CONTRACT SUMMARY SHEET

060706

RFS #	Contract #
318.65-247-08	FA-08- 22466-00

State Agency	State Agency Division
Department of Finance and Administration	Bureau of TennCare

Contractor Name	Contractor ID # (FEIN or SSN)
Keystone Peer Review, Inc.	☐ C- or X V- 23-2348176 00

Service Description

Provision of a TennCare Recipient Appeals Process

Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
September 15, 2007	September 14, 2010	vendor	93.778 Dept. of Health & Human Services/Title XIX

Mark Each TRUE Statement

X Contractor is on STARS

X Contractor's Form W-9 is on file in Accounts

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
318.65	118	083	11		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2008	$3,030,600.00	$3,030,600.00			$6,061,200.00
2009	$3,883,553.00	$3,883,553.00			$7,767,106.00
2010	$3,956,579.00	$3,956,579.00			$7,913,158.00
2010	$827,492.00	$827,492.00			$1,654,984.00
TOTAL:	$11,698,224.00	$11,698,224.00			**$23,396,448.00**

OCR RELEASED
AUG 20 2007
TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —

FY	Base Contract & Prior Amendments	THIS Amendment ONLY
TOTAL:		
End Date:		

State Agency Fiscal Contact & Telephone #

Scott Pierce
507-6415

State Agency Budget Officer Approval

Funding Certification (certification, required by T.C.A., § 9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)

RECEIVED
AUG 16 AM 10 25
CONTROLLER'S OFFICE
OFFICE OF MANAGEMENT SERVICES

Contractor Ownership (complete only for base contracts with contract # prefix, FA or GR)

☐ African American ☐ Person w/ Disability ☐ Hispanic ☐ Small Business ☐ NOT minority/disadvantaged
☐ Asian ☐ Female ☐ Native American ☐ OTHER minority/disadvantaged—

Contractor Selection Method (complete for ALL base contracts— N/A to amendments or delegated authorities)

X RFP ☐ Competitive Negotiation ☐ Alternative Competitive Method
☐ Non-Competitive Negotiation ☐ Negotiation w/ Government (e.g., ID, GG, GU) ☐ Other

Procurement Process Summary (complete for selection by Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)

CONTRACT
BETWEEN THE STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
AND
KEYSTONE PEER REVIEW ORGANIZATION, INC.

This Contract, by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the "State" or "TennCare" and Keystone Peer Review Organization, Inc., hereinafter referred to as the "Contractor," is for the provision of a TennCare recipient-appeals process that fully complies with constitutional due process and with applicable state and federal law, as further defined in the "SCOPE OF SERVICES."

The Contractor is A FOR-PROFIT CORPORATION. The Contractor's address is:
777 East Park Drive, Harrisburg, Pa.

Contractor Vendor Identification Number: 23-2348176
Contractor Address: 777 East Park Drive, Harrisburg, Pa., 17111
Contractor Place of Incorporation or Organization: Pennsylvania

A. SCOPE OF SERVICES:

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

A.1. The Contractor shall monitor a TennCare recipient-appeals process that fully complies with constitutional due process and with applicable state and federal law. The Contractor shall have total responsibility for hiring and management of any and all contractor staff as determined necessary to perform the services in accordance with the terms of this Contract. The Contractor will not in any way be responsible for the hiring or performance of any employee of the Bureau of TennCare and will have no authority over TennCare employees. All Contractor staff shall be located at the Bureau of TennCare Central office, 310 Great Circle Road, Nashville, Tennessee.

A.2. The Contractor must provide a proposed staffing plan for review and approval by TennCare that shall include, at a minimum, key staff identified below and corresponding job descriptions in Attachment 1:

A.2.1. An on site, Tennessee licensed, Medical Director to assume Contractor operational responsibilities and to provide medical leadership and expertise in conformity with TennCare policy, state and federal regulations, laws, court orders, and in accord with the direction of the Bureau of TennCare Chief Medical Officer;

A.2.2. An Executive Director to oversee Contractor operations and coordinate operations with TennCare;

A.2.3. An Information Systems Manager to oversee reporting and to oversee the continued development and operation of the existing centralized appeals tracking system. The Contractor's Information Systems Manager shall work in conformity with TennCare policy, state and federal regulations, laws, court orders, and in accord with the direction of the Bureau of TennCare Chief Information Officer;

A.2.4 Failure to provide and maintain key staff may result in Liquidated Damages as described in Attachment 3.

A.3 The Contractor shall provide a medical staff charged with the following tasks:

A.3.1. Conduct medical reviews in strict accordance with;
A.3.1.1. Federal regulatory requirements,
A.3.1.2. Federal court orders and consent decrees,
A.3.1.3. Tennessee's Section 1115 waiver including subsequent amendments thereto,
A.3.1.4. Federal and state law, and
A.3.1.5. TennCare Rules and policies.

A.3.2. Consult beneficiary's pertinent medical case history and medical records to ensure an individualized determination of medical necessity are provided consistent with TennCare rules and policy,

A.3.3. Provide expert medical testimony for appeal hearings and court hearings related both to such medical reviews and to appeals lodged by or on behalf of TennCare beneficiaries concerning coverage and benefit determinations (Beneficiary Appeals). Contractor-provided witnesses shall refrain from offering legal advice during testimony, from speculating and from rendering personal opinions which subvert TennCare rule or policy,

A.3.4. Maintain continuous proficiency concerning TennCare's operational protocol, its attendant governing rules, and the pertinent medical policies prescribed by TennCare and its contracted agents,

A.3.5. Must be able to read and speak the English language fluently, and

A.3.6. Failure to provide the requirements listed in A.3. may result in Liquidated Damages as described in Attachment 3.

A.4. The Contractor shall provide to TennCare documentation verifying that all medical staff employed by the Contractor or under subcontract meet the Contractor's credentialing requirements and are licensed to practice in his or her area of specialty within the United States. Documentation must also be provided to confirm that none of the medical staff are currently on excluded status list compiled by Medicare or the U.S. Office of Inspector General. This documentation shall be supplied at the execution of this Contract and annually thereafter, due on September 15 of each year of this Contract and any and all amendments thereto. Failure to provide documentation verifying that all medical staff employed by the Contractor, or employed as a sub-contractor is licensed may result in Liquidated Damages as described in Attachment 3.

A.5. The Contractor shall provide TennCare with copies of resumes and job descriptions for all persons engaged to perform services under this Contract. TennCare reserves the right, in its sole discretion, to refuse any personnel of the prime Contractor or a subcontractor for use in the performance of this Contract.

A.6. The Contractor shall reallocate non-medical staffing resources based on current TennCare program needs and current TennCare structure. Such reallocations may be requested of the Contractor by TennCare management.

A.7. The Contractor shall ensure that all Contractor staff and sub-contracted physician reviewers are trained and knowledgeable regarding all applicable:

A.7.1. Federal regulatory requirements
A.7.2. Federal court orders and consent decrees
A.7.3. Tennessee's Section 1115 waiver including subsequent amendments thereto
A.7.4 Federal and state law
A.7.5. TennCare Rules and policies
A.7.6. All workflows, policies, and procedures pertaining to medical appeals processing, including Administrative Services Unit (ASU), TennCare Solutions Unit (TSU) , Legal Solutions Unit (LSU), Directives Solutions Unit (DSU), Valid Factual Dispute Unit (VFD) and MCC Change Unit
A.7.7. A training plan must be submitted and approved by TennCare within 10 days of the execution of this contract. Contractor will be responsible for providing training to any newly hired Contractor staff and sub-contracted physician reviewers prior to those individuals performing any medical

reviews. Training for newly hired Contractor staff and sub-contracted physician reviewers must be consistent with the Contractor's training plan.

A.8. The Contractor shall provide staff who are up-to-date and knowledgeable in their respective areas of expertise. This staff shall provide quality consultation and technical assistance services regarding all matters pertaining to medical appeals processing.

A.9. The Contractor shall, at a minimum, have sufficient persons available during the hours of 8:00-4:30 CST Monday – Friday) as required to fulfill the scope of services specified in this Contract. Any training or meeting off-site during business hours, organized by the Contractor for Contractor or sub-contractor staff, must be approved by the Director of Member Services at least seventy-two (72) hours in advance.

A.10 The Contractor's operational responsibilities shall be to:

A.10.1. Work as an essential business partner of TennCare;

A.10.2 Maintain ready access to information such as clinical practice guidelines, health technology assessments, research studies, and policies and recommendations of reputable health care agencies/organizations that will be used in conducting medical reviews and providing expert medical testimony at hearings related to Beneficiary Appeals;

A.10.3. Assiduously maintain and monitor medical evidence and any and all reasonably pertinent information regarding both the appropriate diagnosis and treatment of conditions prevalent in the TennCare population and the safety and efficacy of items and services frequently prescribed for or appealed by TennCare enrollees;

A.10.4. Ensure proficiency in conducting requisite internet-based medical research and in quickly accessing a complete array of the latest pertinent available medical research, whether or not such medical research is only accessible by paid subscription; maintain the ability to quickly conduct TennCare-requested ad hoc medical research projects; stay continuously apprised concerning those medical developments reasonably expected to affect TennCare and actively initiate well-reasoned and thorough discussion with TennCare concerning such pertinent medical developments, as well as any implications of TennCare's acting or failing to act on such medical developments. Any training required to obtain this expertise is the financial responsibility of the Contractor. The Contractor shall continually develop, maintain and update a TennCare specific policy library.

A.10.5. Maintain an adequate network of licensed physicians and dentists (either through direct employment or sub-contract arrangements) to conduct all medical reviews and provide associated legal testimony within required timelines. At a minimum, the Contractor's physician/dentist network must include physicians/dentists with training and expertise in pediatrics, internal medicine, child and adult behavioral health, and pediatric dentistry, including orthodontia. Additionally, the Contractor must maintain the ability to consult with medical staff in a wide array of specialties that will supplement the expertise of the core staff identified above.

A.10.6. Medical reviews concerning all TennCare-referred Beneficiary Appeals must, without exception, fully satisfy TennCare's requirements concerning timely completion; Medical reviews shall be timely submitted in writing a TennCare pre-approved format. Timeliness requirements are mandated by applicable court orders, and federal and state laws and regulations which mandate unwavering resolution timeframes. The Contractor must conform with such applicable court orders, and federal and state laws and regulations which are subject to change. The Contractor must comply with such changes. Contractor agrees that its obligations under this Contract, and any and all amendments thereto, may require urgent completion upon extremely short notice.

A.11. The Contractor shall continuously monitor the appeals process and be able to quickly provide any and all routine information relating to the TennCare appeals process. Contractor must be able to provide this information upon request from TennCare on short notice with an immediate response.

A.12. The Contractor shall ensure that all contractor and sub-contractor medical appeals consultant reviewers are current and proficient regarding the medical evidence pertaining to the nature and scope of physical, behavioral and/or dental health services for which they conduct medical reviews.

A.13. The Contractor shall conduct medical necessity reviews solely on the basis of medical necessity in accordance with evidence-based medical necessity criteria. Such reviews shall be completed within the following timeframes:

A.13.1. four (4) days for expedited appeals; and
A.13.2. eleven (11) days for standard appeals.
A.13.3. failure to expedite medical necessity review filed within four (4) calendar days of receipt for expedited appeals or eleven (11) calendar days for standard appeals may result in Liquidated Damaged as described in Attachment 3.

A.14. The Contractor shall provide an independent decision based upon the MCC's clinical criteria and/or guidelines regarding whether a requested service is, in fact, medically necessary. The Contractor shall also maintain current knowledge of policies and clinical criteria in effect for the TennCare pharmacy benefit program, and conduct reviews regarding pharmacy appeals in accordance with applicable policies and clinical criteria. If the Contractor's decision differs from that of TennCare, the Contractor should review the plan's decision, including clinical criteria and/or guidelines based on the most current medical evidence available and the member's individual medical circumstances. In the case of pharmacy reviews, the Contractor will be reviewing the criteria and decision of the Pharmacy Benefit Manager.

A.15. The Contractor shall conduct research as necessary regarding the current body of medical evidence for a particular medical item or service to ensure that MCC criteria and/or guidelines are evidence-based. The Contractor must include appropriate citations to medical literature, which are updated as frequently as necessary to ensure they represent the most current body of medical evidence. To the extent that a deficiency is identified in the MCC's criteria or guidelines, such deficiency should be brought to the attention of the Bureau of TennCare Medical Director for appropriate action.

A.16. If the Contractor or its sub-contractors do not have sufficient medical records to make a medical necessity determination, the Contractor shall immediately identify the specific medical information that is needed, and either attempt to obtain such information directly, or request assistance in writing from the TSU Reviewer. Only after reasonable failed and documented attempts to gather additional medical information should the Contractor's reviewer proceed on the basis of the information that has been provided in order to ensure that the review is completed within contractual timelines specified herein.

A.17. The Contractor shall base each decision that a requested service is not, in fact, medically necessary on clinical criteria and/or guidelines applied to the determination, with specific facts personal to the beneficiary and clear explanation regarding why such clinical criteria and/or guidelines were not met.

A.18. The Contractor shall conduct all medical necessity reviews for children on the basis of medical necessity as it is applied under Early Periodic Screening, Diagnostic and Testing (EPSDT) requirements. EPSDT requires provision of services to treat or ameliorate a health problem, including maintenance services that prevent conditions from worsening or prevent the development of additional health problems. All medical necessity reviews shall be performed in accordance with all applicable regulatory and legal obligations.

A.19. The Contractor shall provide expert testimony as requested by TennCare regarding why a service failed to satisfy medical necessity criteria or when applicable, that a service is not within the scope of defined benefits for the population in which the member is enrolled, (i.e., the service is non-covered).

A.20. The Contractor shall coordinate all with TennCare and other state agencies as follows:

A.20.1. Review and coordinate policies and procedures between the Contractor and each of those units designated by TennCare in its sole discretion. The Contractor shall provide staff designated by TennCare with training and shall establish and conduct quality monitoring of staff output as required by TennCare;

A.20.2. Provide staffing as requested for the purpose of properly documenting and disseminating resolutions and activities agreed upon in the course of interactions with TennCare; TennCare will

continue to provide staffing to support TennCare benefit design and clinical studies conducted between TennCare and other state agencies and/or universities.

A.20.3. Actively create and assist TennCare as requested concerning the ongoing implementation of all policies, decisions, processes and appeals within the Bureau of TennCare and the Contractor;

A.20.4. Work with such agents designated by TennCare concerning, among other issues, legal compliance matters arising out of federal court orders and any and all attendant policies and procedures. The Contractor shall strictly abide by any TennCare or TennCare agent direction concerning legal privileged or confidentiality;

A.20.5. Participate in meetings to address operational issues and facilitate communication between the Contractor and TennCare;

A.20.6. Participate in monthly and quarterly meetings with MCO and BHO Medical Directors, EPSDT coordination and care meetings, staff meetings and other provider meetings as requested by TennCare;

A.20.7. Facilitate and streamline communications, processes and operations among TennCare-designated units and agents concerning medical appeals and attendant quality issues;

A.20.8. Report to the Office of Inspector General, the Office of Medical Director and the Pharmacy Director (as appropriate) any suspected cases of fraud and abuse identified during fulfillment of Contract requirements; and

A.20.9. Provide ongoing assistance to TennCare concerning the review of current processes and structure.

A.21. Under no circumstances shall the Contractor assume day-to-day management responsibility for any TennCare units or TennCare employees.

A.22. The Contractor shall maintain and update the existing ProLaw Legal, Pre-Reform and Reform Pro-Law Systems and their custom codes and interfaces with TennCare-designated units, including but not limited to the DMS, the TennCare Office on Compliance and Contract Performance (OCCP), the TennCare Office of General Counsel (OGC) and the TennCare Management Information Systems. The Contractor shall, according to an approved timetable, build, test, coordinate and implement Pre-Reform and Reform Pro-Law into those TennCare units designated by TennCare and shall maintain the AAU Prolaw System for archival and research purposes.

A.23. The Contractor shall provide an Information Systems Manager, who shall oversee the maintenance and support of the Pro-Law, RightFax and File Tracking System. The Contractor shall ensure system functionality for detailed reporting and analysis regarding all significant workflow and notice processes as well as:

A.23.1. be responsible for coordinating between the Contractor and TennCare Information Systems staff in the acquisition and/or replacement of computer equipment to ensure that Office of Information Systems (OIR) standards are met;

A.23.2. coordinate any upgrades, field additions, and/or additional reports to be generated by the database system with the designated TennCare Information Systems staff. TennCare Information Systems staff will coordinate with OIR any resources that may be needed, and

A.23.3. any such system or application developed or licensed under this Contract, and any and all amendments thereto, becomes the property of the State of Tennessee and may not be distributed, shared or revised without written permission from TennCare.

A.24. The Contractor shall ensure that system updates are completed according to an established systems change process, including prior approval of all system modifications by the unit manager, TSU Director and Director of Member Services prior to implementation. The Contractor shall develop a prioritization and tracking system for all system modifications including estimated completion dates, and notification to all approved parties when a requested modification is complete.

A.25. The Contractor shall provide TennCare Information Systems with the names and contact information for all application software support staff that are involved in the application software support of all applications under the jurisdiction of the Contractor by this Contract, and any and all amendments thereto. TennCare Information Support will work in conjunction with Contractor staff with these vendors to review and approve proposed configurations and recommendations made to ensure that maximum performance is achieved.

A26. The Contractor shall submit detailed plans and timelines for all approved process changes or implementations and shall adhere to major milestones approved by TennCare, as well as submit annual milestones to TennCare for approval by November 1 of Year One of the Contract and July 1 of each year thereafter.

A.27. The Contractor shall upon request participate in established TennCare meetings and shall provide relevant information and recommendations to support operational issue decision-making including, but not limited to, minutes of all meetings.

A.28. The Contractor shall provide, in the form and substance acceptable to TennCare, at a minimum, the following:

A.28.1. monthly report including timelines for all current and future work products to be submitted under this Contract; progress toward completion of milestones including the number of appeals received during the prior month and the number of appeals resolved; a report of vacant positions and any staff turnover, strategy for completing the work products of the vacant position, and timeline for filling the position; reporting of medical appeal trends; any policies or work products which require review by TennCare; a listing of any pending items which were previously submitted to TennCare for approval, and other information as requested by TennCare;

A.28.2. bi-weekly reports with current data regarding pending appeals;

A.28.3. provide advance notice to TennCare unit managers regarding all appeals approaching LSU deadlines, provide notice to unit managers, TSU Director and Director of Member Services regarding appeals at or beyond LSU deadlines, conduct root problem analysis regarding each instance where a timeline is missed, and assist in the development of Corrective Action Plans to address identified problems;

A.28.4. conduct, develop and produce accurate weekly reporting regarding specific identifiers for senior medical appeals managers;

A.28.5. all required reports regarding compliance with federal court orders, consent decrees, Waiver Special Terms and Conditions, as determined by TennCare in advance of established deadlines for review and discussion with senior medical appeals managers and follow-up modification as appropriate prior to the due date of such reports;

A.28.6. review, on at least an annual basis, the need for modifications regarding standard monthly reporting requirements;

A.28.7. routinely review with Senior TSU staff, how data elements are captured in ProLaw to ensure that information needed to produce routine and ad hoc reports is appropriately captured and easily accessible to enable quick turnaround of ad hoc requests to ensure accuracy in data reporting;

A.28.8. develop processes and conduct ongoing monitoring and reporting for identification of systemic violations regarding all aspects of medical appeals processing;

A.28.9. conduct time studies and issue findings to TennCare and provide staffing recommendations (number of staff needed to perform specific functions) to TennCare based on time studies;

A.28.10 provide ad hoc reports as requested by the Senior TennCare staff and/or unit managers, coordinating with the unit managers regarding how the requested data will be captured and

reviewing the preliminary results with unit managers prior to dissemination to ensure that reports accurately capture requested data elements; and

A.28.11 develop reports as needed to assist in litigation as requested by TennCare.

A.28.12. No reports or data shall be released to sources outside of TennCare without the written consent of TennCare Director of Member Services. This includes staff employed by the Contractor or any subcontractor, but not working within the scope of this contract.

A.28.13 Failure to provide timely reports may result in Liquidated Damages as described in Attachment 3.

A.29. The Contractor shall be responsible for training and evaluation of training effectiveness for all TennCare and Contractor positions/functions pertaining only to medical appeals processing, including the following:

A.29.1. preparation of comprehensive TennCare employee training package for all positions/functions pertaining to medical appeals processing;

A.29.2. develop an application-based competency tests to measure retention of training materials for review and approval of the Unit Manager prior to implementation;

A.29.4. conduct routine periodic application-based, function-specific competency testing (at least every sixty (60) days or as requested by the TennCare);

A.29.5. conduct ongoing assessment of TennCare staff training needs pertaining to all aspects of medical appeals processing (i.e. ASU, TSU, LSU, and DSU);

A.29.6. develop targeted training with clear training objectives in response to identified needs ;

A.29.7. conduct workload analysis to establish quantitative and qualitative benchmarks for employee performance;

A.29.8. conduct routine periodic monitoring and reporting (at least every sixty (60) days or as requested) for senior medical appeals managers regarding individual and unit performance, including but not limited to accuracy and completeness of Prolaw documentation;

A.29.9. identify individual and unit deficiencies for targeted training and technical assistance;

A.29.10 develop targeted training and technical assistance regarding identified deficiencies for review and approval of TennCare prior to implementation;

A.29.11 conduct follow-up monitoring and reporting at two (2) week, six (6) week and three (3) month intervals following such targeted training and technical assistance for TennCare senior medical appeals managers to verify deficiencies have been corrected; and

A.29.12 provide prompt written notification to TennCare regarding staff who persistently trigger audits and/or who fail periodic competency testing, including specific documentation of deficiencies in performance and/or testing results.

A.29.13 Failure to provide training as described in Section A.29. may result in Liquidated Damages as described in Attachment 3.

A.30. The Contractor shall assist in the development and monitoring of detailed workflows, policies and procedures regarding all aspects of medical appeals processing including the following:

A.30.1. identify and recommend monitoring processes to ensure adherence to established workflows, policies and procedures;

A.30.2. routinely conduct monitoring regarding workflow processes, policies and procedures, and

A.30.3. recommend efficiencies and improvements regarding workflow processes, policies and procedures.

A.30.4 All materials developed must be approved by TennCare's Director of Member Services prior to implementation.

A.31. The Contractor shall develop and maintain clear procedures regarding the process for conducting medical necessity reviews which shall be submitted to the Bureau of TennCare for review and approval prior to implementation.

A.32. The Contractor shall provide consultation as requested, education, training and technical support in the areas of quality of care initiatives, utilization management, disease management, HEDIS/CAHPS, and NCQA accreditation for the Division of Quality Oversight as follows:

A.32.1. conduct research on how other state Medicaid agencies functioning in a managed care Medicaid environment are structured and perform quality oversight activities. Write a detailed state-by-state report outlining the structure of each state's QO Division and specific activities in which they are involved. The report is due by June 30, 2008.

A.32.2. Provide annual training to the health plans on QI/UM best practices. This training will occur at a quarterly Quality Oversight meeting; and

A.32.3. provide expert support concerning the planning, direction, implementation, analysis, and reporting of medical appeals, including developing, implementing and managing standards, benchmarks, trending, and profiling systems, and overseeing achievement of medical appeal program targets.

A.32.4. Failure to provide training as described Section A.29 may result in Liquidated Damages as described in Attachment 3.

A.33. The Contractor shall prepare a transition plan for transfer of the Contractor's services to another vendor two (2) months prior to the final expiration of this Contract shall include the following:

A.33.1. define transition approach, all tasks and subtasks, and provide a schedule for the transition effort to achieve State requirements;

A.33.2. transfer all equipment, title to equipment, files, data, software, license to software, service contracts, and other materials developed under this Contract, and any and all amendments hereto, to the State or its designated agent;

A.33.3. provides copies of all procedures for performing the functions of the Contractor;

A.33.4. provides training to the State or its designated agent in the performance of all contract-related functions including, but not limited to, the procedures of the Contractor;

A.33.5. provide an estimated inventory of all work in progress and its projected status at the end of the contract one (1) month before final termination of this Contract;

A.33.6. updates the work in progress and inventory estimates weekly throughout the Transition Phase;

A.33.7. provides a final, detailed, inventory and accounting of all work in progress and all completed work within seven (7) working days of final contract expiration;

A.33.8. provides current specifications for all reports generated for TennCare on a regular basis, including TennCare Operations Committee (TOC), Behavioral Health Operations Committee (BHOC), Grier Report, and CMS as well as daily and weekly reports for each unit, and

A.33.9. prepare and submit a final report summarizing transition task results and certifying the completion of all transition.

A.34 The Contractor shall provide all of the following for any and all Contractor staff assigned to perform the contracted services:

A.34.1. general operating supplies (e.g., tablet, paper. binders, file folders, fasteners, writing instruments, etc) required to perform those obligations prescribed under the scope of this contract;

A.34.2. all overnight/priority mail usage costs for the MSU; and

A.34.3. software development and deployment of applications; application changes and upgrade will be done in conjunction with TennCare Information Systems Staff.

TennCare's Responsibilities:

A.35. TennCare shall designate agents responsible for addressing and articulating TennCare policy and for making decisions on its behalf as related to TennCare's contractual obligations. These designated agents shall work with Contractor on the development of issue resolution and provide timely feedback and review of all Contractor recommendations.

A.36. For TennCare's convenience and to ensure that there are no compatibility issues, TennCare shall provide the following for all Contractor on-site staff;

A.36.1. Data and voice system connectivity to TennCare's data processing and communications systems and ongoing data and voice system technical support.

A.36.2. Computer, work station and computer printers;

A.36.3. Postage envelopes with TennCare return address will be provided for all mailing systems, thereby allowing use of state postal system;

A.36.4. Copiers, copier paper;

A.36.5. Printing and reproduction costs as they relate to TennCare policy and procedure manuals, beneficiary notices and MCC notices, as necessary and only with TennCare pre-approval and review; and

A.36.6. Monthly local and long distance telephone charges.

A.37. TennCare will perform the following activities related to the transition of the services under this Contract to TennCare or to another vendor selected through a Request for Proposal process:

A.37.1. Review and approve the transition plan and schedule to facilitate and organize the transfer of the Contractor's functions to a new Contractor;

A.37.2. Assign staff available for training the new Contractor in the operation of contracted functions; and

A.37.3. Review and approve Contractor's transition progress reports, which document the completion of each transition task.

A.38. TennCare Information Systems shall maintain all hardware and software that is used by the Contractor on the State's infrastructure, including personal computer workstations, workstation printers, network printers, network file and database server(s). This shall include, but not be limited to, the installation of all hardware and software needed to support the operations of the unit, including access to the network and all server installation of all applications.

A.39. TennCare Information Systems shall direct and coordinate with the Office of Information Resources regarding network and server support and shall work jointly with the Contractor on all related issues.

A.40. TennCare shall assign Information systems staff that shall be involved in the development, design, configuration and implementation of all aspects of the application, including interfacing with vendors, OIR and the contractor to ensure maximum performance of the application as well as provide the Contractor written request for any changes needed to the application.

B. CONTRACT TERM:

B.1. Contract Term. This Contract shall be effective for the period commencing on September 15, 2007 and ending on September 14, 2010. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

B.2. Term Extension. The State reserves the right to extend this Contract for an additional period or periods of time representing increments of no more than one year and a total Contract term of no more than five (5) years, provided that such an extension of the Contract term is effected prior to the current, contract expiration date by means of an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract, and shall be based upon rates provided for in the original Contract.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Twenty-Three Million, Three Hundred Ninety-Six Thousand, Four Hundred Forty-Eight Dollars ($23,396,448.00). The Payment Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Payment Rates include, but are not limited to, all applicable taxes, fees, overheads, profit, and all other direct and indirect costs incurred or to be incurred by the Contractor.

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

C.2. Compensation Firm. The Payment Rates in Section C.3 and the maximum liability of the State under this Contract are firm for the duration of the Contract and are not subject to increase for any reason unless amended.

C.3. Payment Methodology. The Contractor shall be compensated based on the Payment Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor shall be compensated based upon the following Payment Rates:

SERVICE	**Completed Medical Necessity Reviews Per Month**	**PAYMENT RATE PER MONTH** 09/15/2007 – 09/14/2008	**PAYMENT RATE PER MONTH** 09/15/2008- 09/14/2009	**PAYMENT RATE PER MONTH** 09/15/2009- 09/14/2010	****PAYMENT RATE PER MONTH** 09/15/2010- 09/14/2011	****PAYMENT RATE PER MONTH** 09/15/2011 - 09/14/2012

Contractor Operations	N/A	$631,004.00	$642,598.00	$654,824.00	$675,361.00	$688,584.00
Medical Necessity Reviews for Appeals	151 -200	$6,422.00	$6,490.00	$6,560.00	$6,634.00	$6,710.00
Medical Necessity Reviews for Appeals	201 - 250	$6,615.00	$6,685.00	$6,757.00	$6,833.00	$6,911.00
Medical Necessity Reviews for Appeals	251 - 300	$6,813.00	$6,885.00	$6,960.00	$7,038.00	$7,119.00
Medical Necessity Reviews for Appeals	301+	$7,107.00	$7,092.00	$7,169.00	$7,249.00	$7,332.00

**** Rates for extension years should contract be amended**

A "month" shall be defined as a minimum of one hundred sixty (160) hours of service. The Contractor shall not bill more than the monthly rate even if the contractor works more than 160 hours in a calendar month. The Contractor shall not be compensated for travel time to the primary location of service provision. In addition to monthly rates specified above, medical appeals processed will constitute additional monthly rates as specified above based solely on volume and in accordance with amounts submitted in Cost Proposal.

The Contractor shall submit monthly invoices for completed work, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall, at a minimum, include the name of each individual, the individual's job title, the number of hours worked during the period, the applicable Payment Rate, the total compensation requested for the individual, and the total amount due the Contractor for the period invoiced.

C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.

C.5. Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.

C.6. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.

C.7. Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.

C.8. Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

D. STANDARD TERMS AND CONDITIONS:

D.1. Required Approvals. The State is not bound by this Contract or any amendment thereof until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.

D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.

D.3. Termination for Convenience. The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least sixty (60) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.

D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract below pertaining to "Conflicts of Interest," "Nondiscrimination," and "Records" (as identified by the section headings). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

D.8. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document as Attachment 2, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the contractor and made available to state officials upon request.

b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the contractor and made available to state officials upon request.

c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.

d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this contract.

e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.

D.9. Records. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

D.10. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.

D.11. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.

D.12. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.

D.13. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.

D.14. State Liability. The State shall have no liability except as specifically provided in this Contract.

D.15. Force Majeure. The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.

D.16. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.

D.17. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts

of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.

D.18. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.

D.19. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.

D.20. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:
Deputy Commissioner
Department of Finance and Administration
Bureau of TennCare
310 Great Circle Road
Nashville, TN 37243
(615) 507-6483 (Phone)
(615) 741-0882 (Fax)

The Contractor:
Joseph Dougher, CEO
Keystone Peer Review Organization, Inc.
777 East Park Drive
Harrisburg, Pa. 17111
jdougher@kepro.org
Phone: 717-564-8288
Fax: 717-564-3862

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3)business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall

not be deemed a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

E.4. Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

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

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

a. Contractor Breach— The State shall notify Contractor in writing of a Breach.

(1) In event of a Breach by Contractor, the state shall have available the remedy of Actual Damages and any other remedy available at law or equity.

(2) Liquidated Damages— In the event of a Breach, the State may assess Liquidated Damages. The State shall notify the Contractor of amounts to be assessed as Liquidated Damages. The parties agree that due to the complicated nature of the Contractor's obligations under this Contract it would be difficult to specifically designate a monetary amount for a Breach by Contractor as said amounts are likely to be uncertain and not easily proven. Contractor hereby represents and covenants it has carefully reviewed the Liquidated Damages contained in above referenced, Attachment 3 and agree that said amounts represent a reasonable relationship between the amount and what might reasonably be expected in the event of Breach, and are a reasonable estimate of the damages that would occur from a Breach. It is hereby agreed between the parties that the Liquidated Damages represent solely the damages and injuries sustained by the State in losing the benefit of the bargain with Contractor and do not include any injury or damage sustained by a third party. The Contractor agrees that the liquidated damage amount is in addition to any amounts Contractor may owe the State pursuant to the indemnity provision or other section of this Contract.

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

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

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

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

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

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

E.5. State Ownership of Work Products. The State shall have all ownership right, title, and interest, including ownership of copyright, in all work products created, designed, developed, derived, documented, installed, or delivered to the State under this Contract. The State shall have royalty-free and unlimited rights to use, disclose, reproduce, or publish, for any purpose whatsoever, all said work products. The Contractor shall furnish such information and data upon request of the State, in accordance with the Contract and applicable State law.

E.6. Performance Bond. The Contractor shall provide to the State a performance bond guaranteeing full and faithful performance of all undertakings and obligations under this Contract and in the amount equal to One Million Dollars ($1,000,000.00). The Contractor shall submit the bond no later than the day immediately preceding the Contract start date and in the manner and form prescribed by the State, and the bond shall be issued through a company licensed to issue such a bond in the state of Tennessee. The performance bond shall guarantee full and faithful performance of all undertakings and obligations under this Contract for:

a. the initial Contract term and all extensions thereof; or

b. the first, annual period of the Contract (ending December 31st following the Contract start date) in the amount of One Million Dollars ($1,000,000.00) and, thereafter, a new performance bond in the amount of One Million Dollars ($1,000,000.00) covering each subsequent annual period of the Contract. In which case, the Contractor shall provide annual performance bonds to the State no later than each December 10th preceding the annual covered period beginning on January 1st of each year.

Failure to provide to the State the performance bond in the amount of One Million Dollars ($1,000,000.00) prior to the Contract start date and, as applicable in the case of an annual performance bond, no later than December 10th preceding each annual covered period beginning on January 1st of each year, shall result

in contract termination. The Contractor understands that the stated amount of the performance bond required hereunder shall not be reduced for any reason.

E.7. Printing Authorization. The Contractor agrees that no publication coming within the jurisdiction of ***Tennessee Code Annotated***, Section 12-7-101, *et. seq.*, shall be printed unless a printing authorization number has been obtained and affixed as required by ***Tennessee Code Annotated***, Section 12-7-103 (d).

E.8. Competitive Procurements. This Contract provides for reimbursement of the cost of goods, materials, supplies, equipment, or services. Such procurements shall be made on a competitive basis, where practical.

E.9. State Furnished Property. The Contractor shall be responsible for the correct use, maintenance, and protection of all articles of nonexpendable, tangible, personal property furnished by the State for the Contractor's temporary use under this Contract. Upon termination of this Contract, all property furnished shall be returned to the State in good order and condition as when received, reasonable use and wear thereof excepted. Should the property be destroyed, lost, or stolen, the Contractor shall be responsible to the State for the residual value of the property at the time of loss.

E.10. Incorporation of Additional Documents. Included in this Contract by reference are the following documents:

a. The Contract document and its attachments
b. All Clarifications and addenda made to the Contractor's Proposal
c. The Request for Proposal and its associated amendments
d. Technical Specifications provided to the Contractor
e. The Contractor's Proposal

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

E.11. Workpapers Subject to Review. The Contractor shall make all audit, accounting, or financial analysis workpapers, notes, and other documentation available for review by the Comptroller of the Treasury or his representatives, upon request, during normal working hours either while the analysis is in progress or subsequent to the completion of this Contract.

E.12. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:

No federally appropriated funds have been paid or will be paid, by or on behalf of the Contractor, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, and entering into any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

The Contractor shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including sub-grants, subcontracts, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients of federally appropriated funds shall certify and disclose accordingly.

E.13. Public Funding Notice. All notices, informational pamphlets, press releases, research reports, signs, and similar public notices prepared and released by the Contractor relative to this Contract shall include the statement, "This project is funded under an agreement with the State of Tennessee." Any such notices by the Contractor shall be approved by the State.

E.14. Prohibited Advertising. The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed.

E.15. Confidentiality of Records. Strict standards of confidentiality of records shall be maintained in accordance with the law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of State law and ethical standards and shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with State law and ethical standards.

The Contractor will be deemed to have satisfied its obligations under this section by exercising the same level of care to preserve the confidentiality of the State's information as the Contractor exercises to protect its own confidential information so long as such standard of care does not violate the applicable provisions of the first paragraph of this section.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure.

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

E.16. Copyrights and Patents. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims or suits which may be brought against the State for infringement of any laws regarding patents or copyrights which may arise from the Contractor's performance of this Contract. In any such action brought against the State, the Contractor shall satisfy and indemnify the State for the amount of any final judgment for infringement. The Contractor further agrees it shall be liable for the reasonable fees of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State. The State shall give the Contractor written notice of any such claim or suit and full right and opportunity to conduct the Contractor's own defense thereof.

E.17. Public Accountability. If the Contractor is subject to *Tennessee Code Annotated*, Title 8, Chapter 4, Part 4 or if this Contract involves the provision of services to citizens by the Contractor on behalf of the State, the Contractor agrees to establish a system through which recipients of services may present grievances about the operation of the service program, and the Contractor shall display in a prominent place, located near the passageway through which the public enters in order to receive services pursuant to this contract, a sign at least twelve inches (12") in height and eighteen inches (18") in width stating:

NOTICE: THIS AGENCY IS A RECIPIENT OF TAXPAYER FUNDING. IF YOU OBSERVE AN AGENCY DIRECTOR OR EMPLOYEE ENGAGING IN ANY ACTIVITY WHICH YOU CONSIDER TO BE ILLEGAL, IMPROPER, OR WASTEFUL, PLEASE CALL THE STATE COMPTROLLER'S TOLL-FREE HOTLINE: 1-800-232-5454

E.18. Environmental Tobacco Smoke. Pursuant to the provisions of the federal "Pro-Children Act of 1994" and the Tennessee "Children's Act for Clean Indoor Air of 1995," the Contractor shall prohibit smoking of tobacco products within any indoor premises in which services are provided pursuant to this Contract to individuals under the age of eighteen (18) years. The Contractor shall post "no smoking" signs in appropriate, permanent sites within such premises. This prohibition shall be applicable during all hours, not just the hours in which children are present. Violators of the prohibition may be subject to civil penalties and fines. This prohibition shall apply to and be made part of any subcontract related to this Contract.

E.19. Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State.

In the event of any such suit or claim, the Contractor shall give the State immediate notice thereof and shall provide all assistance required by the State in the State's defense. The State shall give the Contractor written notice of any such claim or suit, and the Contractor shall have full right and obligation to conduct the Contractor's own defense thereof. Nothing contained herein shall be deemed to accord to the Contractor, through its attorney(s), the right to represent the State of Tennessee in any legal matter, such rights being governed by ***Tennessee Code Annotated***, Section 8-6-106.

E.20. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in ***Tennessee Code Annotated***, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to ***Tennessee Code Annotated***, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.

E.21. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it and its principals:

a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;

b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offence in connection with obtaining attempting to obtain, or performing a public (Federal, State, or Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;

c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and

d. have not within a three (3) year period preceding this Contract had one or more public transactions (Federal, State, or Local) terminated for cause or default.

E.22. HIPAA Compliance. The State and Contractor shall comply with obligations under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its accompanying regulations.

a. Contractor warrants to the State that it is familiar with the requirements of HIPAA and its accompanying regulations, and will comply with all applicable HIPAA requirements in the course of this contract.

b. Contractor warrants that it will cooperate with the State, including cooperation and coordination with State privacy officials and other compliance officers required by HIPAA and its regulations, in the course of performance of the Contract so that both parties will be in compliance with HIPAA.

c. The State and the Contractor will sign documents, including but not limited to business associate agreements, as required by HIPAA and that are reasonably necessary to keep the State and Contractor in compliance with HIPAA. This provision shall not apply if information received by the State under this Contract is NOT "protected health information" as defined by HIPAA, or if HIPAA permits the State to receive such information without entering into a business associate agreement or signing another such document.

E.23. Contractor Commitment to Diversity. The Contractor shall comply with and make reasonable business efforts to exceed the commitment to diversity represented by the Contractor's proposal responding to RFP-318.65-247 (Attachment 6.3, Section B, Item B.13.) and resulting in this Contract.

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

E.24. Tennessee Bureau of Investigation Medicaid Fraud and Abuse Unit (MFCU) Access to Contractor and Provider Records Office of TennCare Inspector General Access to Contractor, Provider, and Enrollee Records

Pursuant to the Health Insurance Portability and Accountability Act (HIPAA) privacy regulations, MFCU and TennCare OIG shall be health oversight agencies as defined at 45 C.F.R. §§ 164.501 and 164.512(d) and 65 F.R. § 82462. When acting in their respective capacities as health oversight agencies, MFCU and TennCare OIG do not need authorization to obtain enrollee protected health information (PHI). Because MFCU and TennCare OIG will request the information mentioned above for health oversight activities, "minimum necessary" standards do not apply to disclosures to MFCU or TennCare OIG that are required by law. See 45 C.F.R. §§ 164.502(b)(2)(iv), 164.502(b)(2)(v), and 164.512(d).

The Contractor shall immediately report to MFCU all factually based known or suspected fraud, abuse, waste and/or neglect of a provider or Contractor, including, but not limited to, the false or fraudulent filings of claims and/or the acceptance or failure to return money allowed or paid on claims known to be false or fraudulent. The Contractor shall not investigate or resolve the suspicion, knowledge or action without informing MFCU, and must cooperate fully in any investigation by MFCU or subsequent legal action that may result from such an investigation.

The Contractor and all its health care providers who have access to any administrative, financial, and/or medical records which relate to the delivery of items or services for which TennCare monies are expended, shall, upon request, make them available to MFCU or TennCare OIG. In addition, the MFCU must be allowed access to the place of business and to all TennCare records of any Contractor or health care provider, during normal business hours, except under special circumstances when after hour admission shall be allowed. MFCU shall determine any and all special circumstances.

The Contractor and its participating and non-participating providers shall report TennCare enrollee fraud and abuse to TennCare OIG. The Contractor and/or provider may be asked to help and assist in investigations by providing requested information and access to records. Shall the need arise, TennCare OIG must be allowed access to the place of business and to all TennCare records of any TennCare Contractor or health care provider, whether participating or non-participating, during normal business hours.

The Contractor shall inform its participating and non-participating providers that as a condition of receiving any amount of TennCare payment, the provider must comply with this section of this Grant Contract regarding fraud, abuse, waste and neglect.

E.25. Offer of Gratuities. By signing this Contract, the Contractor signifies that no member of or a delegate of Congress, nor any elected or appointed official or employee of the State of Tennessee, the General Accounting Office, Department of Health and Human Services, CMS, or any other federal agency has or will benefit financially or materially from this procurement. This Contract may be terminated by TennCare if it is determined that gratuities of any kind were offered to or received by any of the aforementioned

officials or employees from the Contractor, his agent, or employees and may result in termination of the Contract as provided in Section D.4.

E.26. Notwithstanding any language or provisions in Section E.11 to the contrary, upon termination of this Contract for any reason, the Contractor shall transfer to the State all rights, title and interest in any personal computer work stations, hardware, software, furnishings, copiers, printers, fax machines and office equipment purchased pursuant to this Contract. In the event that Contractor determines that any such furnishings or equipment should be disposed of prior to the termination of this Contract, such disposition must be subject to the prior written approval of TennCare.

IN WITNESS WHEREOF:

KEYSTONE PEER REVIEW ORGANIZATION, INC.:

8/10/07

JOSEPH DOUGHER, CHIEF EXECUTIVE OFFICER — DATE

JOSEPH DOUGHER, CHIEF EXECUTIVE OFFICER

NAME AND TITLE

DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE:

MDGoetz Jr /SGP — 8/13/07

NAME AND TITLE — DATE

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M.D. Goetz Jr /KS — 8/15/07

M. D. GOETZ, JR., COMMISSIONER — DATE

DEPARTMENT OF PERSONNEL:

N/A

DEBORAH E. STORY, COMMISSIONER — DATE

COMPTROLLER OF THE TREASURY:

John G. Morgan — 8-17-07

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY — DATE

ATTACHMENT 1

JOB DESCRIPTIONS

Chief Medical Officer/Medical Director

- Support the planning, direction, implementation, analysis, and reporting of medical management for Contractor and TennCare; develop, implement, and manage standards, benchmarks, trending, and profiling systems; oversee achievement of program targets.

- Participate in committees and project meetings of Contractor

- Support provider education and contracting arrangements; assist training of the provider networks

- Provide leadership and support design, development, and implementation of new products and services

- Steer management with input into performance and direction of Contractor

- Must possess the skills to Interface and coordinate with TennCare

Qualifications

- Must be Board Certified
- Must be primary care physician or specialist
- Minimum of five years experience as a medical director of a complex managed care organization required
- Experience in Medicaid and Medicare required
- Experience relating to certification and regulatory agencies required
- Must possess complex health care systems and delivery systems.
- Must have advanced knowledge of complex medical, technical, statistical and process components relating to utilization review, quality management, case management and health field business
- Must have the ability to perform detailed and disciplined work using standard methodologies in the analysis, design, development, evaluation, testing, documentation, implementation, in support of corporate health care goals
- Must have the knowledge to ready, comprehend, and follow technical reports and instructions containing concrete or abstract variables at an advanced level

ATTACHMENT 1 (Con't)

Executive Director

- Research policy and provide analysis of the procedural needs of the TennCare program and develop documents based on the needs of the TennCare Bureau
- Work with the Managed Care Organizations and provider network on the appropriate application and implementation of the policies and criteria approved by TennCare
- Direct, monitor and facilitate a system for the development, documentation, approval, and distribution of Contractor policies
- Direct and oversee training/education of Contractor and TennCare staff in policy changes and implementation to those changes
- Direct the work efforts of staff through managers/supervisors
- Assist TennCare in the management of process changes relating to medical service appeals

Qualifications

- Must possess advanced knowledge of complex medical, technical, statistical and process components relating to utilization review, quality management, case management and health field/business requirements and interrelations
- Must have the ability to perform detailed and disciplined work using standard methodologies in analysis, design, development, evaluation, testing, documentation, implementation, and support of corporate health care goals
- Must possess advanced and meticulous organizational leadership and coordination abilities, the ability to read, comprehend, and follow technical reports and instructions containing concrete or abstract variables at an advanced level plus the ability to write correspondence, proposals, review, audit analysis and technical documentation, and the ability to communicate information effectively in small or large groups
- Must possess advanced analytical skills to define problems, collect data, establish facet, draw valid conclusions, and design, implement, and manage appropriate actions, and be able to successfully utilize Microsoft Office and other appropriate software tools
- Must possess extensive knowledge of medical delivery systems and managed care systems with demonstrated success in financial management and business development
- Must have experience relating to certification and regulatory agencies
- Must have experience in Medicaid and Medicare business
- Must be experienced and proficient in internet-based medical research

Information Systems Manager

- Coordinate systems
- Interface with management and staff to coordinate assigned projects
- Interface with OIR and TennCare-designated units
- Oversee the development and implementation of automated central medical appeals registry system
- Ensure that proper systems testing of software "bugs" and approved change requests are performed prior to new process or change implementation

Qualifications

The Information Systems Manager must:

- Possess special technical knowledge of the techniques and procedures of software and network support for multiple users.
- Understand installation, configuration and troubleshooting processes for software, hardware, networking and accessory equipment
- Have a minimum of three to five years work experience in a health care related position
- Be proficient in the use of relational database systems
- Be proficient in the use of microprocessor based systems, specifically IBM/PC or IBM clone PCs and LANs

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

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

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

SIGNATURE & DATE: _____

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

ATTACHMENT 3
LIQUIDATED DAMAGES

TennCare may choose the following remedy in the event the Contractor fails to properly perform its obligations under this Contract, or any and all amendments thereto, in a proper and/or timely manner. Upon determination that the Contractor is not completing one or more of the services described in Section A under this Contract, and any and all amendments thereto in a proper and/or timely manner, TennCare will notify the Contractor in writing of the deficiency. The Contractor shall work to immediately correct such deficiency and shall provide at least weekly documentation of diligent efforts to correct the deficiency along with at least weekly updates regarding the status of resolution. The Contractor shall have thirty (30) calendar days from the date of notification to provide proof that such deficiency has been fully resolved to the satisfaction of the state. Should the deficiency remain more than thirty (30) days from notification by TennCare, TennCare may impose liquidated damages as described below. The liquidated damages may be retroactive to the date of notice of deficiency and continue until such time as the Deputy Commissioner of TennCare determines the deficiency has been cured. The liquidated damages will be deducted from the monthly payments to the Contractor.

	PROGRAM ISSUES		DAMAGE
1.	Failure to provide key staff, for urgent matters arising from appeals lodged by or on behalf of enrollees provided (A.2)		$1,000 per day
2.	Failure to provide documentation verifying that all medical staff employed by contractor or sub-contractor is licensed to practice in their specialty within the United States (A.4)		$1,000 per day
3.	Failure to provide expert medical witnesses for appeal hearings, either Contractor staff or from the Contractor's network of physician specialists (A.3).		$l,000 per occurrence
4.	Failure to provide timely reports as specified in A.28.		$ 500 per each occurrence
5.	Failure to expedite medical necessity review of appeals not filed within four (4) calendar days of receipt or eleven (11) calendar days for standard appeals (A.13).		$1,000 per day
6.	Failure to provide training for Contractor staff as well as TennCare staff in accordance with A.29. and A.32.4.		$1,000 per occurrence