	CIGNA POS East	424.5	555.3	\$780,574.93	10,501
		CIGNA HMO Memphis	16.2	19.2	\$21,470.53	307
		CIGNA POS Middle	356.6	489.3	\$608,117.79	7,282
		CIGNA HMO Nashville	10.8	16.4	\$38,387.31	274
		CIGNA POS West	245.0	328.9	\$434,562.92	5,208
		UHC HMO Chattanooga	12.9	18.2	\$37,659.04	563
		UHC HMO Knoxville	134.8	191.7	\$353,474.98	5,129
		UHC HMO TriCities	262.7	332.2	\$527,682.57	9,931
		BCBS PPO	3,934.9	5,097.6	\$13,018,578.16	151,504
		Surviving Spouse/Dependent				
		CIGNA POS East	2.4	4.6	\$407.30	3
		CIGNA POS Middle	1.0	2.0	\$0.00	0
		CIGNA POS West	1.0	1.8	\$10.27	1
		UHC HMO Knoxville	6.5	12.8	\$10,133.98	225
		UHC HMO TriCities	2.3	4.5	\$4,308.09	63
		BCBS PPO	4.2	8.5	\$2,316.52	79
Local Government	Active Full Time	CIGNA POS East	1,621.7	2,393.4	\$2,295,241.58	36,476
		CIGNA HMO Memphis	488.3	620.1	\$873,772.43	10,481
		CIGNA POS Middle	2,801.6	4,143.1	\$4,572,628.58	63,361
		CIGNA HMO Nashville	362.2	591.2	\$837,532.86	9,451
		CIGNA POS West	1,682.1	2,326.3	\$2,378,769.03	35,475
		UHC HMO Chattanooga	535.3	825.2	\$857,033.72	15,705
		UHC HMO Knoxville	812.1	1,047.2	\$1,041,540.28	20,040
		UHC HMO TriCities	342.9	519.3	\$477,313.48	10,057
		BCBS PPO Limited	1,051.3	1,574.0	\$877,646.56	22,029
		BCBS PPO	3,306.4	4,423.1	\$6,510,650.23	89,968
	COBRA Continuee	Aetna Memphis Local Govt	0.0	1.0	\$0.00	0
		CIGNA POS East	6.7	7.4	\$19,071.00	290
		CIGNA HMO Memphis	3.6	3.6	\$10,216.24	99
		CIGNA POS Middle	15.8	18.6	\$113,942.81	840
		CIGNA HMO Nashville	3.8	5.1	\$15,412.85	205
		CIGNA POS West	9.4	9.7	\$33,336.75	412
		UHC HMO Chattanooga	1.9	2.4	\$7,004.91	138
		UHC HMO Knoxville	2.8	3.8	\$14,525.69	152
		UHC HMO TriCities	1.8	2.5	\$4,677.73	55
		BCBS PPO Limited	6.5	10.1	\$31,522.52	370
		BCBS PPO	28.1	36.5	\$139,385.72	1,378
	Retiree (Status Unknown)	CIGNA POS East	11.0	13.6	\$41,411.48	586
		CIGNA HMO Memphis	2.4	2.4	\$1,301.58	23
		CIGNA POS Middle	28.5	40.0	\$52,073.68	739
		CIGNA POS West	13.7	16.7	\$29,866.12	186
		UHC HMO Chattanooga	3.4	4.8	\$10,211.46	199
		UHC HMO Knoxville	4.2	4.8	\$13,639.78	208
		UHC HMO TriCities	1.0	1.0	\$282.93	22
		BCBS PPO Limited	2.5	2.5	\$2,674.73	40

Supp Time Period	All Data FY 2008					
Division	Employee Status/Category	Plan	Employees Avg	Members Avg	Net Pay Rx	Scripts Rx
		BCBS PPO	59.6	77.0	\$188,435.94	2,234
	Surviving Spouse/Dependent	CIGNA POS East	4.8	9.5	\$25.17	1
		CIGNA HMO Memphis	1.5	3.0	\$0.00	0
		CIGNA Middle TN POSOA Loc	6.1	12.0	\$116.28	5
		UHC HMO Knoxville	1.0	2.0	\$1,777.23	42
		BCBS PPO Limited	4.0	8.0	\$3,145.28	58
		BCBS PPO	9.9	18.8	\$27,752.79	347
State Plan	Active Full Time	CIGNA POS East	4,129.9	9,151.8	\$7,750,334.95	107,794
		CIGNA HMO Memphis	3,711.8	7,580.7	\$5,161,326.42	88,214
		CIGNA POS Middle	12,805.8	27,807.3	\$28,030,721.34	335,592
		CIGNA HMO Nashville	7,865.9	16,065.8	\$14,038,345.54	198,492
		CIGNA POS West	7,410.3	15,970.3	\$14,275,248.92	189,305
		UHC HMO Chattanooga	2,419.0	5,092.7	\$4,397,867.18	70,299
		UHC HMO Knoxville	5,574.9	12,328.0	\$10,913,185.46	170,488
		UHC HMO TriCities	3,103.4	6,833.4	\$5,180,339.14	97,516
		BCBS PPO	21,968.9	41,885.1	\$62,452,778.80	747,592
	COBRA Continuee	CIGNA POS East	9.1	21.7	\$29,751.23	412
		CIGNA HMO Memphis	6.9	7.0	\$23,136.10	355
		CIGNA POS Middle	44.0	70.8	\$200,659.14	2,051
		CIGNA HMO Nashville	19.6	23.4	\$112,189.05	1,100
		CIGNA POS West	18.5	23.4	\$81,429.45	845
		UHC HMO Chattanooga	13.2	17.5	\$51,906.80	589
		UHC HMO Knoxville	11.2	16.1	\$84,350.12	588
		UHC HMO TriCities	4.1	4.9	\$8,600.98	206
		BCBS PPO	157.4	192.8	\$587,596.47	5,232
	Retiree (Status Unknown)	CIGNA POS East	164.5	280.4	\$369,787.42	4,622
		CIGNA HMO Memphis	249.3	369.9	\$537,971.21	6,351
		CIGNA POS Middle	522.1	843.6	\$1,264,684.67	12,326
		CIGNA HMO Nashville	343.6	483.3	\$711,176.59	9,158
		CIGNA POS West	372.0	564.2	\$839,403.79	8,493
		UHC HMO Chattanooga	133.1	217.0	\$377,012.99	6,035
		UHC HMO Knoxville	330.2	548.8	\$1,042,833.91	14,813
		UHC HMO TriCities	121.8	183.2	\$357,477.47	5,453
		BCBS PPO	4,870.6	7,623.2	\$18,131,469.56	208,477
	Surviving Spouse/Dependent	CIGNA POS East	1.0	2.6	\$12.10	2
		CIGNA HMO Memphis	1.3	2.5	\$1,326.35	19
		CIGNA POS Middle	4.0	9.9	\$3,404.07	73
		CIGNA HMO Nashville	3.0	7.0	\$2,073.09	30
		CIGNA POS West	3.3	8.5	\$577.73	17
		UHC HMO Knoxville	2.0	7.0	\$1,224.96	41
		BCBS PPO	30.6	67.3	\$102,944.58	1,254



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BENEFITS ADMINISTRATION

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Dave Goetz
COMMISSIONER

Laurie Lee
EXECUTIVE DIRECTOR

STATE OF TENNESSEE
DAILY FILE TRANSMISSION STATISTICS

Vendor: _____ Date: _____

Person completing this form: _____

Date File received from State: _____

Number of Records Received: _____

Date File processed by Vendor: _____

Number of Errors: _____

Date Errors Resolved: _____

Comments: _____

Standard

Drug Functional Specifications for File Layout

DATA FORMATTING

Character Fields

- Includes A - Z (lower or upper case), 0 – 9, and spaces
- Left justified, right blank/space filled
- Unrecorded or missing values in character fields are blank/spaces

Numeric Fields

- All numeric fields should be right-justified and left zero-filled.
- Unrecorded or missing values in numeric fields should be set to zero.

Financial Fields

- All financial fields should be right-justified and left zero-filled.
- Thomson Reuters prefers to receive both dollars and cents, with an implied decimal point before the last two digits in the data. For example, the data string "1234567" would represent \$12,345.67. Please do not include an actual decimal point in the data.
- Unrecorded or missing values in numeric fields should be zero (000 to accommodate the 2-digit implied decimal) and left zero-filled.

Invalid Characters

Please note that the following characters should not be included in the data or the descriptions in the data dictionary:

- *
- ?
- &
- %
- _ (under score)
- ' (single quote)
- " (double quote)
- @

Drug Record (Revised November 2008)

Field Number	Field Name	Start	End	Length	Type	Data Element Description	Data Supplier Instructions/Notes
Standard Thomson Reuters Fields							
1	Adjustment Type Code	1	1	1	Character	Client-specific code for the claim adjustment type	Adjustment Type values will be identified in the Data Dictionary.
2	Allowed Amount	2	11	10	Numeric	The maximum amount allowed by the plan for payment.	Format 9(8)y99 (2 – digit, implied decimal)
3	Capitated Service Indicator	12	12	1	Character	An indicator that this service (encounter record) was capitated	Applicable field values are "Y" for Capitated services and "N" for non-cap services.
4	Charge Submitted	13	22	10	Numeric	The submitted or billed charge amount	Format 9(8)y99 (2 – digit, implied decimal)
5	Claim ID	23	37	15	Character	The client-specific identifier of the claim.	
6	Claim Type Code	38	39	2	Numeric	Client-specific code for the type of claim	Claim Type Codes will be identified in the Data Dictionary.
7	Co-Insurance	40	49	10	Numeric	The coinsurance paid by the subscriber as specified in the plan provision.	Format 9(8)y99 (2 – digit, implied decimal)
8	Copayment	50	59	10	Numeric	The copayment paid by the subscriber as specified in the plan provision.	Format 9(8)y99 (2 – digit, implied decimal)
9	Date of Birth	60	69	10	Date	The birth date of the person.	MM/DD/CCYY format The member's birth date is part of the Person ID key and is, therefore, critical to tagging claims to eligibility. The four-digit year is required for date of birth. The century cannot be accurately assigned based on a two-digit year.
10	Date of Service	70	79	10	Date	The date of service for the drug claim.	MM/DD/CCYY format
11	Date Paid	80	89	10	Date	The date the claim or data record was paid.	MM/DD/CCYY format This is the check date.

Field Number	FieldName	Start	End	Length	Type	Data Element Description	Data Supplier Instructions/Notes
12	Days Supply	90	93	4	Numeric	The number of days of drug therapy covered by the prescription.	
13	Deductible	94	103	10	Numeric	The amount paid by the subscriber through the deductible arrangement of the plan.	Format 9(8)y99 (2 – digit, implied decimal)
14	Dispensing Fee	104	113	10	Numeric	An administrative fee charged by the pharmacy for dispensing the prescription.	Format 9(8)y99 (2 – digit, implied decimal)
15	Family ID/Employee SSN	114	122	9	Character	The unique identifier (Social Security Number) for the subscriber (contract holder, employee) and their associated dependents.	The subscriber's social security number is part of the Person ID key and is, therefore, critical to tagging claims to eligibility.
16	Formulary Indicator	123	123	1	Character	An indicator that the prescription drug is included in the formulary.	"Y" or "N"
17	Gender Code	124	124	1	Character	The member's gender code.	"M" or "F" The member's gender is part of the Person ID key and is, therefore, critical to tagging claims to eligibility.
18	Ingredient Cost	125	134	10	Numeric	The charge or cost associated with the pharmaceutical product.	Format 9(8)y99 (2 – digit, implied decimal)
19	Metric Quantity Dispensed	135	145	11	Numeric	The number of units dispensed for the prescription drug claim, as defined by the NCPDPD (National Council for Prescription Drug Programs) standard format.	Format 9(9)y99 (2 – digit, implied decimal)
20	NDC Number Code	146	156	11	Character	The FDA (Food and Drug Administration) registered number for the drug, as reported on the prescription drug claims.	Please leave out the dashes.
21	Net Payment	157	166	10	Numeric	The actual check amount for the record	Format 9(8)y99 (2 – digit, implied decimal)
22	Network Paid Indicator	167	167	1	Character	An indicator of whether the claim was paid at in-network or out-of-network level.	"Y" or "N"

Field Number	FieldName	Start	End	Length	Type	Data Element Description	Data Supplier Instructions/Notes
23	Network Provider Indicator	168	168	1	Character	Indicates if the servicing provider participates in the network to which the patient belongs.	"Y" or "N"
24	Ordering Provider ID	169	181	13	Character	The ID number of the provider who prescribed the drug.	The ID should be the physician's DEA # or NPI. If these are not available, the Federal Tax ID (TIN) is preferred.
25	Ordering Provider Name	182	211	30	Character	The Name of the provider who referred the patient or ordered the test or procedure.	
26	Ordering Provider Zip Code	212	216	5	Character	The zip code of the provider who referred the patient or ordered the test or procedure.	
27	PCP Responsibility Indicator	217	217	1	Character	An indicator signifying that the PCP is the physician considered responsible or accountable for this claim.	
28	Provider ID	218	230	13	Character	The identifier for the provider of service.	This must be the NCPDP (National Council for Prescription Drug Programs) number or NPI.
29	Rx Dispensed as Written Code	231	231	1	Character	The NCPDP (National Council for Prescription Drug Programs) industry standard code that indicates how the product was dispensed.	
30	Rx Mail or Retail Code	232	232	1	Character	The Thomson Reuters standard code indicating the purchase place of the prescription.	"M" for Mail, "R" for Retail
31	Rx Payment Tier	233	233	1	Character	Client-specific description for the payment tier of the drug claim.	Data Supplier will help Thomson Reuters understand which fields to use in order to set this field for the customer. Examples of Rx Payment Tier are as follows: 1. Generic 2. Brand Formulary 3. Brand Non Formulary
32	Rx Refill Number	234	237	4	Numeric	A number indicating the original prescription or the refill number.	This is the refill number, not the number of refills remaining.

Field Number	FieldName	Start	End	Length	Type	Data Element Description	Data Supplier Instructions/Notes
33	Sales Tax	238	247	10	Numeric	The amount of sales tax applied to the cost of the prescription.	Format 9(8)y99 (2 – digit, implied decimal)
34	Third Party Amount	248	257	10	Numeric	The amount saved due to integration of third party liability (Coordination of Benefits) by all third party payers (including Medicare).	Format 9(8)y99 (2 – digit, implied decimal)
35	Discount	258	267	10	Numeric	The discount amount of the claim, applied to charges for any plan pricing reductions.	Format 9(8)y99 (2 – digit, implied decimal)
36	Provider NPI Number	268	277	10	Character	The National Provider Identifier for the pharmacy.	
37	Funding Type Code	278	278	1	Character	Specifies whether the claim was paid under a fully or self-funded arrangement	"S" = Self-funded "F" = Fully-funded
38	Account Structure	279	286	8	Character	Client-specific code for the account structure of the plan that the member is enrolled in. This is usually a group number.	Additional fields may be added to the layout if there is more than one component of the account structure.
39	HRA Amount	287	296	10	Numeric	The amount paid from the HRA to pay the provider.	
40	Filler1	297	399	103	Character	Reserved for future use	Fill with blanks
41	Record Type	400	400	1	Character	Record Type Identifier	Hard Code 'D'

Drug Detail – Trailer Record

Field Number	FieldName	Start	End	Length	Type	Data Element Description	Data Supplier Instruction Notes
1	Data Start Date	1	10	10	Date	Data Start Date	MM/DD/CCYY format – i.e. 09/01/2004. This will represent the 1 st day of the month for which data is provided.
2	Data End Date	11	20	10	Date	Data End Date	MM/DD/CCYY format – i.e. 09/30/2004 This will represent the last day of the month for which data is provided.
3	Record Count	21	30	10	Numeric	Number of Records on File	The count of records provided in the data including the Trailer Record
4	Total Net Payments	31	44	14	Numeric	Total Net Payments on File	The sum of Net Payments provided on the file.
5	Filler	45	399	355	Character	Filler	Fill with Blanks
6	Record Type	400	400	1	Character	Record Type Identifier	Hard Code 'T'