

CALIFORNIA PRISON HEALTH CARE SERVICES

**REQUEST FOR PROPOSALS FOR
THIRD PARTY ADMINISTRATOR
MEDICAL CLAIMS PROCESSING SERVICES
FOR CALIFORNIA PRISON HEALTH CARE SERVICES**

December 10, 2008

PROPOSALS DUE:

January 15, 2009

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1. Request

The California Prison Health Care Services ("CPHCS") is requesting proposals for Third Party Administrator (TPA) Medical Claims Processing Services for the California Department of Corrections and Rehabilitation ("CDCR"). The contract awarded by CPHCS will be a service agreement with either the CDCR or CPHCS.

2. Background

As a result of the State of California's ongoing failure to provide medical care to prison inmates at constitutionally acceptable levels, the United States District Court for the Northern District of California appointed a Receiver to assume the executive management of the California prison medical system and to raise the level of care up to constitutional standards. On February 14, 2006, the Court granted the Receiver, among other powers, the authority to exercise all powers vested by law in the Secretary of the CDCR as they relate to the administration, control, management, operation, and financing of the California prison medical health care system.

The Court's actions stem from the case of *Plata v. Schwarzenegger* -- a class action law suit brought on behalf of the CDCR's adult inmates. Bidders should refer to the Court's October 3, 2005 "Findings of Fact and Conclusions of Law Re Appointment of Receiver" ("FFCL") and the Court's February 14, 2006 "Order Appointing Receiver" for further information regarding the conditions underlying the Receiver and the powers and responsibilities of the Receiver. These and other relevant documents can be found on the CPHCS website at: <http://www.cphcs.ca.gov>.

The CDCR mental health and dental systems are also under court supervision as a result of two additional inmate class actions: *Coleman v. Schwarzenegger* and *Perez v. Tilton*, respectively. To avoid duplication of effort, certain health care initiatives that support the entire health care system are being coordinated by the *Plata*, *Coleman* and *Perez* courts. To facilitate such coordination, the courts have agreed that the Receiver will be responsible, in addition to his management of the medical system, for the oversight and implementation of certain mental health and dental support functions, including claims processing services.

CDCR currently delivers healthcare services to over 175,000 inmate-patients in thirty-three institutions throughout the state. The scope of the healthcare mission includes dental care, primary care, acute and urgent care, chronic care management, long-term care, hemodialysis, physical therapy and rehabilitation, and infirmary-level care. Cases requiring specialty consultation or complex management are seen remotely by telemedicine or are referred to neighboring

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medical/dental offices or hospitals. The CDCR has an extensive network of professional service providers providing vital services in all areas of health care, receipt, processing, and payment of which forms the basis of this request for TPA services.

Until recently, healthcare operations in the thirty-three institutions were confined to silos, with no central planning, management, or oversight of services. Consequently, each institution has been responsible for managing its own claims processing program, resulting in widely varying methods of operation.

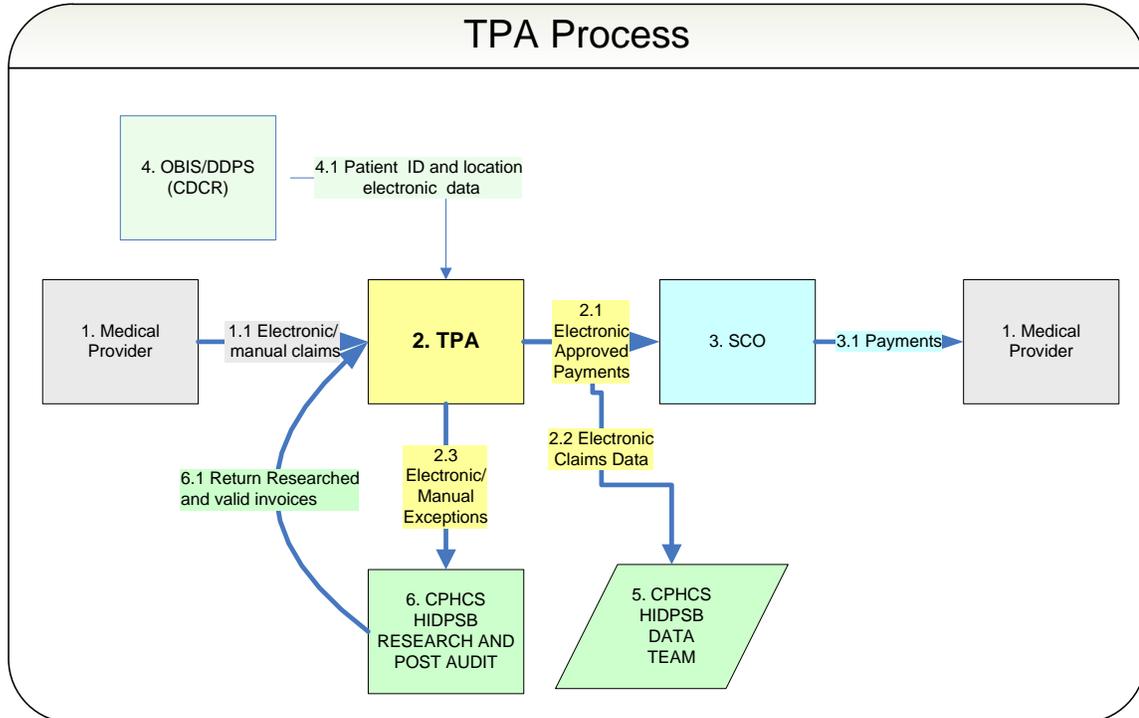
The Receiver recently engaged a contractor to provide a comprehensive assessment of existing health care contracts services, including claims processing. The report, *Assessment of the California Department of Corrections and Rehabilitation's Healthcare Contracting Unit* completed April 2008, can be found in the Bidder's Library. Section 8.1 on page 71 of the report states:

The CDCR does not currently administer a healthcare claims processing system as would typically be found in a commercial or public health plan. Instead, the current environment relies on a process in which providers submit invoices for payment and then the invoices are processed through several decentralized Microsoft Access databases called the Contract Medical Database (CMD)... Thus, CDCR's ability to pay healthcare claims is, and will continue to be, constrained due to shortcomings in current data processing and information technology resources.

To address these issues, CPHCS seeks to contract for TPA medical claims processing services to transition the current claims processing operation to one based on best practices and standards in the industry applicable to the correctional environment. The objective of the claims processing system is to improve the quality, efficiency, and timeliness of payments to health care vendors serving CDCR's patient population, while also implementing effective cost management. The plan is to contract with a qualified firm to take over claims processing services for an initial period of 24 months (with three 12 month options) to put into practice the required improvements prior to transition of all operations back to State control.

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The following drawing illustrates how CPHCS envisions the contractor ("Contractor") will provide claims processing services.



Path 1 – Normal Process

- 1.1 Providers submit claims electronically or manually, depending upon provider, to TPA for processing
- 4.1 Electronic receipt of patient CDCR ID and location data
- 2.1 Approved claims sent electronically to State Controller's Office (SCO)
- 2.2 Claims data sent electronically to CPHCS Healthcare Invoice, Data and Provider Services Branch (HIDPSB)
- 3.1 SCO pays provider

Path 2 – Exception Process

- 1.1 Providers submit claims electronically and manually, depending upon provider, to TPA for processing
- 2.3 Exceptions sent electronically or manually to CPHCS Healthcare Invoice, Data and Provider Services Branch (HIDPSB)
- 6.1 Approved exceptions sent to TPA for processing
- 2.1 Approved claims sent electronically to State Controller's Office (SCO)
- 2.2 Claims data sent electronically to CPHCS Healthcare Invoice, Data and Provider Services Branch (HIDPSB)
- 3.1 SCO pays provider

3. Scope of Service

3.1 General Scope of Services

CPHCS seeks a contractor who will work side-by-side with CPHCS claims processing and management staff to plan and fully implement best practices and industry standard processing of health care invoices applicable to the correctional environment. It is the expectation that the successful contractor will provide a turnkey offering for meeting the requirements detailed in this RFP through the following services:

1. Administer medical, dental, and mental healthcare invoice claims, in accordance with the TPA Medical Claims Processing Services Agreement ("Agreement") to include all claims incurred at the time of transition and backlog. The contractor will submit all proposed revisions to the Agreement to CPHCS as part of its bid.
2. Maintain a fully automated claims processing system in compliance with electronic transmission standards and security requirements and all other regulations as required by HIPAA and California patient privacy and security law; offer integration of systems (claim, provider network, utilization review) and provide Web access to providers and CPHCS personnel that allows viewing of claim status, information on health care utilization and offers other provider service functions.
3. Send electronic payment of claims to the State Controller's Office, with uncontested claims within 30 days of receipt.
4. Maintain records and management reports, including claims and accounting information as required by the Agreement.
5. Provide timely response to inquiries from and to CPHCS personnel vendors about the status of a claim, correspondence, payment and other information requested by such parties.
6. Conduct review of disputed claims in accordance with the requirements in the Agreement.
7. Upload data daily to the CPHCS Clinical Data Repository Data Warehouse.
8. Offer cost effective claims processing charges.
9. Provide customer service to CPHCS. Note that any communications with providers will be done by CPHCS.

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10. Provide a Web based process in which providers can view claim status.
11. Enable audit and corroborate of claims in advance of payment to reduce errors.

3.2 Detailed Scope of Services

The scope of services includes remediation of all healthcare claims processing operations within CDCR, including, but not limited to hospitals, physicians, and ambulances invoices for medical services by utilizing the UB-04, CMS-1450 and CMS-1500 claim forms. These medical providers invoice whether they have a contract in-force or not. In the absence of a contract, the Contractor will determine the payment process by applying Penal Code (PC) 5023.5 (Emergency Hospital Services and all Ambulance Services), or, if PC 5023.5 is not applicable, then payment is made by Court Order (CRT).

3.2.1 Requirements

The following list represents CDCR's data requirements.

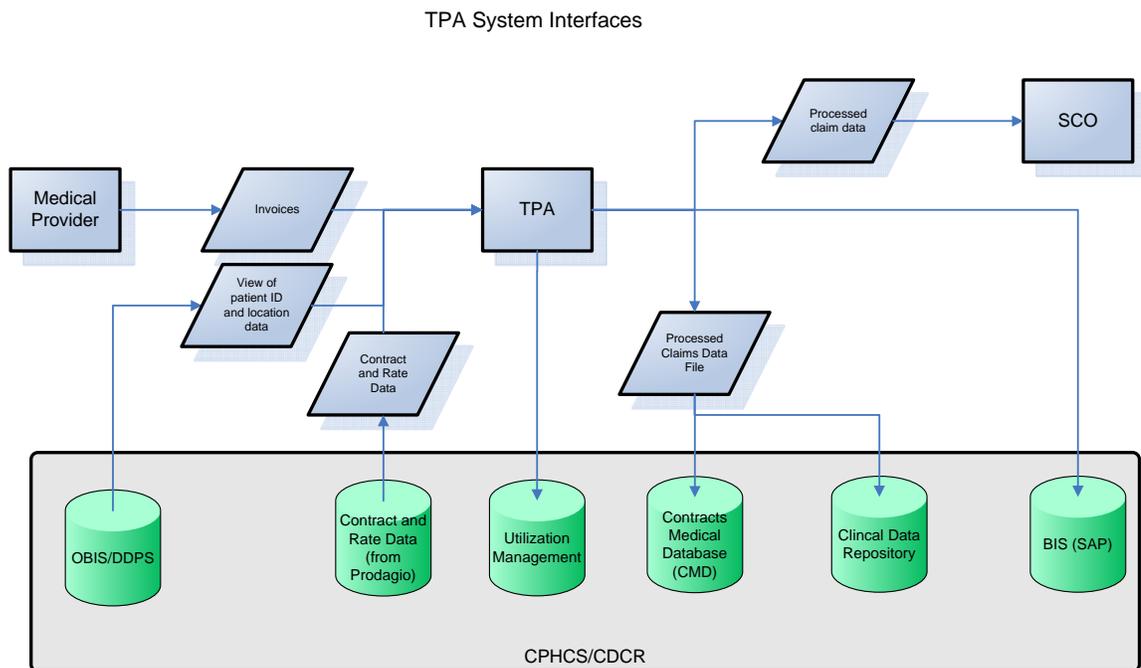
1. Reports showing claims over 30 days by institution or contractor/provider.
2. Reports showing high volume claims by institution or contractor/provider.
3. Reports showing post audits of claims reviews.
4. Capacity to do fraud and abuse checks, and rebundling of checks.
5. Capacity to route individual claims back to CPCHS.
 - (Report on 1 – 5 above for all information captured on UB-04 and CMS-1500 claim forms and non-contracted hospital services.)
6. Generate reports by institution, region, statewide and by specialty, specialist and provider.
7. Capacity to load contract information and updates.
8. Ability to query by institution, region, state, outpatient and inpatient costs. Please refer to the Bidder's Library, located at http://www.cphcs.ca.gov/project_rfp.aspx for the Data Request.
9. Minimum requirements for initial implementation include the following interfaces:

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- Daily batch upload of completed claims to CPHCS.
- Electronic updates of CPHCS contract data.
- Electronic payment of claims to the State Controller's Office.
- Access to patient ID and location data from CDCR's data systems.

10. Future interface requirements include:

- Interface with Utilization Management software/systems in order to integrate CPHCS authorizations into contractor's claim system.
- Upload of electronic payment of claims to CDCR's SAP-based accounting system (BIS).
- CPHCS will utilize the daily batch upload as source data to transfer data to internal systems including its Clinical Data Repository (CDR), and Contracts Management Database (CMD)



11. The Contractor must have a method for responding to CPHCS identified priority requests. The requests may entail delivery to the Contractor by CDCR for same day processing of claims, or may entail locating and priority processing of claims already submitted to Contractor and located

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at the Contractor site. This entails establishment of a process for rush payment authorization. These processes or services may be priced separately from standard processing.

12. Provide a contingency method of delivery of scanned records in event of emergency situations or network failure, such as inability to deliver scanned images via SFTP. The contingency plan may entail delivery of electronic records via CD-Rom, or other high density physical media. The media will need to be encrypted and delivered by the Contractor via secure transportation.

13. Requirements for manually processed claims:

- Conversion of claims from hard copy (various sizes and types) including fingerprints, photos, or microfiche to an electronic image.
- Meet the minimum resolution for microfiche and hard copy media of 60 ppm minimum scanning @ 200 dpi.
- Image, convert and index claims (some with two sided pages) to PDF format
- Perform image quality checks prior to forwarding images to CPHCS.
- Ensure that claims are identified and indexed using CPHCS Patient ID, CDCR number and offender last name using an extract from the CDCR's Offender Based Information Systems (OBIS).
- Image invalid claims where the CPHCS Patient ID or CDCR number is not known allowing CPHCS to address them at a later time.
- Transmit images and index data to CPHCS, and allow CPHCS staff to review for quality assurance purposes.
- Agree to store and maintain records in original media format until CPHCS approves and accepts electronically submitted images for billing by the TPA for services provided. Once data is migrated and available, CPHCS notifies contractor that records can be destroyed, and works with contractor to provide witnessing of destruction.
- Agree to provide for confidential destruction of records (via shred or burn), and work with CPHCS and CDCR to ensure that California State or CDCR employee witnesses the destruction.

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- Agree to correct any images that are not acceptable to CPHCS.

14. The successful Contractor will:

- Process all medical claims as described in this RFP and data supplied in the Bidder's Library.
- Use industry standard coding.
- Use industry standard edits and audits to validate claims.
- Reduce accounts payable cycle to 30 days or less.
- Manage code updates and uploads.
- Provide disaster recovery capability.
- Provide "dashboard" reporting requirements.
- Provide the following interfaces in the initial implementation:
 - Provide daily batch upload of completed claims for input to CPHCS Clinical Data Repository Data Warehouse and other CPHCS data repositories.
 - Receive electronic updates of CPHCS contract data.
 - Provide electronic payment of claims to the State Controller's Office.
 - Utilize access to patient ID and location data from CDCR's data systems in the processing of claims.
- Additional interface requirements beyond the initial implementation include:
 - Interface with Utilization Management software/systems in order to integrate CPHCS authorizations into contractor's claim system.
 - Upload electronic payment of claims to CDCR's SAP-based accounting system.

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15. The following are desirables beyond the initial implementation:

- Ability to link patient appointments to invoices.
- Ability to audit the previous two years of invoices.
- Ability to create a Web interface for medical claims data that CPHCS staff can access for trend analysis.

3.2.2 Phased Approach

The successful Contractor will demonstrate their approach to the following phases:

Phase 1 – Assess the current situation and plan for transition and ongoing operations.

Phase 2 – Establish system and train staff.

Phase 3 – Transfer payment of invoices to Contractor. The expectation is that the process would include an initial pilot.

Phase 4 – Adjudicate backlog of claims.

Phase 5 – Perform ongoing claims processing.

Phase 6 – Perform consulting services (as described below).

Consulting Services

The need and expectation for the selected consultant's work will be very dynamic during the course of this engagement. The process to capture, define and size the work to be performed by the consultant therefore has to be dynamic. Task orders will be used to allow flexibility for assigning tasks and deliverables while providing structure and accountability. The hourly consulting services will be organized by task order. Each month's activities will follow the plan of action detailed for that month's task order.

A fixed-price task order may be agreed upon with the Contractor through the Change Order process.

4. Deliverables and Expectations

4.1 Deliverables

4.1.1 Contractor Defined Deliverables

Contractors should propose specific milestones and key deliverables for each of the six phases identified in Section 3.2.2. These are expected to include:

1. Detailed Requirements Definition
2. Business Process Definition Design
3. Technical Interface Design
4. Transition/Change Management Plan
5. Performance Standards
6. Reports Definition
7. Process Test and Validation Plan

4.1.2 Project Management Deliverables

In addition to the bidder defined deliverables, all bids are to contain the following project management deliverables:

1. **Project Management Plan (PMP):** to be completed within four weeks of the project start date. The PMP should be designated as Deliverable 1, and meet the following expectations:
 - Confirm the scope of the project.
 - Identify the tasks, resources, due dates and deliverables for CPHCS to meet its responsibilities.
 - Use Open Workbench in the shell provided by the CPHCS Project Management Office (PMO) to Create and baseline a project schedule that includes tasks, dates, dependencies and milestones.

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- Integrate contractor project management activities with the CPHCS PMO project tracking and reporting processes, including inputs into:
 - Open Workbench Project Schedule
 - Issue and Escalation Process
 - Scope and Change Management Plan
 - Monthly Status Reports
 - Communications Management Plan

2. **Ongoing Coordination with the CPHCS Project Management Offices (PMO) and assigned CPHCS Project Manager:** to be provided throughout the duration of the contract.

- Please include 40 hours per month for coordination by the proposed project manager.
- Define any other coordination activities, hours, and staffing.

4.1.3 Consulting Deliverables

1. The Monthly Progress Report will provide:

- Activities initiated, continued, or completed
 - Planned
 - Unplanned
 - Delayed
- Deliverables
 - Initiated
 - Completed
 - Delayed
- Other Accomplishments
 - Significant Meetings
 - Additional Activities
- Project Issues
- Change Management
- Other Items
- Task Order activities

ALL DELIVERABLES CREATED BY THE CONTRACTOR UNDER THE AGREEMENT, WHETHER OR NOT IDENTIFIED AS CONTRACTUAL DELIVERABLES, WILL BE THE PROPERTY OF THE CPHCS.

4.1.4 Other Expectations

During the course of this engagement, the Contractor will be expected to:

1. Provide background checks of all personnel working for the Contractor on behalf of the CPHCS and comply with all confidentiality clauses.
2. Participate in a kick-off meeting for the project in Sacramento, California. The kick-off will be led by the CPHCS Project Manager with coordination from the Contractor project manager.
3. Open and staff a field office in the Sacramento area for the duration of the project.
4. Present project deliverables and analysis by the project milestone dates and follow up with regular presentations to the Claims Processing Services Steering Oversight Committee.
5. During the implementation phase, provide a monthly written report of progress, findings, metrics, issues, setbacks, and any suggested plan modifications in accordance with CPHCS Project Management Office procedures.
6. Present monthly status on the budget and any issues or deviations from original project plan or schedule in accordance with CPHCS Project Management Office procedures.
7. Participate in relevant professional committees established by the Receivership for coordination and direction of all health services.
8. Ability to keep hardcopies of invoices until they are electronically scanned and destroyed.

4.1.5 Organization and Direction

The Contractor will work at the direction of the CPHCS or the CPHCS's designee. The Contractor will work under the oversight of a project manager assigned from the CPHCS's Project Management Office. All work of Contractor's staff will be at the day-to-day direction of a Project Executive or Project Director designated by the Contractor.

5. Selection Process

An Evaluation Committee (the "Committee") will review the submitted proposals in accordance with submittal requirements and evaluation criteria set forth below and will recommend to CPHCS a short list of firms for further consideration. Upon acceptance of the short list, CPHCS may invite short-listed firms to interview and present demonstrations to the Committee. Additionally, members of the Committee will conduct a site visit to observe the consultant's claims processing activities.

If CPHCS elects to conduct oral interviews, the entire proposed Key Staff of any short-listed teams must be available to participate in these interviews. The Committee will then make a final evaluation and submit its recommendation to CPHCS. CPHCS will make a final determination and authorize negotiations with one or more of the firms that have submitted their qualifications and whose responses are most advantageous to CPHCS.

CPHCS reserves the right to seek clarification of information submitted in response to this RFP and/or request additional information during the evaluation process. CPHCS reserves the right to accept or reject any or all qualifications and selections when it is determined, in the sole discretion of CPHCS, to be in the best interest of CPHCS.

CPHCS intends to enter into the Agreement included with this RFP with the selected Contractor promptly upon selection. If the Contractor desires any revisions to the Agreement, such revisions must be submitted with the bid. The Contractor should also submit a proposed Statement of Work as Exhibit A to the Agreement. The selected Contractor will be expected to agree to all terms and conditions in the Agreement, including the Statement of Work, as revised by and included with the Contractor's bid. Prior to commencing services, the selected Contractor must sign the Agreement and provide proof of insurance. The Agreement incorporates the State's General Terms and Conditions and Contractor Certification Clauses, which are required in the contracts with all vendors providing services to the State. The Agreement is anticipated to be for a period of 24 months (with three 12 month options). At CPHCS's discretion, the Agreement may be extended as required.

6. Evaluation Criteria

The Committee will review Proposals in accordance with the following criteria. Criteria are listed in order of importance with most desirable criteria on the top of the list:

1. Industry standards combined with the least amount of effort to customize and least amount of time to begin processing claims for

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CPHCS in order to accomplish the proposed Statement of Work and revisions to the Agreement

2. Claims payment turnaround time that allows CPHCS to meet its obligations while removing the bulk of work from CPHCS staff.
3. It is desirable that the Contractor's proposal shows its client base includes some correctional health care environment
4. References that verify the Contractor's experience, capabilities and resources to perform as a TPA for medical claims processing services to programs comparable in size, scope of work, and urgency.
5. Costs that clearly delineate all requirements identified in the RFP listed on a cost sheet in the Cost Proposal. The Cost Proposal must show and cost:
 - Transaction based costs and must indicate which RFP requirements are included in these costs.
 - Any separate fees, including capital costs, start up costs, office and travel expenses that are not included in transaction based costs.
 - Any increases in fees over time, such as annual cost adjustments or other cost escalations.
 - The entire proposed reimbursement for the selected vendor.

7. Submittal Requirements

7.1 Key Action Dates

Event	Date
RFP Issued	December 10, 2008
Bidder's Conference (see below)	December 19, 2008
Deadline for questions regarding RFP	December 31, 2008
Responses to questions	January 7, 2009
Proposals due	January 15, 2009
Notification for interviews (estimated)	January 23, 2009
Interviews/demos (estimated)	Week of January 26, 2009
On site visits (estimated)	Week of February 2, 2009
Selection announced (estimated)	February 16, 2009
Estimated project start date (estimated)	February 23, 2009

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7.2 Modification or Withdrawal of Proposal

Prior to the Proposal due date, Contractors may modify or withdraw a submitted Proposal. Such modifications or withdrawals must be submitted to CPHCS in writing to holly.lasiter@cdcr.ca.gov. Any modification must be clearly identified as such and must be submitted in the same manner as the original (e.g., appropriate copies, paper size, etc.). No modifications or withdrawals will be allowed after the Proposal due date.

7.3 Public Opening

There will be NO public opening of the Proposal. However, after a contract is awarded all Proposals may be available for public review. CPHCS makes no guarantee that any or all of the Proposals will be kept confidential, even if the Proposal is marked "confidential," "proprietary," etc.

7.4 General Rules

1. Vendors must include a cost proposal that meets the requirements stated in *Section 6. Evaluation Criteria*. However, if an alternative approach is preferred by the submitting vendor, separate cost sheets that fully describe the approach and all associated costs may be also supplied. The CPHCS may at its discretion consider such alternative proposals. Any proposal that does not provide a transaction based cost model meeting RFP requirements is subject to disqualification.
2. Proposals received after the deadline will not be considered.
3. This is an RFP, not a work order. All costs associated with a response to this RFP, or negotiating a contract, shall be borne by the Contractor.
4. CPHCS's failure to address errors or omissions in the Proposals shall not constitute a waiver of any requirement of this RFP.

7.5 Reservation of Rights

CPHCS reserves the right to do the following at any time, at CPHCS's discretion:

1. Reject any and all Proposals, or cancel this RFP.
2. Waive or correct any minor or inadvertent defect, irregularity or technical error in any Proposal.

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3. Request that certain or all candidates supplement or modify all or certain aspects of their respective Proposals or other materials submitted.
4. Procure any services specified in this RFP by other means.
5. Modify the specifications or requirements for services in this RFP, or the required contents or format of the Proposals prior to the due date.
6. Extend the deadlines specified in this RFP, including the deadline for accepting Proposals.
7. Negotiate with any or none of the Contractors.
8. Terminate negotiations with a Contractor without liability, and negotiate with other Contractors.
9. Award a contract to any Contractor.

7.6 Addenda

Any questions regarding this RFP should be submitted by December 31, 2008 to holly.lasiter@cdcr.ca.gov.

Questions will be responded to in an addendum. Any necessary information not included in this RFP that is deemed necessary and relevant to responding to the RFP will also be issued in an addendum. CPHCS makes no guarantee that all questions submitted will be answered.

7.7 Bidder's Conference

An Addendum will be posted providing the place, time, and other details for attending the Bidder's Conference. The Addendum can be found on the CPHCS website at: http://www.cphcs.ca.gov/project_rfp.aspx. For those who cannot attend in person, a method for remote attendance will be provided via teleconference and/or a Web service.

Attendance is not mandatory. However, given the complexity of the claims processing environments and services required to achieve the aims of CPHCS, attendance is very much recommended. Issues that involve complexity of need, organizational culture, and technical constraints will be addressed to assist all vendors in better understanding the need.

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7.8 Proposal Format

Proposals should be clear, concise, complete, well organized and demonstrate the Contractor's qualifications.

Eleven bound copies of the Proposal should be provided. One copy of the Proposal should contain original signatures and marked ORIGINAL PROPOSAL. The Proposal should be bound into books of approximately 8-1/2" x 11" format.

The Proposal should be submitted in electronic (pdf) format on CD or electronically by e-mail, organized in the same manner as the printed submission.

The Proposal should be placed in a sealed envelope with the submitting firm's name on the outside of the envelope.

All Contractors are requested to follow the order and format specified below. Please tab each section of the submittal to correspond to the numbers/headers shown below.

Contractors are advised to adhere to submittal requirements. Failure to comply with the instructions of this RFP may be cause for rejection of submittals.

CPHCS reserves the right to waive any informality in any submittal and/or to reject any or all submittals. CPHCS reserves the right to seek clarification of information submitted in response to this RFP during the evaluation and selection process. The Committee may solicit relevant information concerning the firm's record of past performance from previous clients or consultants who have worked with the Contractor.

7.8.1 Cost Proposal Contents

The Cost Proposal should provide a proposed budget for performing all services over the duration of the contract:

1. The Cost Proposal should include a table showing the breakout of transaction fees.
2. The Cost Proposal should include estimates for fees, including all capital costs, startup costs, office and travel expenses, and a well defined escalation process.
3. Local staff is preferred for consulting services. When staff must be provided from outside the Sacramento area, demonstrate controls to

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be established to limit travel and living expenses. Travel within the state to visit facilities will be at state rates.

7.8.2 Technical Proposal Contents

The Technical Proposal must include the following items:

1. Cover Letter

A cover letter signed by an officer of the firm submitting the Proposal, or signed by another person with authority to act on behalf of and bind the Contractor. The cover letter must contain a commitment to provide the required services described with the personnel specified in the submission. The letter should certify that the information contained in the Proposal is true and correct. Please also indicate the contact person(s) for the selection process along with contact information.

2. Executive Summary

The Executive Summary must include a clear description of the primary advantages of contracting with your organization. It should also include a brief explanation of how the Contractor satisfies the evaluation criteria, and a brief statement that demonstrates Contractor's understanding of the desired services.

3. Demonstration of Contractor's Qualifications

Please provide the following information:

- Your company's name, business address and telephone numbers, including headquarters and local offices.
- A brief description of your organization, including names of principals, number of employees, longevity, client base, and areas of specialization and expertise.
- A description of your company's prior experience related to correctional and healthcare facilities.
- A description of your company's prior experience in California.
- A description of your company's specific areas of technical expertise as they relate to this RFP.
- A description of your company's internal training and quality assurance programs.

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- Your company's capacity to bring forward sufficient qualified staff to provide operational support as needed.

4. Professional References

Describe previous work of no more than three projects of comparable scope and magnitude for which you provided similar types of services. Provide complete reference information including project name, location, client, total contract amount (and firm's amount if different), principal-in-charge, day-to-day technical project director/manager, key staff, date completed, client reference (name, current position and phone number), and a brief narrative of project description for each project identified and described above. **Experience may not be considered if complete reference data is not provided or if named client contact is unavailable or unwilling to share required information.**

5. Qualifications of Technical Personnel

Submit current resumes for Key Personnel committed to this project and a statement regarding their local availability. Specifically describe previous related experience, its pertinence to this program, and provide references including the name address and telephone number of a contact person who can verify the information provided. Provide brief description of referenced project(s), as well as any professional certifications, accreditation, special licensing or other qualifications which qualifies the professional to perform in their designated area of responsibility.

6. Approach to Scope of Service

Contractor should demonstrate its ability to meet the services and requirements identified in Section 3. Scope of Services.

7. Bidder Defined Deliverables

Contractor should demonstrate its approach to implementing the phases identified in Section 3.2.2 and include an implementation schedule that identifies the timeline and key tasks for each phase.

8. Proposed Changes to Scope of Services

Contractor should provide any proposed modifications to the objectives, deliverables and timelines identified in this RFP.

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9. Agreement

Contractor should provide the Agreement, with any proposed revisions, for CPHCS review and approval. The Agreement should include a completed proposed Statement of Work as Exhibit A to the Agreement.

10. Legal Action

Contractor must provide a listing and a brief description of all material legal actions, together with any fines and penalties, for the past five (5) years in which (i) Contractor or any division, subsidiary or parent company of Contractor, or (ii) any member, partner, etc., of Contractor if Contractor is a business entity other than a corporation, has been:

1. A debtor in bankruptcy;
2. A defendant in a legal action alleging deficient performance under a services contract or in violation of any statute related to professional standards or performance;
3. A respondent in an administrative action for deficient performance on a project or in violation of a statute related to professional standards or performance;
4. A defendant in any criminal action;
5. A principal of a performance or payment bond for which the surety has provided performance or compensation to an obligee of the bond; or
6. A defendant or respondent in a governmental inquiry or action regarding accuracy of preparation of financial statements or disclosure documents.

11. Default Termination

A disclosure of whether your company has defaulted in its performance on a contract in the last five years, which has led to the termination of a contract.

12. Conflict of Interest

Identify any existing financial relationships with other vendors that may be a part of your proposal, and explain why those relationships will not constitute a real or perceived conflict of interest. CPHCS will request additional information at time of award from the Contractor that will prove the absence of any relationship that could constitute a

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conflict of interest or otherwise impede the ability of the Contractor to protect the interest of CPHCS, including but not limited to the completion of a Form 700 or its equivalent. You can view Form 700 at <http://www.fppc.ca.gov/forms/700-07-08/Form700-07-08.pdf>

Inquiries in regard to this RFP should be addressed to:

**Holly Lasiter, PMP
501 J Street
Room 225-07
Sacramento, CA 95812-4038
holly.lasiter@cdcr.ca.gov
916.764.4677**

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Appendix A - Claims Processing Bidder's Library

The following documents can be accessed from the Bidder's Library, which is located at http://www.cphcs.ca.gov/project_rfp.aspx.

1. The Federal Receiver's Turnaround Plan of Action at <http://www.cprinc.org/receiver.aspx>
2. Assessment of the California Department of Corrections and Rehabilitation's Healthcare Contracting Unit
3. Summary of Invoice and Contract Volume
4. Rate Matrix – Hospital
5. Rate Matrix – Physician
6. Sample – Data Request with data elements
7. Penal Code (PC) 5023.5
8. Disaster Recovery Plan of Action at <http://oispp.ca.gov/government/disaster.asp>

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Appendix B – Cost Proposal

Include costs that clearly delineate all requirements identified in the RFP listed on a cost sheet in the Cost Proposal. The Cost Proposal must show and cost:

- Transaction based costs and must indicate which RFP requirements are included in these costs.
- Any separate fees, including capital costs, start up costs, office and travel expenses that are not included in transaction based costs.
- Any increases in fees over time, such as annual cost adjustments or other cost escalations.
- The entire proposed reimbursement for the selected vendor.

Appendix C – Scope of Work

Please see Exhibits A through D, which will form the body of the contracted services.

Please note, the format, language, and terms and conditions cannot be replaced or supplanted by vendor contract terms and conditions.

Should there be a specific concern with a term or condition provided in the standard State Scope of Work, please red-line the items in question and indicate the nature of the concern and specify a reasonable alternative.

CPHCS reserves the right to reject any response that:

- 1) Declines the Agreement's terms and conditions in whole or in part;
OR
- 2) Replaces the Agreement's terms and conditions in whole or in part with vendor language;
OR
- 3) Proposes changes in the Agreement's terms and conditions that materially affect the services described in the Scope of Work. Changes materially affecting the Scope of Work may include items that, in the judgment of CPHCS:
 - Place undo limits on the extent, nature, or delivery of the services being bid
 - Provide an advantage to the bidder over other bidders that have accepted the Agreement's terms and conditions.

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TPA MEDICAL CLAIMS PROCESSING SERVICES AGREEMENT

This TPA Medical Claims Processing Services Agreement (“**Agreement**”) is made by and between _____ (“**TPA**”), with a principal place of business at _____, and California Prison Health Care Services (“**CPHCS**”), with a principal place of business at 501 J Street, Suite 100, Sacramento, CA 95814, effective _____, 2008 (“**Effective Date**”).

RECITALS

A. TPA is engaged in the business of providing professional claims processing management services to health care organizations.

B. The United States District Court for the Northern District of California has established a receiver to assume the executive management of the California prison medical system and raise the level of care up to constitutional standards. On January 23, 2008, the Court appointed J. Clark Kelso to serve as the receiver and granted him, among other powers, the authority to exercise all powers vested by law in the Secretary of the California Department of Corrections and Rehabilitation (“**CDCR**”) as they relate to the administration, control, management, operation, and financing of the State of California (“**State**”) prison health care system. The receivership caused the formation of CPHCS, which provides staff and infrastructure to assist the receiver in discharging his court - appointed function.

C. CPHCS and TPA desire to enter into a business relationship under which CPHCS will acquire a variety of Claims Processing Management Services (as defined below) from TPA.

NOW THEREFORE, in consideration of the promises and covenants set forth below, CPHCS and TPA agree as follows:

AGREEMENT

1. Scope and Personnel.

1.1 General. TPA shall provide to CDCR on behalf of CPHCS, in accordance with the terms and conditions of this Agreement, the medical claims processing management services, including medical, dental and mental health service claims, for CDCR's prison facilities and parole offices that are described in the Statement of Work (“**SOW**”) set forth in Exhibit A to this Agreement (“**Claims Processing Management Services**”). TPA shall submit quarterly progress reports to CPHCS, specifying its activities and milestones in the prior quarter, regarding the provision of Claims Processing Management Services.

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1.2 Use of Subcontractors. TPA shall not contract with a subcontractor (other than individuals working as independent contractors with TPA or its approved subcontractors) for the provision of Claims Processing Management Services to CPHCS without the prior written approval of CPHCS. A proposal to use a subcontractor shall identify the subcontractor and include a description of tasks to be performed by the subcontractor. TPA shall bind subcontractor to all applicable terms and conditions set forth in this Agreement. CPHCS shall have the right to revoke its prior approval of a subcontractor and direct TPA to replace such subcontractor as soon as possible if the subcontractor's performance is materially deficient, good faith doubts exist concerning the subcontractor's ability to render future performance, or there have been material misrepresentations by or concerning the subcontractor. TPA shall remain responsible for obligations performed by subcontractors to the same extent as if such obligations were performed by TPA's employees. TPA shall not disclose Confidential Information (as defined below) of CPHCS to a subcontractor unless and until such subcontractor has agreed in writing to protect the confidentiality of such Confidential Information as required of TPA under this Agreement.

1.3 Personnel Staffing. CPHCS may disapprove the continuing assignment of TPA employees, agents and subcontractors ("**TPA Personnel**") provided to CPHCS or CDCR under this Agreement. If CPHCS exercises this right, and TPA cannot immediately replace the disapproved TPA Personnel, CPHCS and TPA shall proceed with any equitable adjustment in schedule or other terms that may be affected thereby. TPA shall make every effort consistent with sound business practices to honor the specific requests of CPHCS with regard to assignment of its TPA Personnel; however, TPA reserves the sole right to determine the assignment of its TPA Personnel. If a TPA Personnel is unable to perform due to illness, resignation, or other factors beyond TPA's control, TPA will make every reasonable effort to provide suitable substitute personnel.

1.4 Non-Exclusivity. TPA may perform services similar to Claims Processing Management Services for other clients and shall not be restricted from using TPA Personnel provided under this Agreement for other clients, provided that such use does not conflict with or materially impair the performance of Claims Processing Management Services.

1.5 Notice of Likely Delay. Time is of the essence in this Agreement. TPA shall bring to the attention of CPHCS reasonably promptly after learning any fact or event that would reasonably be likely to materially adversely affect the timely completion of Claims Processing Management Services.

1.6 Independent Contractor. TPA and TPA Personnel, in the performance of this Agreement, shall act in an independent capacity and not as officers, employees or agents of CPHCS or the State.

1.7 Safety and Accident Prevention. In performing work under this Agreement, TPA shall conform to any specific safety requirements contained in the Agreement or required by law or regulation. TPA shall take any additional precautions as CPHCS

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may reasonably require for safety and accident prevention purposes. Any violation of such rules and requirements, unless promptly corrected, shall be grounds for termination of this Agreement in accordance with the default provisions hereof.

1.8 Services Within Prison Facilities. If the provisions of this Agreement require TPA Personnel to enter a prison facility, TPA shall, and shall cause any TPA Personnel to, abide by applicable laws, rules and regulations governing conduct at prison facilities and in associating with prison inmates, as communicated to TPA by CPHCS or CDCR from time to time. CPHCS, the State, or their employees shall not be liable to TPA or its staff for injuries inflicted by inmates of the State. CPHCS shall disclose to TPA any statement(s) known to CPHCS staff made by any inmate which indicates violence may result in any specific situation. If services will be performed within a prison facility, prior to the performance of contracted duties, TPA Personnel may be required to be examined or tested or medically evaluated for TB in an infectious or contagious stage, and at least once a year thereafter or more often as directed by CPHCS or CDCR. TPA Personnel may be required to furnish to CPHCS or CDCR, at no cost to CPHCS or CDCR, a Tuberculin Skin Test (TST) and evaluation, prior to assuming their contracted duties and annually thereafter, showing that TPA Personnel have been examined and found free of TB in an infectious stage.

1.9 Priority Hiring Considerations. If compensation for Claims Processing Management Services exceeds \$200,000, TPA shall give priority consideration in filling vacancies in positions funded by this Agreement to qualified recipients of aid under Cal. Welf. and Inst. Code § 11200, in accordance with Cal. Public Contracts Code ("**PCC**") § 10353, if applicable.

1.10 Stop Work. CPHCS may, at any time, by written notice to TPA, require TPA to stop all, or any part, of the work called for by this Agreement for a period up to ninety (90) days after the notice is delivered to TPA, and for any further period to which CPHCS and TPA may agree. The notice shall be specifically identified as a "Stop Work Order" and shall indicate it is issued under this clause. Upon receipt of the Stop Work Order, TPA shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the Stop Work Order during the period of work stoppage. Within a period of ninety (90) days after a Stop Work Order is delivered to TPA, or within any extension of that period to which CPHCS and TPA shall have agreed, CPHCS shall either: (i) cancel the Stop Work Order; or (ii) terminate the work covered by the Stop Work Order as provided for in the termination for convenience provision of this Agreement. If a Stop Work Order issued under this clause is canceled or the period of the Stop Work Order or any extension thereof expires, TPA shall resume work. CPHCS shall make an equitable adjustment in the delivery schedule, the Agreement price, or both, and the Agreement shall be modified, in writing, accordingly, if: (i) the Stop Work Order results in an increase in the time required for, or in TPA's cost properly allocable to, the performance of any part of this Agreement; and (ii) TPA asserts its right to an equitable adjustment within thirty (30) days after the end of the period of work stoppage; provided, that if CPHCS decides the facts justify the action, CPHCS may receive and act upon a proposal submitted at any

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time before final payment under this Agreement. If a Stop Work Order is not canceled and the work covered by the Stop Work Order is terminated, CPHCS shall allow reasonable costs resulting from the Stop Work Order in arriving at the termination settlement. CPHCS shall not be liable to TPA for loss of profits because of a Stop Work Order issued under this clause.

2. Payment.

2.1 Compensation. CPHCS shall pay TPA for the furnishing of Claims Processing Management Services in the amounts and on the terms set forth in the SOW; provided, that, the consideration to be paid TPA, as provided in the SOW, shall be in compensation for all of TPA's expenses incurred in the performance of Claims Processing Management Services, including travel, per diem, and taxes, unless otherwise expressly so provided.

2.2 Required Payment Date. CPHCS shall pay properly submitted invoices from TPA not more than 45 days after (i) the date of performance of Claims Processing Management Services invoiced; or (ii) receipt of an invoice, whichever is later; provided, however, CPHCS shall be entitled to withhold payment of any charges that are subject to a good faith dispute between the parties until the resolution of such dispute.

3. Warranties. TPA represents and warrants that:

3.1 Personnel. Claims Processing Management Services will be performed in a professional manner consistent with generally accepted industry standards. TPA Personnel assigned to provide Claims Processing Management Services will have the proper expertise, skills, training and professional education to perform the services required under this Agreement in a professional manner and consistent with generally accepted industry standards.

3.2 Permits. TPA will obtain and keep current, at TPA's expense, all governmental permits, certificates and licenses (including professional licenses, if applicable) necessary for TPA to perform its obligations under this Agreement. TPA shall make applicable Claims Processing Management Services delivered under this Agreement compliant with the applicable federal and state regulatory requirements.

3.3 Conformance with Agreement. TPA will substantially conform to the statements of fact, representations of available resources, representations of service levels and other representations made in this Agreement, including the SOW and any other exhibits or attachments to this Agreement.

3.4 Covenant Against Gratuities. No gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by TPA, or any agent or representative of TPA, to any officer or employee of CPHCS or the State with a view toward securing the Agreement or securing favorable treatment with respect to any determinations concerning the performance of the Agreement. For breach or violation of this warranty, CPHCS shall

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have the right to terminate the Agreement, either in whole or in part, and any loss or damage sustained by CPHCS or the State in procuring on the open market any items which TPA agreed to supply shall be borne and paid for by TPA. The rights and remedies of CPHCS provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or in equity.

3.5 Americans with Disabilities Act. TPA complies and shall continue to comply with the Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 et seq).

3.6 Corporate Qualifications to do Business in California. TPA is currently qualified to do business in California.

3.7 Expatriate Corporations. TPA is not an expatriate corporation or subsidiary of an expatriate corporation within the meaning of PCC §§ 10286 and 10286.1 and is eligible to contract with CPHCS.

4. Term and Termination.

4.1 Term. This Agreement shall continue in effect for an initial term of twenty four (24) months, commencing upon the Effective Date. After the initial term, CPHCS may renew this Agreement for an additional one-year term by providing TPA with written notice at least sixty (60) days prior to the expiration of the initial term.

4.2 Termination For Convenience. CPHCS may terminate this Agreement for convenience at any time by giving TPA at least sixty (60) days prior written notice.

4.3 Termination For Breach. CPHCS or TPA may terminate this Agreement if CPHCS or TPA, as applicable, notifies the other party to this Agreement in writing of the other party's material breach of the Agreement and such breach is not cured within thirty (30) days of such notice. Termination shall not limit either party from pursuing other available remedies.

5. Obligations Upon Termination; Termination Assistance. Notice of termination shall not relieve TPA from performing outstanding duties under this Agreement and shall not relieve CPHCS from its obligation to pay fees outstanding. Upon any termination or expiration of this Agreement other than termination without cause by CPHCS, TPA shall provide reasonable termination assistance and shall comply with the reasonable directions of CPHCS to facilitate the orderly transition and migration from TPA to CPHCS or a third-party. TPA shall commence providing termination assistance services upon the delivery of the notice of termination. TPA shall continue providing termination assistance services for a period of not more than one hundred eighty (180) days after termination. CPHCS shall pay TPA for termination assistance services in the amounts and on the terms set forth in the SOW.

6. Intellectual Property Rights. All Deliverables, as defined in the SOW, originated or prepared by TPA pursuant to this Agreement, including but not limited to papers,

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reports, charts and other documentation, shall be delivered to and shall become the exclusive property of CPHCS. The ideas, concepts, know-how, or techniques relating to the subject matter of each Deliverable can be used by either party in any way it may deem appropriate. All inventions, discoveries or improvements of the Deliverables shall be the property of the State and/or CPHCS. This Agreement shall not preclude TPA from developing materials outside this Agreement, which are competitive to the Deliverables, irrespective of their similarity to Deliverables which might be delivered to the State and/or CPHCS. All preexisting intellectual property, copyrights, trademarks and products of TPA shall be the sole property of TPA ("**TPA IP**"). Except as otherwise specifically stated in this Section 6, TPA shall retain all right, title and interest in and to all TPA IP. However, to the extent TPA IP is incorporated into a Deliverable or required to fully exploit such Deliverable for the purposes intended by TPA and CPHCS under the SOW, TPA hereby grants to the State and/or CPHCS a perpetual, irrevocable, fully paid up, royalty free, transferable, sub-licensable worldwide, non-exclusive right and license to use the TPA IP, as incorporated into the Deliverable, for such purpose.

7. Audit. CPHCS or its designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of the Claims Processing Management Services under this Agreement. TPA shall: (i) maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is stipulated; (ii) upon reasonable prior written notice, allow the auditor(s) access to such records during normal business hours; (iii) allow interviews of any employees who might reasonably have information related to such records; and (iv) include a similar right of CPHCS to audit records and interview staff in any subcontract related to performance of this Agreement. All non-State auditors will be required to comply with TPA's policies and procedures, including agreement in writing by each individual participating in the audit or examination to abide by TPA's confidentiality and security requirements.

8. Damage to Persons or Property. TPA shall be liable for damages arising out of injury to the person and/or damage to the property of CPHCS, the State, employees of the State, persons designated by the State for training, or any other person(s) other than agents or employees of TPA, designated by the State for any purpose, during or subsequent to the provision of Claims Processing Management Services, either at TPA's site or at the State's or CPHCS's place of business, but only to the extent that the injury or damage was caused by the fault or negligence of TPA.

9. Indemnification. TPA shall indemnify, defend and save harmless CPHCS, the State, their officers, agents and employees from any and all claims and losses accruing or resulting to any person, firm or corporation who may be injured or damaged by TPA in the performance of this Agreement.

10. Insurance. TPA shall maintain, at its own cost, those insurance coverages set forth in Exhibit B to this Agreement and comply with the terms of Exhibit B.

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11. Circumstances Beyond Control/ Disclaimer of Liability. Except for the payment of money, neither party shall be deemed in default of this Agreement to the extent that any delay or failure in performance of its obligations results from strikes, shortages, riots, insurrection, fires, flood, storm, explosion, acts of God, war, government act ion, earthquakes, acts of terrorism, or any other cause which is beyond the reasonable control of such party. Negligence by either party is not to be considered a circumstance beyond the party's reasonable control. EXCEPT FOR ANY CLAIM, LOSS OR DAMAGE ARISING UNDER SECTIONS 9 OR 12 OF THIS AGREEMENT, IN NO EVENT SHALL TPA'S LIABILITY FOR ANY CLAIMS, LOSSES OR DAMAGES (WHETHER IN CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT (IN WHOLE OR IN PART), OR SOW OR EXHIBIT HERETO, OR ANY SERVICES PROVIDED HEREUNDER OR OTHERWISE TO CPHCS, EXCEED TWICE THE AMOUNT PAYABLE OVER THE INITIAL TERM OF THIS AGREEMENT TO TPA. EXCEPT FOR ANY CLAIM, LOSS OR DAMAGE ARISING UNDER SECTIONS 9 OR 12 OF THIS AGREEMENT, UNDER NO CIRCUMSTANCES WHATSOEVER WILL TPA BE LIABLE FOR SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES OF ANY KIND, ON ANY THEORY OF LIABILITY, INCLUDING, WITHOUT LIMITATION, LOST PROFITS OR LOSSES RESULTING FROM BUSINESS INTERRUPTION OR LOSS OF DATA, EVEN IF TPA HAS BEEN ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF SUCH DAMAGES, HOWEVER CAUSED.

12. Confidentiality.

12.1 Confidential Information. Each party receiving Confidential Information of the other party ("**Recipient**") shall retain in confidence and require its employees, agents and subcontractors to retain in confidence all Confidential Information of a party that discloses Confidential Information ("**Discloser**"). "**Confidential Information**" means information of a confidential or proprietary nature, in written, oral or other form, which is directly related to the business of the Discloser, whether or not such information has been marked by Discloser as "confidential" or "proprietary" . Recipient shall retain Discloser's Confidential Information in the same manner Recipient retains its own Confidential Information, but in no event less secure than a reasonable manner. All Confidential Information shall be protected by the Recipient from unauthorized use and disclosure. Confidential Information shall remain the sole property of the Discloser and shall not be disclosed to any third party without Discloser's express written consent (except, solely for Recipient's internal business needs, to consultants and subsidiaries who are bound by a written agreement with Recipient to maintain the confidentiality of such Confidential Information in a manner consistent with this Agreement).

Notwithstanding the foregoing, the Recipient shall not be required to keep confidential any data or information which is or becomes publicly available, is already rightfully in Recipient's possession, is independently developed by Recipient outside the scope of this Agreement, or is rightfully obtained from third parties.

12.2 HIPAA and Privacy Law Compliance. All inmate/patient medical information and data is the Confidential Information of CPHCS or the State. TPA shall comply with all

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applicable patient privacy laws, including, but not limited to, California Civil Code §§ 56 et seq. and the Health Insurance Portability and Accountability Act and its regulations (“HIPAA”). TPA shall comply with the Business Associate Addendum set forth in Exhibit C to this Agreement. For the purposes of the Business Associate Addendum, CDCR shall be a third party beneficiary.

12.3 Mandatory Reference. Notwithstanding Section 12.1 above, TPA shall publicize the fact that CPHCS is a customer, list CPHCS's name on TPA's standard customer lists and include CPHCS as a reference with all future governmental customers and potential customers.

13. Nondiscrimination. During the performance of this Agreement, TPA and its subcontractors shall not unlawfully discriminate, harass or allow harassment, against any employee or applicant for employment because of sex, sexual orientation, race, color, ancestry, religious creed, national origin, disability (including HIV and AIDS), medical condition (cancer), age, marital status, and denial of family care leave. TPA and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. TPA and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Cal. Gov. Code § 12990 et seq.) and the applicable regulations promulgated thereunder (2 C.C.R. §§ 7285.0 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Cal. Gov. Code § 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. TPA and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. TPA shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

14. National Labor Relations Board Certification. TPA swears under penalty of perjury that no more than one final, unappealable finding of contempt of court by a federal court has been issued against TPA within the immediately preceding two-year period because of TPA's failure to comply with an order of the National Labor Relations Board. This provision is required by, and shall be construed in accordance with, PCC § 10296.

15. Drug-Free Workplace Certification. TPA shall comply with the requirements of the Drug-Free Workplace Act of 1990 (Cal. Gov. Code § 8350 et seq.) and will provide a drug-free workplace by taking the following actions: (a) publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, as required by Cal. Gov. Code § 8355(a); (b) establish a Drug-Free Awareness Program as required by Cal. Gov. Code § 8355(b) to inform employees about all of the following: (i) the dangers of drug abuse in the workplace; (ii) the person's or organization's policy of maintaining a drug-free workplace; (iii) any available counseling, rehabilitation and employee assistance programs; and, (iv) penalties that

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may be imposed upon employees for drug abuse violations ; (c) provide, as required by Cal. Gov. Code § 8355(c), that every employee who works on the proposed or resulting Agreement: (i) will receive a copy of the company's drug-free policy statement; and, (ii) will agree to abide by the terms of the company's statement as a condition of employment on the Agreement.

16. Sweatfree Code of Conduct. TPA declares under penalty of perjury that no equipment, materials, or supplies furnished to CPHCS pursuant to the Agreement have been produced in whole or in part by sweatshop labor, forced labor, convict labor, indentured labor under penal sanction, abusive forms of child labor or exploitation of children in sweatshop labor, or with the benefit of sweatshop labor, forced labor, convict labor, indentured labor under penal sanction, abusive forms of child labor or exploitation of children in sweatshop labor. TPA further declares under penalty of perjury that it adheres to the Sweatfree Code of Conduct as set forth on the California Department of Industrial Relations website, located at www.dir.ca.gov, and PCC § 6108. TPA shall cooperate fully in providing reasonable access to its records, documents, agents or employees, or premises if reasonably required by authorized officials of CPHCS, the State, the Department of Industrial Relations, or the Department of Justice to determine TPA's compliance with the requirements under this section.

17. Recycling Certification. TPA shall certify in writing under penalty of perjury, the minimum, if not exact, percentage of post consumer material as defined in the PCC § 12200, in products, materials, goods, or supplies offered or sold to CPHCS, regardless of whether the product meets the requirements of Section 12209. With respect to printer or duplication cartridges that comply with the requirements of Section 12156(e), the certification required by this subdivision shall specify that the cartridges so comply.

18. Child Support Compliance Act. TPA shall fully comply with all applicable State and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with Section 5200) of Part 5 of Division 9 of the Family Code, and TPA, to the best of its knowledge, is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

19. Domestic Partners. TPA may elect to offer domestic partner benefits to TPA's employees in accordance with PCC § 10295.3. However, TPA cannot require an employee to cover the costs of providing any benefits, which have otherwise been provided to all employees regardless of marital or domestic partner status.

20. Conflict of Interest. TPA shall comply with the State law provisions in PCC §§10410 and 10411 regarding the hiring or engagement of current or former State employees to furnish services under or be involved with this Agreement. If TPA violates any provisions of §§ 10410 and 10411, this Agreement shall be void pursuant to PCC § 10420.

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21. Air or Water Pollution Violation. Under the State law, TPA shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

22. Third Party Beneficiary. Except as otherwise provided, nothing in this Agreement shall be construed as giving any third party any right, remedy or claim.

23. Attorneys Fees and Costs. If any dispute arises out of or related to this Agreement, the prevailing party shall recover all reasonably incurred attorneys' fees and costs.

24. Complete Integration. All exhibits and attachments to this Agreement are hereby incorporated into and made a part of this Agreement as if fully set forth in the body of the Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior and contemporaneous agreements, representations and understandings of TPA and CPHCS.

25. Agreement Modification. No supplement, modification, amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or agreement not incorporated in the Agreement is binding on the parties.

26. Severability. If any provision of this Agreement is declared unlawful, void or unenforceable, then that provision shall be severed and will not affect the validity and enforceability of the remaining provisions. Either party having knowledge of such term or provision shall promptly inform the other of the presumed non -applicability of such provision.

27. Governing Law and Venue. This Agreement shall be governed by and shall be interpreted in accordance with the laws of the State of California, without reference to its principles or rules of conflicts of laws. The federal and state courts in Sacramento, California shall have venue and jurisdiction over any dispute arising under this Agreement.

28. Assignment. Neither party may assign this Agreement, in whole or in part, without the prior written consent of the other party, except that CPHCS may assign, sublicense or otherwise transfer this Agreement or any right granted under this Agreement without the prior written consent of TPA to the CDCR or any agency of the State of California which is established to meet the requirements and obligations of the CDCR or is a successor to the responsibilities of CPHCS. This Agreement and the conditions contained herein shall apply to, be binding upon, and inure to the assignees, successors, agents and assigns of TPA and CPHCS.

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29. Waiver of Rights. Any action or inaction by CPHCS or failure of CPHCS on any occasion to enforce any right or provision of the Agreement shall not be construed to be a waiver by CPHCS of its rights hereunder and shall not prevent CPHCS from enforcing such provision or right on any future occasion. The rights and remedies of CPHCS herein are cumulative and are in addition to any other rights or remedies that CPHCS may have at law or equity.

30. Construction. This Agreement shall not be construed against the party preparing it, but shall be construed as if both CPHCS and TPA jointly prepared this Agreement, and any uncertainty and ambiguity shall not be interpreted against a party.

31. Notice. Except where otherwise provided herein, notices provided for herein shall be in writing and sent via certified mail, return receipt requested to the contact addresses set forth on the signature page. Notice shall be deemed to have been given upon delivery (by post or facsimile) with confirmation of receipt (unless received after 5 pm in the place of receipt, in which case receipt shall be deemed to have occurred on the next business day).

32. Survival. The following Sections of this Agreement shall survive any expiration or termination of this Agreement: 5, 6, 9, 10, 12, 22-32.

33. Execution. By their signature below, each of the following represent that they have authority to execute this Agreement and to bind the party on whose behalf their execution is made. This Agreement may be signed in counterparts, each complete set of which shall constitute an original. Facsimile signatures will have the same force and effect as originals.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date specified below.

CALIFORNIA PRISON HEALTH CARE SERVICES

By

By

Printed Name:

Printed Name:

Title: Title:

Date:

Date:

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EXHIBIT A
Statement of Work (“SOW”)

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EXHIBIT B

Insurance Prior to TPA commencing providing Claims Processing Management Services to CPHCS, and continuing for a period of at least three (3) years following completion of the Claims Processing Management Services, TPA shall, at its sole cost and expense, carry and maintain employer's liability insurance, comprehensive general liability insurance, professional liability insurance and automobile liability insurance (including coverage for owned, non -owned and hired autos) on an "occurrence" basis. Such insurance shall conform to the following requirements:

1. Workers' Compensation. Statutory Workers' Compensation covering all employees and complying with all laws of California, and Employer's Liability Insurance with a minimum limit of One Million Dollars (\$1,000,000).
2. Commercial General Liability. Commercial General Liability providing for a limit of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate for bodily injury or property damage combined.
3. Professional Liability. Professional Liability insurance including coverage for any errors or omissions caused by negligence in the performance of duties under this Agreement, providing for a limit of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate.
4. Automobile. Commercial Automobile Liability insurance coverage in the sum of not less than One Million Dollars (\$1,000,000) per accident for bodily injury and property damage combined, including coverage for owned, non -owned, and hired automobiles. TPA shall supply CPHCS with certificates evidencing such insurance and showing CPHCS and the State of California (and any other party identified as an indemnified party) as additional insured parties under the comprehensive general liability insurance and automobile insurance policies with respect to the Claims Processing Management Services and providing for sixty (60) days' written notice to CPHCS prior to cancellation or modification thereof. TPA's insurance shall be primary, with any insurance maintained by an additional insured party being non -contributory.

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EXHIBIT C
Business Associate Addendum

WHEREAS, TPA, hereinafter referred to in this Exhibit C as “**Business Associate**,” acknowledges that the CDCR, hereinafter referred to in this Exhibit as “**Covered Entity**,” has in its possession data that contains individual identifiable health information as defined by Health Insurance Portability and Accountability Act of 1996, as amended, and the regulations promulgated thereunder (“**HIPAA**”);

WHEREAS, Business Associate acknowledges that the fulfillment of the its obligations under the Health Information Management Agreement (the “**Agreement**”) may necessitate the exchange of, or access to, data including individual identifiable health information; and,

WHEREAS, the parties desire to comply with federal and California laws regarding the use and disclosure of individually identifiable health information, and in particular with the provisions of HIPAA.

NOW, **THEREFORE**, in consideration of the mutual promises and covenants hereinafter contained, the parties agree as follows:

ARTICLE 1

DEFINITIONS

Terms used, but not otherwise defined, in this Exhibit shall have the meanings set forth below.

1.1 “Individual” means the subject of protected health information or, if deceased, his or her personal representative.

1.2 “Parties” shall mean the Covered Entity and Business Associate. (Covered Entity and Business Associate, individually, may be referred to as a “Party”.)

1.3 “Privacy Rule” shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, Subparts A and E.

1.4 “PHI” shall have the same meaning as the term “protected health information” in 45 CFR §164.501, limited to the information created or received by Business Associate from or on behalf of the Covered Entity.

1.5 “Required By Law” shall have the same meaning as “required by law” in 45 CFR §164.501.

1.6 “Secretary” shall mean the Secretary of the Department of Health and Human Services or his or her designee. Any other terms used, but not otherwise defined, in this Exhibit shall have the same meaning as those terms in the Privacy Rule.

ARTICLE 2

CONFIDENTIALITY

2.1 Obligations and Activities of Business Associate.

Business Associate shall:

- (a) not use or further disclose PHI other than as permitted or required by this Addendum, the Agreement or as Required By Law;
- (b) establish, maintain, and use appropriate safeguards to prevent use or disclosure of the PHI other than as permitted herein;
- (c) report to Covered Entity any use, access or disclosure of the PHI not provided for by this Addendum, or any misuse of the PHI, including but not limited to systems compromises of which it becomes aware and to mitigate, to the extent practicable, any harmful effect that is known to Business Associate as a result thereof. Business Associate shall be responsible for any and all costs (including the costs of Covered Entity) associated with mitigating or remedying any violation of this Addendum;
- (d) enforce and maintain appropriate policies, procedures, and access control mechanisms to ensure that any agent, including a subcontractor, to whom it provides PHI received from, or created or received by Business Associate on behalf of Covered Entity agrees to the same restrictions and conditions that apply through this Addendum to Business Associate with respect to such information. The access and privileges granted to any such agent shall be the minimum necessary to perform the assigned functions;
- (e) provide access, at the request of Covered Entity, and in the time and manner reasonable designated by Covered Entity, to PHI in a Designated Record Set (as defined in the Privacy Rule), to Covered Entity or, as directed by Covered Entity, to meet the requirements under 45 CFR §164.524 to the extent Business Associate maintains PHI in a Designated Record Set;
- (f) make any amendment(s) to PHI in a Designated Record Set that the Covered Entity directs or agrees to pursuant to 45 CFR §164.526 at the request of Covered Entity or an Individual, and in the time and manner reasonably requested by Covered Entity to the extent Business Associate maintains PHI in a Designated Record Set.
- (g) make internal practices, books, and records relating to the use and disclosure of PHI received from, or created or received by Business Associate on behalf of, Covered Entity available to the Covered Entity, or at the request of the Covered Entity to the Secretary, in a time and manner reasonably requested by Covered Entity or designated

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by the Secretary, for purposes of the Secretary determining Covered Entity's compliance with the Privacy Rule, subject to any applicable legal privilege.

(h) document such disclosures of PHI, and information related to such disclosures, as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 CFR §164.528. Said documentation shall include, but not be limited to, the date of the disclosure, the name and, if known, the address of the recipient of the PHI, a brief description of the PHI disclosed, if known, and the purpose of the disclosure. Said documentation shall be made available to Covered Entity upon request.

(i) provide to Covered Entity, in a time and manner reasonably requested by Covered Entity, information collected in accordance with Section 2.1

(h) above to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 CFR §164.528.

(j) promptly notify Covered Entity of all actual or suspected instances of deliberate unauthorized attempts (both successful and unsuccessful) to access PHI. Such notice shall be made to Covered Entity by telephone as soon as practicable after Business Associate becomes aware of the unauthorized attempt, and this telephone notification shall be followed within two (2) business days of the discovery of the unauthorized attempt by a written report to Covered Entity from Business Associate. Business Associate shall, at the same time, report to Covered Entity any remedial action taken, or proposed to be taken, with respect to such unauthorized attempt. Covered Entity shall have the reasonable discretion to determine whether or not any such remedial action is sufficient, and all such remedial action shall be at Business Associate's expense.

(k) maintain and enforce policies, procedures and processes to protect physical access to hardware, software and/or media containing PHI (e.g., hardcopy, tapes, removable media, etc.) against unauthorized physical access during use, storage, transportation, disposition and /or destruction.

(l) ensure that access controls in place to protect PHI and processing resources from unauthorized access are controlled by two -factor identification and authentication: a user ID and a Token, Password or Biometrics.

(m) implement, use and monitor its compliance with appropriate technological, administrative and physical safeguards to prevent the use or disclosure of PHI other than as permitted by this Addendum. Business Associate shall provide Covered Entity with evidence of such safeguards upon Covered Entities request. Covered Entity has the right to determine, in its reasonable discretion, whether such safeguards are appropriate, and to require any additional safeguards reasonably necessary to bring Business Associate into compliance with the Privacy Rule.

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(n) If Business Associate is served with legal process (e.g. a subpoena) or request from a governmental agency (e.g. the Secretary) that potentially could require the disclosure of PHI, Business Associate shall provide prompt (i.e., within two (2) business days) written notice (to the extent permitted by law and not prohibited by such governmental agency) of such legal process (including a copy of the legal process served) to the designated person at the Covered Entity. In addition, Business Associate shall not disclose the PHI without the consent of Covered Entity unless pursuant to a valid and specific court order or to comply with a requirement for review of documents or data by a governmental regulatory agency under its statutory or regulatory authority to regulate the activities of either party.

(o) to the extent Business Associate maintains any PHI on its premises, submit to periodic audits by Covered Entity in accordance with the terms of the Agreement verifying Business Associate's compliance with appropriate technological, administrative and physical safeguards to prevent the use or disclosure of PHI other than as permitted by this Addendum, as well as compliance with the terms and conditions pursuant to this Addendum and compliance with state and federal privacy and security laws and regulations related to PHI. Such audit review may be undertaken directly by the Covered Entity or by third parties engaged by the Covered Entity. Business Associate shall cooperate fully with Covered Entity or any such third party in connection with such audits at Covered Entity's expense.

2.2 Disclosures Required By Law. If Business Associate is required by law to disclose PHI, Business Associate will immediately provide Covered Entity with written notice in accordance with Section 2.1(n) above (to the extent permitted by law and not prohibited by such governmental agency) and provide Covered Entity an opportunity to oppose any request for such PHI or to take whatever action Covered Entity deems appropriate.

2.3 Specific Use and Disclosure Provisions.

(a) Except as otherwise limited in this Addendum, Business Associate may use PHI only to carry out the responsibilities of the Business Associate under the Agreement and for the proper internal management and administration of Business Associate. (b) Except as otherwise limited in this Addendum, Business Associate may only disclose PHI (i) as Required By Law, or (ii) in the fulfillment of its obligations under the Agreement and provided that Business Associate has first obtained (A) the consent of Covered Entity for such disclosure, (B) reasonable assurances from the person to whom the information is disclosed that the PHI will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and (C) reasonable assurances from the person to whom the information is disclosed that such person will notify the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

2.4 Obligations of Covered Entity.

(a) Covered Entity will notify Business Associate of any limitations in its notice of privacy practices of Covered Entity in accordance with 45 CFR §164.520, to the extent that such limitation may affect Business Associate's use or disclosure of PHI.

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(b) Covered Entity will notify Business Associate of any changes in, or revocation of, permission by an Individual to use or disclose PHI, to the extent that such changes may affect Business Associate's use or disclosures of PHI.

(c) Covered Entity will notify Business Associate of any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 CFR §164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

(d) For any PHI received by Covered Entity from Business Associate on behalf of a third party or another covered entity, Covered Entity will be bound to the obligations and activities of Business Associate enumerated in Section 2.1 as if and to the same extent Covered Entity was the named Business Associate hereunder.

2.5 Permissible Requests by Covered Entity. Covered Entity shall not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Privacy Rule if done by the Covered Entity.

2.6 Policy and Procedure Review. Upon request, Business Associate shall make available to Covered Entity any and all documentation relevant to the safeguarding of PHI including but not limited to current policies and procedures, operational manuals and/or instructions, and/or employment and/or third party agreements.

ARTICLE 3

SECURITY

3.1 Security Procedures. Each Party shall employ security procedures that comply with HIPAA and all other applicable state and federal laws and regulations (collectively, the "Law") and that are commercially reasonable, to ensure that transactions, notices, and other information that are electronically created, communicated, processed, stored, retained or retrieved are authentic, accurate, reliable, complete and confidential. Moreover, each Party shall, and shall require any agent or subcontractor involved in the electronic exchange of data to:

(a) require its agents and subcontractors to provide security for all data that is electronically exchanged between Covered Entity and Business Associate; (b) provide, utilize, and maintain equipment, software, services and testing necessary to assure the secure and reliable transmission and receipt of data containing PHI; (c) maintain and enforce security management policies and procedures and utilize mechanisms and processes to prevent, detect, record, analyze, contain and resolve unauthorized access attempts to PHI or processing resources; (d) maintain and enforce policies and guidelines for workstation use that delineate appropriate use of workstations to maximize the security of data containing PHI; (e) maintain and enforce policies, procedures and a formal program for periodically reviewing its processing infrastructure for potential security vulnerabilities; (f) implement and maintain, and require its agents and subcontractors to implement and maintain, appropriate and effective administrative, technical and physical safeguards to

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protect the security, integrity and confidentiality of data electronically exchanged between Business Associate and Covered Entity, including access to data as provided herein. Each Party and its agents and subcontractors shall keep all security measures current and shall document its security measures implemented in written policies, procedures or guidelines, which it will provide to the other Party upon the other Party's request.

ARTICLE 4

MISCELLANEOUS

4.1 Indemnification. Subject to the limitations set forth in the Agreement, Business Associate shall indemnify, defend, and save harmless the State, CDCR, and CDCR's officers, employees and agents, against any and all losses, liabilities, settlements, claims, demands, damages, or deficiencies (including interest) and expenses of any kind (including, but not limited to, reasonable attorneys' fees) arising out of or due to a breach by Business Associate or its subcontractors and agents of the terms of this Addendum, and arising out of Business Associate's negligent acts or omissions in regard to the terms of this Exhibit to the Agreement. The foregoing indemnity is in addition to any other save harmless or indemnification set forth in the Agreement.

4.2 Term and Termination.

(a) Term. The Term of this Addendum shall be effective as of the first date of commencement of Claims Processing Management Services under the Agreement, and shall terminate when all of the PHI provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy PHI, protections are extended to such information, in accordance with the termination provisions in this Section.

(b) Termination for Cause. Upon a material breach by Business Associate of this Business Associate Addendum, Covered Entity may (i) terminate this Business Associate Addendum and the Agreement; (ii) permit Business Associate to cure the breach; (iii) report the violation to the Secretary; and/or (iv) require Business Associate to take such other action as Covered Entity may request, at Business Associate's expense.

(c) Effect of Termination. (i) Except as provided in paragraph 4.2(c)(ii), upon termination of this Business Associate Addendum, for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to PHI that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the PHI.

(ii) If Business Associate determines that returning the PHI is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon Covered Entity's agreement that return or destruction of

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PHI is infeasible, Business Associate shall extend the protections of this Addendum to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such PHI.

4.3 Injunctive Relief. Notwithstanding any rights or remedies provided for in Section 4.3, Covered Entity retains all rights to seek injunctive relief to prevent the unauthorized use or disclosure of PHI by Business Associate or any agent, TPA or third party that received PHI from Business Associate.

4.4 Regulatory References. A reference in this Addendum to a section in the Privacy Rule means the section as in effect or as amended.

4.5 Amendment. The Parties shall take such action as is necessary to amend this Addendum from time to time to the extent necessary for Covered Entity to comply with the requirements of HIPAA and its regulations. All amendments to this Exhibit shall be in writing and signed by both parties through a formal amendment to the entire agreement.

4.6 Survival. The respective rights and obligations of Business Associate and Covered Entity under Sections 4.1 and 4.2(c) of this Addendum shall survive the termination of this Addendum.