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**OFFER**

The undersigned Offeror hereby agrees to provide all services in accordance with the terms and requirements stated herein, including all exhibits, amendments, and Best and Final Offers (if any). Signature also acknowledges receipt of all pages indicated in the Table of Contents.

Arizona Transaction (Sales) Privilege Tax License No.: \_\_\_\_\_

For clarification of this offer, contact:

Federal Employer Identification No.: \_\_\_\_\_

Name: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Company Name \_\_\_\_\_

Signature of Person Authorized to Sign Offer \_\_\_\_\_

Address \_\_\_\_\_

Printed Name \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Title \_\_\_\_\_

**CERTIFICATION**

By signature in the Offer section above, the bidder certifies:

1. The submission of the offer did not involve collusion or other anti-competitive practices.
2. The bidder shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, State Executive Order 99-4 or A.R.S. §§ 41-1461 through 1465.
3. The bidder has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted offer. Failure to provide a valid signature affirming the stipulations required by this clause shall result in rejection of the offer. Signing the offer with a false statement shall void the offer, any resulting contract and may be subject to legal remedies provided by law.
4. **The bidder certifies that the above referenced organization \_\_\_\_ is/ \_\_\_\_ is not a small business with less than 100 employees or has gross revenues of \$4 million or less.**

**ACCEPTANCE OF OFFER (to be completed by AHCCCS)**


Your offer, including all exhibits, amendments and Best and Final Offers (if any), contained herein, is accepted.

The Contractor is now bound to provide all services listed by the attached contract and based upon the solicitation, including all terms, conditions, specifications, amendments, etc., and the Contractor's Offer as accepted by AHCCCS.

This contract shall henceforth be referred to as Contract No. YH11-0001.

Awarded this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

\_\_\_\_\_  
Michael Veit, as AHCCCS Contracting Officer and not personally

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## 1. AHCCCS OVERVIEW

The Arizona Health Care Cost Containment System (AHCCCS) is the single state agency for the State of Arizona Medicaid Program. In addition, the AHCCCS Administration (AHCCCSA) oversees Arizona’s SCHIP (State Children’s Health Insurance Program). The AHCCCS Medicaid program has operated under an 1115 Research and Demonstration Waiver since 1982 when the original waiver was granted by the Centers for Medicare and Medicaid Services (CMS) within the United States Department of Health and Human Services.

The majority of AHCCCS members are enrolled in Managed Care Organizations (MCOs) to receive their services, including behavioral health and long term care services. A small portion of the program is delivered on a fee-for-service basis. The AHCCCS program has matured into a national model for the delivery of services in a managed care environment. As of July 2010, AHCCCS was providing health care coverage to over 1.35 million members, which is approximately 20% of Arizona’s total population.


AHCCCS was created as a partnership between the state and private and public managed care health plans to mainstream Medicaid recipients into private physician offices. This arrangement opened up the private physician networks to Medicaid recipients and allowed AHCCCS members to choose a health plan and a primary care provider that coordinates and manages all aspects of medical care for a member.

AHCCCS Health Contractors for acute care members and Program Contractors for ALTCS (Arizona Long Term Care Plan Members) are paid a monthly capitation rate prospectively for each health plan enrolled member. AHCCCS utilizes a competitive bid process and provides regulatory oversight that includes operational and financial reviews of the contracted health plans and program contractors and contract monitoring to ensure quality of care. Native Americans who elect to receive services through an IHS or 638 facility via AIHP cannot also receive services through a health plan; however, Native Americans who elect to enroll with a health plan may go to an IHS or 648 facility for services but cannot receive services from other registered providers as part of the Fee-For Service (FFS) Program.

A more detailed overview of the AHCCCS Program is available, including detailed enrollment statistics, at the AHCCCS website at [www.azahcccs.gov](http://www.azahcccs.gov).

## 2. PROJECT OVERVIEW

The Arizona Health Care Cost Containment System (AHCCCS) is seeking proposals from qualified Offerors for a single-source contract to provide comprehensive services for all deliverables required to obtain rebates for the AHCCCS Medicaid Pharmacy Rebates and Supplemental Rebates, as they relate to the Medicaid Drug Rebate Operations Program (MDROP). The objective of this request for proposal is to acquire the services of a qualified and experienced vendor to process, invoice, resolve disputes and account for all Medicaid Fee-for-Service and Managed Care Drug Rebates and Supplemental Rebates on a quarterly basis according to CMS guidelines and required timelines. The processes completed by the Offeror must be fully transparent to AHCCCS. Offerors must provide information for services relevant to a single state (stand alone) supplemental rebate process. These services include providing AHCCCS with

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sufficient summary and supporting documentation to file Form CMS-64.9R and CMS-64.21 and any other State and federal documents that may be required.


Managed Care Organizations (MCOs) are required to submit post-adjudicated encounters for all services provided to AHCCCS members. This requirement is a special term and condition of the CMS funding for the AHCCCS program. AHCCCSA follows national industry standards and code sets as published by X12N, NCPDP, and other data standard setting organizations. Complete, accurate and timely reporting of encounter data is critical to the success of the AHCCCS program. Arizona maintains EDI environments to exchange encounter, provider and member related information with MCOs. The environment consists of Foresight Suite, X12 and NCPDP Transactions. More information regarding encounters and data exchanges is available at the AHCCCS website, [www.azahcccs.gov](http://www.azahcccs.gov).

The successful Offeror may be responsible for negotiating supplemental rebates on behalf of AHCCCS on an as needed or requested basis and with full disclosure of all information to AHCCCS. The Offeror shall provide complete transparency of all transactions, negotiations and contracts between the Offeror, AHCCCS and each of the manufacturers/labelers; and the Offeror must perform all other requirements as further described in this RFP.

The Offeror must resolve all disputes as they relate to this program using the guidance provided by CMS in the Dispute Resolution Program Best Practices section regarding the Medicaid Drug Rebate Dispute Resolution Program, and it must be consistent with the procedures outlined by AHCCCS. All manufacturer/labeler disputes must be timely researched, corrected, reconciled, resubmitted if required, and the dispute resolution completed for both the Medicaid and Supplemental Drug Rebates. AHCCCS must be notified on all dispute resolution outcomes monthly. The Offeror shall have the capability and experience to aggressively pursue all outstanding balances, aged/expected receivables and resolve all disputes in order to ensure timely collection of rebates. The methodology for resolution should be described within the responses to the RFP.

Proposals must contain a price breakdown showing the annual and monthly price for all inclusive services and a statement that the date for the commencement of these services shall begin on or prior to January 1, 2011, and the initial rebate data submissions to labelers shall contain data retroactive to March 23, 2010. The company submitting the successful proposal will be awarded a contract by AHCCCS. The contract will be awarded for a term of three years with two one-year renewal options. The cost proposal shall be presented in a spreadsheet listing a total contract amount for each year separately, including renewal years (a total of five years). The awarded Offeror must provide comprehensive, all inclusive services for the drug rebate program, including but not limited to, calculating the rebate amounts, invoicing manufacturers/labelers, negotiating and resolving disputes with manufacturers/labelers, maintaining a database of rebate collections and interfacing with AHCCCS as defined by the Information Services Division (ISD) and Finance Departments.

The Offeror must be able to generate an invoice for each labeler/manufacturer stating the unit type, quantity of units used, and the expected total rebate amount for each National Drug Code (NDC) of the labeler/manufacturer for the billing quarter for drugs dispensed by providers to eligible AHCCCS / Medicaid members. The Offeror shall comply with all State and federal laws and regulations as well

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as AHCCCS policies, procedures, and contractual provisions. As manufacturers/labelers make payments to the State, the Offeror must be able to log, allocate and reconcile these payments on an NDC and individual encounter/claim basis and by health plan contractor. The successful Offeror must provide an automated system that tracks the invoicing and collection of rebates from the pharmaceutical manufacturer/labeler on a National Drug Code (NDC) and an individual encounter/claim level.

The qualified Offeror, for the AHCCCS Drug Rebate and Operations Program, shall provide application software to be used strictly for the purposes of accounting for pharmaceutical rebates and to allow AHCCCS to view the following functions performed by the Offeror:


- Invoices Generated
- Receipt of Payments Log
- Allocation of Payments to Invoices
- Reconciliation Payments to Invoices
- Linkage of Prior Period Adjustments (PPAs) to corresponding invoice number(s)
- Calculations of Outstanding Balances
- Refund Overpayments of Invoice
- Research Disputes with Manufacturer/labeler
- Call Tracking of Phone Conversations with Manufacturer/labeler
- Required Data sent to CMS

### **3. PROGRAM OBJECTIVES**

#### **3.1 General Services**

The general service requirements provided by the Offeror shall include, but are not be limited to, the following:

- 3.1.1 Collect and merge the utilization/encounter and claims data from AHCCCS and Unit Rebate Amount (URA) provided by the Centers for Medicare and Medicaid Services (CMS).
- 3.1.2 Identify and adjust outlier data.
- 3.1.3 Audit claims/encounters and invoice data.
- 3.1.4 Create rebate invoices according to CMS established format for each drug rebate program as defined by AHCCCS.
- 3.1.5 Create cover letters for the appropriate billing period and rebate program.
- 3.1.6 Mail rebate invoices with cover letters to drug manufacturers/labelers in accordance with CMS guidelines.
- 3.1.7 Maintain copies of generated invoices by rebate program and by billing period.
- 3.1.8 Forward payments/deposits received on behalf of AHCCCS to the AHCCCS Division of Business and Finance Department.
- 3.1.9 Provide the invoice/reconciliation supporting documentation with each payment.
- 3.1.10 Research invoices and link prior quarter adjustment (PQA) payment(s) to the original invoice.
- 3.1.11 Reconcile deposits with accompanying documentation as required by CMS and/or AHCCCS.
- 3.1.12 Track postmarks for:

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- 3.1.12.1 Invoice Mailings.
- 3.1.12.2 Rebate payments.
- 3.1.12.3 Timeline adherence of payments received.
- 3.1.12.4 Late payments and interest owed and received.
- 3.1.13 Use CMS authorized codes for all invoice adjustments and/or disputes by NDC.
- 3.1.14 Confirm the accuracy of interest payments.
- 3.1.15 Calculate the interest following CMS guidance/regulation due on late payments and send communication to the manufacturer /labeler detailing the number of days the rebate payment is late and the amount of interest due to AHCCCS.
- 3.1.16 Contact the manufacturer/labeler to clarify conflicting information and/or request additional information as necessary.
- 3.1.17 Compile quarterly and year-to-date reports for each rebate program and as requested by AHCCCS.
- 3.1.18 Track non-payments until payment is made and send notices of ongoing accrual interest due.
- 3.1.19 Resolve disputes with manufacturer/labeler for NDC-specific disputed amounts.
- 3.1.20 Attend CMS Drug Rebate Dispute Resolution Conferences.
- 3.1.21 Provide claims detail data as requested by manufacturer/labeler.
- 3.1.22 Upload current invoice data file into a payments database.
- 3.1.23 Enter the payment information for each paid invoice by NDC into the payment's database.
- 3.1.24 Generate data files/reports as defined by CMS and/or AHCCCS.
- 3.1.25 Generate the CMS 64.9R and 64.21 drug rebate reports.
- 3.1.26 Respond and manage all phone calls and other inquiries related to drug rebates.
- 3.1.27 Use the prior quarter Unit Rebate Amount (URA) provided by CMS with each quarterly manufacturers' pricing information tape.
- 3.1.28 Verify subsequent pricing adjustments provided by CMS and manufacturers/labelers for prior quarters.

### **3.2 Specific Contractor Requirements**

The Offer must provide the following:

#### **3.2.1 System Capability**

- 3.2.1.1 Maintain separate CMS and Supplemental rebate processes including separate invoicing and reconciliation processes as required by CMS and AHCCCS.
- 3.2.1.2 Provide online access to invoice status and reporting data.
- 3.2.1.3 Meet the requirements of any new or modified drug rebate legislation including federal and state and/or additional regulations that may be ratified during the term of this contract at no cost to AHCCCS. Offeror's responsibilities shall include and are not limited to modifying its Drug Rebate Operations and processes so that the Offeror conforms to legislation.
  - 3.2.1.3.1 Documentation of changes and results accomplished must be provided to AHCCCS within required timelines of legislative changes.
- 3.2.1.4 Utilize the most recent NCPDP Drug Rebate Standard including any versions recommended by CMS for use by state Medicaid programs.
- 3.2.1.5 Manage Drug Efficacy Standard Indicator (DESI) designations including DESI drugs excluded for coverage under Medicaid.

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### 3.2.2 Invoice Processing and Functionality

3.2.2.1 Offeror must perform the following:

- 3.2.2.1.1 Calculate and create federal and supplemental rebate invoices, on both paper and electronic media as requested by the manufacturers/labelers.
- 3.2.2.1.2 Create invoices according to the CMS established format and NDC sequence as required for federal rebates and supplemental rebates.
- 3.2.2.1.3 Exclude and not invoice NDCs from non-participating manufacturers/labelers.
- 3.2.2.1.4 Include an approved cover letter with invoices that contain the manufacturer/labeler invoice Contact.

3.2.2.2 Offeror must deliver rebate invoices to manufacturers/labelers for both federal and supplemental rebates according to CMS and State required timelines.


- 3.2.2.2.1 Invoices and cover letters must be delivered to the manufacturer/labeler within 60 calendar days from the end of the calendar quarter.
- 3.2.2.2.2 AHCCCS must be notified of the time and date invoices and cover letters were sent by the Offeror to the manufacturer/labeler to ensure timeliness requirements are met.

3.2.2.3 Offeror must maintain original and corrected invoices at the NDC level electronically and in real-time.

3.2.2.4 Offeror must have the ability to re-create previously issued invoices upon request in the event that replacement invoices are requested and necessary.

3.2.2.5 Offeror must:

- 3.2.2.5.1 Identify incorrect billing units for NDCs submitted based on the available package sizes and CMS specified units prior to invoicing the manufacturer/labeler.
- 3.2.2.5.2 Convert the billed units (quantity) to the CMS rebateable units and invoice the manufacturer/labeler with corrections to accurately determine utilization.
- 3.2.2.5.3 Calculate the accrued interest on disputes and unpaid balances, according to CMS specifications, beginning on the 38<sup>th</sup> day after the postmark date of the quarter's invoice, unless otherwise directed in writing by AHCCCS.
- 3.2.2.5.4 Account for all calculations at both the OBRA and ACA level.
- 3.2.2.5.5 Include a summary page of the invoices and the interest amount due to AHCCCS.
- 3.2.2.5.6 Provide the methodology used to calculate, adjust and record prior period adjustment (PPA) payments reported on the CMS tape to the quarter billed.
- 3.2.2.5.7 Exclude the prior period adjustment payments from the rebate invoice total amount due and report as informational data to be utilized by the manufacturer/labeler in the calculation of rebate amounts due to AHCCCS.
- 3.2.2.5.8 Have a process for reviewing invoices prior to mailing which shall include searching for any NDCs billed with unusually
  - 3.2.2.5.8.1 Low and high dollar amounts.
  - 3.2.2.5.8.2 Zero filled NDCs.
  - 3.2.2.5.8.3 Claims billed with all 9s as the NDC.
  - 3.2.2.5.8.4 NDCs that have zero URAs.


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- 3.2.2.5.9 Process and invoice the paid claims data for any designated State Supplemental Rebates for NDCs of drug manufacturers/labelers for which the State has a signed agreement within 60 days from the end of the quarter, unless otherwise directed in writing by AHCCCS.
- 3.2.2.5.10 Provide AHCCCS with access to on-line and real time CMS and State supplemental rebate invoices for each quarter.
- 3.2.2.5.11 Provide AHCCCS with an on-line history of manufacturer/labeler detail level account information including invoices, payments, interest, adjustments and disputes.
- 3.2.2.5.12 Maintain online: current manufacturer/labeler contact names, addresses for invoice mailing, telephone numbers, fax numbers and e-mail addresses.

### **3.2.3 Rebate Activity Accounting**

#### **3.2.3.1 The offeror must:**

- 3.2.3.1.1 Maintain accurate rebate accounting records using generally accepted accounting principles that reflect:
  - 3.2.3.1.1.1 Invoices billed.
  - 3.2.3.1.1.2 Payments received.
  - 3.2.3.1.1.3 Data from Reconciliation of State Invoices (ROSI).
  - 3.2.3.1.1.4 Other adjustments.
  - 3.2.3.1.1.5 Updates from prior quarter adjustments.
  - 3.2.3.1.1.6 Disputes.
  - 3.2.3.1.1.7 Interest.
- 3.2.3.1.2 Maintain account balances and payment history conversions when invoices are produced.
- 3.2.3.1.3 Produce a monthly report of accounts receivable information by the manufacturer/labeler and invoice for both federal and supplemental rebate programs by the 5<sup>th</sup> day of each month. Reports shall be accessible online by AHCCCS and include:
  - 3.2.3.1.3.1 All past due rebate amounts.
  - 3.2.3.1.3.2 Number of days rebate amounts are past due.
- 3.2.3.1.4 Post quarterly invoices to the accounts receivable subsidiary ledger and update the ledgers with posting of payments, interest and adjustments. Entries are to be reported using the 11-digit NDC code by manufacturer/labeler per quarter and entered within five (5) calendar days of receipt.
- 3.2.3.1.5 Have a process to review receivables to ensure that all invoiced amounts for the current quarter are paid regardless of outstanding credits to the account.
- 3.2.3.1.6 Maintain records of receipt and acceptance of daily deposit entries or its designated agent and with reconciliation of any differences within five (5) business days.
- 3.2.3.1.7 Prepare a check receipt/sent tracking report and reconcile all checks received by the Offeror on a daily basis with the AHCCCS staff.
- 3.2.3.1.8 Maintain a record of receipts of manufacturer's/labeler's documentation regarding payments sent.


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- 3.2.3.1.9 Provide and make rate and/or unit adjustments.
- 3.2.3.1.10 Use the envelope postmark or other electronic means acceptable to the manufacturer/labeler and AHCCCS to determine the timeliness of payments and the posting of all payments which are to be applied to the quarters billed at the manufacturer/labeler and NDC level within five (5) calendar days of receipt.
- 3.2.3.1.11 Notify the manufacturer/labeler of interest due on late payments at the time the check is posted.
- 3.2.3.1.12 Perform matching, without exception, to the information of the Prior Quarter Adjustment Statement (PQAS) forms to the PPA records on the CMS tape.
- 3.2.3.1.13 Calculate the interest in accordance with CMS regulation by acquiring interest rates on a weekly basis based on the yield of the 13 week Treasury Bill auction rates; use these rates of the weekly auctions and the balance of the unpaid rebate to determine the daily amount of interest due.
- 3.2.3.1.14 Report interest separately from other payments and separate CMS OBRA and ACA amounts from the Supplemental interest.
- 3.2.3.1.15 Produce and provide online real-time monthly reports of all payments and interest received by CMS OBRA and ACA level and supplemental rebate programs by the 5<sup>th</sup> day of each month.
- 3.2.3.1.16 Provide the capability to view and retrieve all payments and interest posted in a specified time period to show, by manufacturer/labeler and quarter what amounts have been posted, adjusted, beginning and ending balance.
- 3.2.3.1.17 Obtain written approval from AHCCCS prior to writing off any unpaid balances.
- 3.2.3.1.18 Assist AHCCCS with all audits relevant to the rebate process and attend meetings as necessary for dispute resolution of all matters.
- 3.2.3.1.19 Maintain continuous and complete documentation of every contact with the manufacturer/labeler when clarification is required for collection of past due balances.

### **3.2.4 Quality Assurance**

#### **3.2.4.1 The Offeror must:**

- 3.2.4.1.1 Perform quality assurance and monitoring on a quarterly basis to ensure accurate invoices are produced that includes:
  - 3.2.4.1.1.1 Validating the compilation of data.
  - 3.2.4.1.1.2 Auditing units that appear excessive.
  - 3.2.4.1.1.3 Precisely calculating amounts due.
  - 3.2.4.1.1.4 Electronically creating invoices for each manufacturer/labeler.
  - 3.2.4.1.1.5 Establishing controls to ensure duplicate invoices are issued only upon specific request.
- 3.2.4.1.2 Monitor the remittance advice documentation to ensure the collection of the correct amount of interest.

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- 3.2.4.1.3 Monitor and require the manufacturer/labeler to use the standard ROSI and PQAS forms for adjustments to invoices and ensure that they follow CMS instructions.
- 3.2.4.1.4 Retain and use postmarked envelopes or other electronic means as approved by CMS and AHCCCS as proof of dates of issuance to or receipt from the manufacturer/labeler and for interest calculations.

### **3.2.5 Reporting**

3.2.5.1 The Offeror must:

3.2.5.2 Provide reports and/or data for submission to CMS as required for the Medicaid Drug Rebate Program.

- 3.2.5.2.1 Provide access to all reports and data via a web-based real-time portal.
- 3.2.5.2.2 Provide a report of variances from the usual amounts paid and quantities used based on benchmark and prior reporting.
- 3.2.5.2.3 Report to AHCCCS overdue amounts by manufacturer/labeler for amounts greater than 12 months.
- 3.2.5.2.4 Provide all data necessary on a monthly and quarterly basis to meet the CMS-64 reporting requirements in an exportable format as defined by AHCCCS.
- 3.2.5.2.5 Provide completed quarterly Forms, CMS 64.9R and 64.21, combining the CMS and supplemental rebate amounts, as well as a list of disputed amounts including a brief narrative explaining the issue in dispute.
- 3.2.5.2.6 Provide online reports of receivables, agings, disputes, check logs, NDC specific data, rebate summaries and payment summaries for specific manufacturer/labelers, and other customized reports.

3.2.5.3 Report CMS and supplemental rebate statistics for:

- 3.2.5.3.1 The number and percentage of rebate dollars received, sorted by rebate type and manufacturer.
- 3.2.5.3.2 The number and percentage of rebate dollars disputed.

3.2.5.4 Provide a list of disputed dollars by manufacturer/labeler on a quarterly basis.

3.2.5.5 Report total units invoiced, payments received and outstanding balances for CMS and supplemental rebates per quarter.

3.2.5.6 Provide information to AHCCCS that identifies potential fraud and/or abuse within one (1) day of identification.


3.2.5.7 Submit by May 15<sup>th</sup> of each year or other date as defined by AHCCCS, a Report of Controls Placed in Operation and Tests of Operating Effectiveness, meeting all standards and requirements of the AICPA's SAS 70, for the Offeror's operations performed for AHCCCS.

3.2.5.8 Provide AHCCCS with access to an online flexible query and ad hoc reporting tool that will provide information to accommodate the managerial requirements of AHCCCS.

### **3.2.6 Review and Resolution Process**

3.2.6.1 The Offeror must:

- 3.2.6.1.1 Report quarterly to manufacturer/labeler that interest is due at the rate set by the CMS schedule published on the CMS website for the specific quarter referenced

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and that there are outstanding Prior Quarter Adjustment Statements (PQAS) that need to be reconciled.

- 3.2.6.1.2 Follow-up with the manufacturers/labelers who have not fulfilled their responsibilities relative to prior period adjustments.
- 3.2.6.1.3 Respond to all drug manufacturer/labeler inquiries regarding drug rebate billing within two (2) days of receipt.
- 3.2.6.1.4 Provide corrected invoices resulting from the dispute resolution process within one week of resolution.
- 3.2.6.1.5 Provide AHCCCS copies of the corrected invoices, documenting explanation of corrections, adjustments, modifications and any potential interest due.

### **3.2.7 Program Planning**


3.2.7.1 The Offeror must:

- 3.2.7.1.1 Meet with AHCCCS staff to finalize all user requirements and technical system requirements forty-five (45) calendar days after the Notice of Award.
- 3.2.7.1.2 Customize its system to meet the State of Arizona's processing and reporting requirements. AHCCCS staff will identify and provide information regarding the enhancements required for the drug rebate processing system. These requirements must be in place sixty (60) calendar days prior to implementation.
- 3.2.7.1.3 Submit the overall architecture and network configuration as it relates to connectivity to AHCCCS.


### **3.2.8 ISD Requirements**

3.2.8.1 The Offeror's application must:

- 3.2.8.1.1 Support the receipt of the drug claims extract(s) and drug encounters extract(s) from PMMIS. Formats to be agreed upon by both AHCCCS and the Offeror;
- 3.2.8.1.2 Convert Healthcare Common Procedure Coding System (HCPCS) codes and units used in claims for physician administered drugs.
- 3.2.8.1.3 Remove PHS/340B drug records from the rebate invoicing process.
- 3.2.8.1.4 Provide feedback to AHCCCS regarding any missing data elements from the extract and any aberrant billing practice patterns due to rebate analysis or other discovery processes.
- 3.2.8.1.5 Inform AHCCCS of all inappropriate unit billing issues/errors and any other data anomalies as a result of analysis or discovery.
- 3.2.8.1.6 Download CMS rates and integrate into a host environment on a quarterly basis within 24 hours of receipt.
- 3.2.8.1.7 Generate rebate invoices and cover letters in the media indicated by the manufacturer/labeler within CMS specified timeframes.
- 3.2.8.1.8 Provide variance analysis and comparisons.
- 3.2.8.1.9 Support online access to aggregated data with multi-level drill down capabilities to support summarized findings.
- 3.2.8.1.10 Operate in a fully hosted environment.
- 3.2.8.1.11 Store all data and reporting requirements.

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- 3.2.8.1.12 Establish an interface to transfer data to CMS, manufacturer / labeler and AHCCCS.
- 3.2.8.1.13 Transition, at no cost, a complete, all inclusive, data transfer to AHCCCS or other specified vendor, in the event of a contract termination.
- 3.2.8.1.14 Annually, prior to January 1st, provide a list of scheduled office closings, and scheduled downtimes for the calendar year.
- 3.2.8.1.15 Complete system maintenance including but not limited to data updates and data management on a schedule that allows the Drug Rebate software to be operationally available, at a minimum, from 6:00 AM to 12:00 AM, Monday through Friday, mountain standard time (MST).
- 3.2.8.1.16 Provide a project management plan using a proposed project start date of December 1, 2010 that includes:
  - 3.2.8.1.16.1 All activities required to complete the development, installation and configuration of the proposed solution.
  - 3.2.8.1.16.2 Responsibility for performing each task (State personnel or Contractor).
  - 3.2.8.1.16.3 Level of effort for each task.
  - 3.2.8.1.16.4 Begin and End Dates for each task.
  - 3.2.8.1.16.5 Milestone dates to include but not be limited to:
    - 3.2.8.1.16.5.1 Requirements Analysis.
    - 3.2.8.1.16.5.2 Development.
    - 3.2.8.1.16.5.3 Testing.
    - 3.2.8.1.16.5.4 Implementation.
- 3.2.8.1.17 Provide a training plan and materials for user training. The plan and schedule must be provided in an electronic format and accommodate training to a core group of users and trainers prior to the user acceptance test.
- 3.2.8.1.18 Provide User Documentation in an electronic format and made available prior to the user acceptance test.
- 3.2.8.1.19 Provide system documentation in an electronic format which shall include:
  - 3.2.8.1.19.1 An overview of the system.
  - 3.2.8.1.19.2 The data model.
  - 3.2.8.1.19.3 A description of each component of the system.
  - 3.2.8.1.19.4 Definition of terms.
  - 3.2.8.1.19.5 Specifications for the hardware and software platform required to operate the system.
- 3.2.8.1.20 Propose a system, including the methodology for monitoring the system, that provides security from inappropriate access to, or use of, the data through logon, password, individual security profiles and specific application security.
- 3.2.8.1.21 Meet all applicable federal security and privacy requirements including the HIPAA requirements for securing protected health information.
- 3.2.8.1.22 External Interfaces.
- 3.2.8.1.23 Ensure that the files contained on the manufacturer/labeler diskettes are properly formatted and “correct.”

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- 3.2.8.1.24 Be responsible for copying data files to and from diskettes or other CMS approved electronic media as necessary. There will be one file layout for the ROSI, PQAS and manufacturer /labeler invoice data files.
- 3.2.8.1.25 Provide direct links between the Offeror’s drug rebate application(s) and AHCCCS ISD including but not limited to the claims and encounter extracts and the accounting system.

**3.2.8.2 Interfaces And Exchanges**

| <b>Interfaces</b>                        | <b>Information to be Exchanged</b>  | <b>Minimum Frequency of Exchange</b> |
|--|---|--------------------------------------|
| AHCCCS ISD to Offeror                    | Encounter & Claims Rx Data  | Monthly                              |
| AHCCCS ISD to Offeror                    | Formulary Information   | According to CMS Guidelines          |
| AHCCCS ISD to Offeror                    | CMS Tape Data ( contains URA amounts, manufacturer/labeler information & PHS information) | Quarterly                            |
| AHCCCS ISD to Offeror                    | Pharmacy Provider Information   | Monthly                              |
| Offeror to Manufacturer/labeler          | Invoice Reports   | Quarterly                            |
| Offeror to Manufacturer/labeler          | Invoice Data Files on diskettes or other approved CMS electronic communication            | Quarterly                            |
| Offeror to ISD and/or CMS                | CMS Invoice Data -3480 Tape   | Quarterly                            |
| Offeror to ISD and/or CMS                | CMS64 Report  | Quarterly                            |
| Manufacturer/labeler to AHCCCS & Offeror | Payment Data  | Ongoing                              |
| Manufacturer/labeler to AHCCCS & Offeror | Diskettes or other approved electronic media containing ROSI/PQAS data files              | Ongoing                              |

**3.3 Additional Requirements**

- 3.3.1 The Offeror is responsible for the completion of the application deliverables as defined in this document.

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- 3.3.2 The Offeror will supply a secure Internet accessible web application (HTTPS/SSL), which will perform the various drug rebate tasks described in this document. The operating system shall be Internet Explorer 7, Internet Explorer 8 and FireFox.
- 3.3.3 AHCCCS will provide sufficient access to appropriate staff and other resources to facilitate the refining of requirements and functionality during the planning, development and implementation of the AHCCCS Drug Rebate Program.
- 3.3.4 The Offeror will work directly and communicate with AHCCCS only and may not contact the AHCCCS Managed Care Organization contractors without permission from AHCCCS.
- 3.3.5 The Offeror is responsible for the security, operations, disaster recovery, backups, response time, user support and program modifications required to meet the needs of AHCCCS.
- 3.3.6 The Offeror must inform the AHCCCS ISD Manager of any conflicts between the Offeror's security requirements and the AHCCCS security requirements. The more stringent security requirements will be preferred in most cases, and will always be preferred in cases where those requirements are dictated by laws, rules or regulations which are superior to State or AHCCCS policy and standards.
- 3.3.7 The Offeror must provide a written corrective action plan with timeframes for resolution to AHCCCS within five (5) business days of receipt of notification of contract non-compliance.

**4. WRITTEN POLICIES, PROCEDURES, AND JOB DESCRIPTIONS**

The Contractor shall develop and maintain written policies, procedures and job descriptions for each functional area, consistent in format and style. The Contractor shall maintain written guidelines for developing, reviewing and approving all policies, procedures and job descriptions. All policies and procedures shall be reviewed at least annually to ensure that the Contractor's written policies reflect current practices. Reviewed policies shall be dated and signed by the Contractor's appropriate manager, coordinator, director or administrator and available upon request for AHCCCS review.

**5. AHCCCS PROVIDER REGISTRATION**


The successful Offeror shall register with AFIS prior to implementation.

**6. PERFORMANCE STANDARDS**

AHCCCS may impose monetary sanctions, suspend, deny, refuse to renew, or terminate this contract or any related subcontracts.


AHCCCS may impose liquidated damages to Contractor for non-compliance as follows:

- 6.1 Failure for non-compliance, first occurrence: \$25,000.00.
- 6.2 Failure for non-compliance, second occurrence: \$35,000.00.  
(Contractor must also submit a corrective action plan.)
- 6.3 Failure for non-compliance, third occurrence: \$50,000.00.

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6.4 Failure for each subsequent non-compliance occurrence: \$30,000.00, plus an additional \$10,000.00 for each occurrence beyond three.

Exhibit F contains additional specific performance standards and penalties.

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|  | <b>Pricing Schedule</b>            |            | <b>AHCCCS</b><br>Arizona Health Care Cost<br>Containment System |
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Use the pricing table below as the Offeror’s “Project Costs Worksheet” to provide a fixed price for the services that the AHCCCS will purchase to meet the requirements given in this solicitation. Please state the cost of the services per month.

The initial Contract period will be for three (3) years. AHCCCS reserves the option to amend the term of the Contract for up to two additional one year periods, or as necessary to complete the mission of the procurement.

The Contract(s) will be on an annual, fixed-fee basis, corresponding to specific deliverables of this solicitation. The fixed-fee for deliverables will include all costs associated with the AHCCCS Drug Rebate Program.

- The contract will be a fixed price contract.
- The price quoted shall be effective for the initial three (3) year base Contract period and for two additional one-year periods if the contract is extended.


The Offeror is encouraged to provide their best pricing with their submission because AHCCCS may choose to score on the initial pricing submitted and not have additional cost discussions or allow revisions to the pricing schedule.

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Use the pricing table below as the Offeror's "Project Costs Worksheet" to provide a fixed price for the services that AHCCCS will purchase to meet the requirements given in this solicitation. Please state the cost of the services per month.

**FEDERAL REBATE PRICING WORKSHEET**


| Year              | Fiscal Year                                 | Services Provisions   | Annual Cost | Monthly Installment Price |
|-------------------|---|---|-------------|---------------------------|
| Year 1            | Date of Contract through September 30, 2011 | Program Implementation and all Rebate Operations for the Collection of the CMS/Federal Rebate for AHCCCS as described in this RFP solicitation. |             |                           |
| Year 2            | 10/01/2011 – 9/30/2012                      | All Rebate Operations for the Collection of the CMS/Federal Rebate for AHCCCS as described in this RFP solicitation.                            |             |                           |
| Year 3            | 10/01/2012 – 9/30/2013                      | All Rebate Operations for the Collection of the CMS/Federal Rebate for AHCCCS as described in this RFP solicitation.                            |             |                           |
| Year 4 (optional) | 10/01/2013 – 9/30/2014                      | All Rebate Operations for the Collection of the CMS/Federal Rebate for AHCCCS as described in this RFP solicitation.                            |             |                           |
| Year 5 (optional) | 10/1/2014 – 9/30/2015                       | All Rebate Operations for the Collection of the CMS/Federal Rebate for AHCCCS as described in this RFP solicitation.                            |             |                           |

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Use the pricing table below as the Offeror’s “Project Costs Worksheet” to provide a fixed price for the services that AHCCCS will purchase to meet the requirements given in this solicitation. Please state the cost of the services per month.

**SUPPLEMENTAL REBATE PRICING WORKSHEET**

| Year              | Fiscal Year                                 | Services Provisions  | Annual Cost | Monthly Installment Price |
|-------------------|---|--|-------------|---------------------------|
| Year 1            | Date of Contract through September 30, 2011 | Program Implementation and all Operations for Supplemental Rebate for AHCCCS as described in this RFP solicitation |             |                           |
| Year 2            | 10/01/2011 – 9/30/2012                      | All Rebate Operations for the Collection of Supplemental Rebates for AHCCCS as described in this RFP solicitation  |             |                           |
| Year 3            | 10/01/2012 – 9/30/2013                      | All Rebate Operations for the Collection of Supplemental Rebates for AHCCCS as described in this RFP solicitation  |             |                           |
| Year 4 (optional) | 10/01/2013 – 9/30/2014                      | All Rebate Operations for the Collection of Supplemental Rebates for AHCCCS as described in this RFP solicitation  |             |                           |
| Year 5 (optional) | 10/1/2014 – 9/30/2015                       | All Rebate Operations for the Collection of Supplemental Rebates for AHCCCS as described in this RFP solicitation  |             |                           |

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1. **Definition of Terms:** As used within this solicitation document, and any resultant contract, the terms listed below are defined as follows:
  - 1.1 “*AHCCCS*” means the Arizona Health Care Cost Containment System – a managed health care program which pertains to health care services provided pursuant to A.R.S. 36-2903 et seq., and is also the name of the State agency.
  - 1.2 “*Attachment*” means any item the Solicitation requires an Offeror to submit as part of the Offer.
  - 1.3 “*Contract*” means the combination of the Solicitation, including the Instructions to Offerors, Contract Terms and Conditions, and Scope of Work; the Offer; any Best and Final Offers; any Solicitation Amendments or Contract Amendments; and any terms applied by law.
  - 1.4 “*Contract Amendment*” means a written document signed by the Contracting Officer that is issued for the purpose of making changes in the contract.
  - 1.5 “*Contracted Plans*” means an organization or entity agreeing through a direct contracting relationship with AHCCCS to provide the goods and services specified by this contract in conformance with the stated contract requirements, AHCCCS statute and rules, and federal law and regulations.
  - 1.6 “*Contracting Officer*” means the person duly authorized by AHCCCS to enter into and administer Contracts and make written determinations with respect to the Contract, or his or her designee.
  - 1.7 “*Contractor*” means a person who has a contract with AHCCCS.
  - 1.8 “*Days*” means calendar days unless otherwise specified.
  - 1.9 “*Exhibit*” means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.
  - 1.10 “*Gratuity*” means a payment, loan, subscription, advance, deposit of money, services or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value is received.
  - 1.11 “*May*” indicates something that is not mandatory but permissible.
  - 1.12 “*Offer*” means bid, proposal or quotation.
  - 1.13 “*Offeror*” means a vendor who responds to a Solicitation.

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| <br><b>AHCCCS</b> | <b>Uniform Instructions to Offerors</b> |            | <b>AHCCCS</b><br>Arizona Health Care Cost<br>Containment System<br>701 East Jefferson, MD 5700<br><br>Phoenix, Arizona 85034 |
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- 1.14 *"Shall, Must"* indicates a mandatory requirement. Failure to meet these mandatory requirements may result in the rejection of a proposal as non-responsive.
- 1.15 *"Should"* indicates something that is recommended but not mandatory. If the offeror fails to provide recommended information, the State may, at its sole option, ask the offeror to provide the information or evaluate the proposal without the information.
- 1.16 *"Scope of Work"* means those provisions of this solicitation which specify the work and/or results to be achieved by the Contractor.
- 1.17 *"Solicitation"* means an Invitation for Bids ("IFB"), a Request for Proposals ("RFP"), or a Request for Quotations ("RFQ").
- 1.18 *"Solicitation Amendment"* means a written document that is authorized by the Contracting Officer and issued for the purpose of making changes to the Solicitation.
- 1.19 *"Subcontract"* means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.
- 1.20 *"State"* means the State of Arizona.

**2. Inquiries:**


- 2.1 Duty to Examine: It is the responsibility of each Offeror to examine the entire Solicitation, seek clarification in writing, and check its Offer for accuracy before submitting the Offer. Lack of care in preparing an Offer shall not be grounds for withdrawing the Offer after the Offer due date and time, nor shall it give rise to any Contract claim.
- 2.2 Solicitation Contact Person: Any inquiry related to a Solicitation, including any requests for or inquiries regarding standards referenced in the Solicitation shall be directed solely to the Solicitation Contact Person. The Offeror shall not contact or direct inquiries concerning this Solicitation to any other State employee unless the Solicitation specifically identifies a person other than the Solicitation Contact Person as a contact.

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- 2.3 Submission of Inquiries: The Solicitation Contact Person may require that an inquiry, to include exceptions, be submitted in writing. Any inquiry related to a Solicitation shall refer to the appropriate Solicitation number, page and paragraph. Do not place the Solicitation number on the outside of the envelope containing that inquiry, since it may then be identified as an Offer and not be opened until after the Offer due date and time.
- 2.4 Timeliness: Any inquiry, to include exceptions, shall be submitted no later than 5:00 P.M. M.S.T. on September 8, 2010. Failure to do so may result in the inquiry not being considered for a Solicitation Amendment.
- 2.5 No Right to Rely on Verbal Responses: Any inquiry that results in changes to the Solicitation shall be answered solely through a written Solicitation Amendment. An Offeror may not rely on verbal responses to its inquiries.
- 2.6 Solicitation Amendments: The Solicitation shall only be modified by a Solicitation Amendment.
- 2.7 Pre-Offer Conference: If a Pre-Offer Conference has been scheduled under this Solicitation, the date, time and location shall appear on the Solicitation cover sheet or elsewhere in the Solicitation. An Offeror should raise any questions they may have about the Solicitation or the procurement at that time. An Offeror may not rely on any verbal responses to questions at the conference. Material issues raised at the conference that result in changes to the Solicitation shall be answered solely through a written Solicitation Amendment.
- 2.8 Persons With Disabilities: Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Solicitation Contact Person. Requests shall be made as early as possible to allow time to arrange the accommodation.

**3. Offer Preparation:**

- 3.1 Forms: No Facsimile or Telegraphic Offers: An Offer shall be submitted either on the forms provided in this Solicitation or their substantial equivalent. Any substitute document for the forms provided in this Solicitation will be legible and contain the same information requested on the forms. A facsimile, telegraphic, mailgram or electronic mail Offer shall be rejected.
- 3.2 Typed Offer; Corrections: The Offer shall be typed. Erasures, interlineations or other modifications in the Offer shall be initialed in ink by the person signing the Offer. Modifications shall not be permitted after Offers have been opened except as otherwise provided under applicable law.
- 3.3 Evidence of Intent to be Bound: The Offer and Acceptance form within the Solicitation shall be submitted with the Offer and shall include a signature by a person authorized to sign the

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Offer. The signature shall signify the Offeror's intent to be bound by the Offer and the terms of the Solicitation and that the information provided is true, accurate and complete. Failure to submit verifiable evidence of an intent to be bound, such as an original signature, may result in rejection of the Offer.

3.4 Exceptions to Terms and Conditions:

3.4.1 If offerors take any exception to any term, condition or requirement included in this solicitation document, such exception shall be submitted to the Contract Specialist **no later than 5:00 P.M. M.S.T. on September 8, 2010.** This will allow the Contract Specialist to review all exceptions and, if applicable, afford any approved exceptions to all other potential offerors.

3.4.2 If an offeror includes, in their proposal, exceptions, not covered by paragraph 3.4.1, above, such exceptions shall be null, void and without force and shall not be considered, and may negatively affect AHCCCS' proposal evaluation based on the published evaluation criteria or may result in rejection of the proposal.

3.4.3 To the extent they are inconsistent with the terms of the Solicitation, the Offeror's preprinted or standard terms will not be considered by AHCCCS as a part of any resulting Contract.

3.5 Subcontracts: Offeror shall clearly list any proposed subcontractors and the subcontractor's proposed responsibilities in the Offer.


3.6 Cost of Offer Preparation: AHCCCS will not reimburse any Offeror the cost of responding to a Solicitation.

3.7 Solicitation Amendments: Each Solicitation Amendment shall be signed with an original signature by the person signing the Offer, and shall be submitted no later than the Offer due date and time. Failure to return a signed copy of a material Solicitation Amendment may result in rejection of the Offer.

3.8 Provision of Tax Identification Numbers: Offerors are required to provide their Arizona Transaction Privilege Tax Number and/or Federal Tax Identification number, if applicable, in the space provided on the Offer and Acceptance Form.

3.9 Federal Excise Tax: The State of Arizona is exempt from certain Federal Excise Tax on manufactured goods. Exemption Certificates will be prepared upon request.


3.10 Identification of Taxes in Offer: The State of Arizona is subject to all applicable state and local transaction privilege taxes. If Arizona resident Offerors do not indicate tax as a separate item in the offer, the State will conclude that the price(s) offered includes all applicable taxes.

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| <br><b>AHCCCS</b> | <b>Uniform Instructions to Offerors</b> |            | <b>AHCCCS</b><br>Arizona Health Care Cost<br>Containment System<br>701 East Jefferson, MD 5700<br><br>Phoenix, Arizona 85034 |
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- 3.11 IRS W9 Form: In order to receive payment under any resultant contract, Contractor shall have a current IRS W9 Form on file with the State of Arizona.
- 3.12 Disclosure: If the firm, business or person submitting this Offer has been debarred, suspended or otherwise lawfully precluded from participating in any public procurement activity, including being disapproved as a subcontractor with any federal, state or local government, or if any such preclusion from participation from any public procurement activity is currently pending, the Offeror shall fully explain the circumstances relating to the preclusion or proposed preclusion in the Offer. The Offeror shall include a letter with its Offer setting forth the name and address of the governmental unit, the effective date of this suspension or debarment, the duration of the suspension or debarment, and the relevant circumstances relating to the suspension or debarment. If suspension or debarment is currently pending, a detailed description of all relevant circumstances including the details enumerated above shall be provided.
- 3.13 Solicitation Order of Precedence: In the event of a conflict in the provisions of this Solicitation, the following shall prevail in the order set forth below:
- 3.13.1 Special Terms and Conditions;
  - 3.13.2 Uniform Terms and Conditions;
  - 3.13.3 Statement or Scope of Work;
  - 3.13.4 Specifications;
  - 3.13.5 Attachments;
  - 3.13.6 Exhibits;
  - 3.13.7 Special Instructions to Offerors; and
  - 3.13.8 Uniform Instructions to Offerors.
- 3.14 Delivery: Unless otherwise stated in the Contract, all prices shall be F.O.B. Destination and shall include all delivery and unloading at the destination.

**4. Submission of Offer:**

- 4.1 Sealed Envelope or Package: Each Offer shall be submitted to the submittal location identified in this Solicitation, in a sealed envelope or package that identifies its contents as an


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Offer and the Solicitation number to which it responds. The appropriate Solicitation number shall be plainly marked on the outside of the envelope or package.

- 4.2 Offer Amendment or Withdrawal: An Offer may not be amended or withdrawn after the Offer due date and time except as otherwise provided under applicable law.
- 4.3 Public Record: Under applicable law, all Offers submitted and opened are public records and must be retained by AHCCCS. Offers shall be open to public inspection after Contract award, except for such portions of an Offer deemed to be confidential by AHCCCS.
- 4.4 Non-collusion, Employment, and Services: By signing the Offer and Acceptance Form or other official contract form, the Offeror certifies that:
  - 4.4.1 It did not engage in collusion or other anti-competitive practices in connection with the preparation or submission of its Offer; and
  - 4.4.2 It does not discriminate against any employee or applicant for employment or person to whom it provides services because of race, color, religion, sex, national origin, or disability, and that it complies with all applicable federal, state and local laws and executive orders regarding employment.

**5. Evaluation:**

- 5.1 Unit Price Prevails: Where applicable, in the case of discrepancy between the unit price or rate and the extension of that unit price or rate, the unit price or rate shall govern.
- 5.2 Taxes. Arizona transaction privilege and use taxes shall not be considered when evaluating Offers.
- 5.3 Late Offers: An Offer submitted after the exact Offer due date and time shall be rejected.
- 5.4 Disqualification: The Offer of an Offeror who is currently debarred, suspended or otherwise lawfully prohibited from any public procurement activity shall be rejected.
- 5.5 Offer Acceptance Period: An Offeror submitting an Offer under this Solicitation shall hold its Offer open for the number of days from the Offer due date that is stated in the Solicitation. If the Solicitation does not specifically state a number of days for Offer acceptance, the number of days shall be ninety (90). If a Best and Final Offer is requested pursuant to a Request for Proposals, an Offeror shall hold its Offer open for ninety (90) days from the Best and Final Offer due date.

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5.6 **Payment:** Payment shall comply with the requirement of A.R.S. Titles 35 and 41, Net 30 days. Upon receipt of goods or services, the contractor shall submit a complete and accurate invoice for payment from AHCCCS within thirty (30) days.

5.7 **Waiver and Rejection Rights:** Notwithstanding any other provision of the Solicitation, AHCCCS reserves the right to:

5.7.1 Waive any minor informality;

5.7.2 Reject any and all Offers or portions thereof; or

5.7.3 Cancel a Solicitation.

**6. Award:**

6.1 **Number or Types of Awards:** Where applicable, AHCCCS reserves the right to make multiple awards or to award a Contract by individual line items or alternatives, by group of line items or alternatives, or to make an aggregate award, whichever is deemed most advantageous to AHCCCS. If the Contracting Officer determines that an aggregate award to one Offeror is not in AHCCCS' best interest, "all or none" Offers shall be rejected.


6.2 **Contract Inception:** An Offer does not constitute a Contract nor does it confer any rights on the Offeror to the award of a Contract. A Contract is not created until the Offer is accepted in writing by the Contracting Officer's signature on the Offer and Acceptance Form. A notice of award or of the intent to award shall not constitute acceptance of the Offer.

6.3 **Effective Date:** The effective date of this Contract shall be the date that the Contracting Officer signs the Offer and Acceptance form or other official contract form, unless another date is specifically stated in the Contract.


**7. Confidential Information:**

7.1 If a person believes that a portion of a bid, proposal, offer, specification, or protest contains information that should be withheld due to confidentiality, the Contracting Officer shall so be notified. A detailed statement, presented as a cover letter, shall both identify those specific areas considered confidential and also state the specific harm or prejudice which may arise if disclosed.

7.2 The information identified by the person as confidential shall not be disclosed until the Contracting Officer makes a written determination. The Contracting Officer shall review the statement and information and shall determine in writing whether the information shall be withheld.

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- 7.3 If so approved, such confidential information shall be removed from the public record and kept sealed in a separate envelope marked "Confidential." Such information will not be made available to the public.
- 7.4 An entire bid, proposal, offer, specification, or protest shall not be identified as confidential; only those portions which are considered proprietary, trade secrets or patented information. Pricing shall not be considered as confidential.
8. **Contract Applicability:** Any contract resulting from this solicitation shall be for the exclusive use of AHCCCS.
9. **Electronic Documents:** AHCCCS may provide an electronic version of this procurement document. Any unidentified alteration or modification to the original document (or to any Exhibit contained therein) issued by AHCCCS shall be null and void. In those instances where modifications are identified, the original document issued by the State shall take precedence.
10. **Proposal Opening:** Proposals shall be opened on the date and time, and at the place designated on the cover page of this document, unless amended in writing by the state agency issuing the solicitation.
11. **Protests:** A protest shall comply with and be resolved according to R9-22-604, Contract or Proposal Protests; Appeals.

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1. **Offeror's Contacts:** All questions concerning this Request for Proposal, including technical specifications, proposal process, etc. shall be directed to the Solicitation Contact Person, identified on the first page of this solicitation document. All questions shall be in writing and submitted either via e-mail or fax. **Questions should be submitted using the Question and Response form that is available on the AHCCCS website at <http://www.azahcccs.gov/commercial/Purchasing/open.aspx>.**

Contact information is found on the front page of this RFP. Offerors may not contact other AHCCCS employees concerning this solicitation.

2. **Evaluation Criteria:** Evaluation criteria are listed in the relative order of importance. The evaluation will be conducted in accordance with an established evaluation plan. The award(s) will be made to the responsible offeror whose proposal is determined to be the most advantageous to AHCCCS, based on the following criteria:
  - 2.1 Proposed Method of Approach - System Technology and Functionality
  - 2.2 Experience and Expertise of the Offeror
  - 2.3 Cost
  - 2.4 Completeness of the Offeror's Response
3. **Proposal Information:** Offer is to submit their proposal with one (1) original and seven (7) copies (for a total of eight (8) sets) in the format as contained in this RFP and under sealed cover and labeled as follows: **AHCCCS Drug Rebate Program – RFP #YH11-0001**. The name of the organization submitting the proposal should also be on the outside of the sealed box or envelope. The original of the proposal should be clearly labeled **“ORIGINAL.”** **Also, a copy of the entire proposal must be submitted in an electronic format (Word/Excel) on one (1) CD.**

The material should be in sequence and related to the RFP. AHCCCS will not provide any reimbursement for the cost of developing or presenting proposals in response to this RFP. Failure to include the requested information may have a negative impact on the evaluation of the offeror's proposal. The proposal shall include at least the following information:

- 3.1 **Proposed Method of Approach – System Technology and Functionality:** Questions requiring the Offeror's responses are located in Exhibit A.
- 3.2 **Experience and Expertise of the Offeror:** The Offeror's qualifications, capability and experience will be evaluated on the extent of its success in managing and integrating work relevant to that defined in the Scope of Work. Therefore, the Offeror is advised to submit any and all information which documents successful and reliable experience in past performances as related to this RFP.



# Special Instructions to Offerors

**AHCCCS**

Arizona Health Care Cost  
Containment System

701 East Jefferson, MD 5700

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- 3.1.2 References: References shall be verifiable and be able to comment on the Offeror's related experience. The Offeror shall submit, at a minimum, three (3) professional services references which would demonstrate the Offeror possesses an understanding and the experience in providing the required service. As these references may be checked, insure all information is current, accurate and prior permission to use is obtained from each reference. This information may be shown on the form attached as Exhibit B to this RFP or in a similar manner.
- 3.1.3 Organizational Chart: The Offeror shall provide an organizational chart which clearly shows the reporting and lines of authority to include all proposed key personnel and any proposed subcontractors. The organizational chart shall identify the prime point of contact between the Offeror and the AHCCCS Project Manager including but not limited to the following:
- 3.1.3.1 Overall Project Manager
  - 3.1.3.2 Pharmacists
  - 3.1.3.3 Implementation Coordinator
  - 3.1.3.4 Finance / Accounting Manager
  - 3.1.3.5 Reporting / Data Coordinator
  - 3.1.3.6 Customer Service Manager
  - 3.1.3.7 Support Staff
  - 3.1.3.8 Technical Staff
- 3.1.4 The qualifications of the key personnel proposed by the Offeror to perform the requirements of this solicitation will be considered in the evaluation. Offeror shall provide the names and titles for all proposed key personnel; clerical staff is not considered key personnel. The use of Exhibit C is furnished for the Offeror's use in presenting such information.
- 3.1.5 The Offeror shall provide a resume for each proposed key person, which substantiates the key person possesses the experience and expertise to provide the assigned tasks and responsibilities. Each resume shall include a description of the type and years of experience, training and other pertinent qualifications. The Offeror shall also indicate the estimated amount of time the proposed person will devote to any resultant contract. Resumes shall be limited to four (4) pages. The use of Exhibit D, "Resumes for Key Personnel," may assist the Offeror in this purpose.
- 3.1.6 Provide a detailed explanation of each key person's responsibilities as related to the requirements of the Scope of Work.
- 3.1.7 The offeror may submit any other pertinent information, which would substantiate that the firm possesses the experience, expertise and capability to provide the required services.


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- 3.3 **Cost:** This criterion will be evaluated based on the Offeror’s response to the Pricing Schedule.
- 3.4 **Completeness of the Offeror’s Response**
- 3.4.1 Detail and comprehensiveness of the Offeror’s response in accordance with RFP instructions.
- 3.4.2 Professional appearance and organization of the Offeror’s response.
- 3.4.3 Other relevant factors not considered elsewhere.
4. **Additional Information:** The offeror may submit any other pertinent information which would substantiate the offeror has the experience, expertise and capability to provide the required services.
5. **Intent to Provide Certificate of Insurance:** The offeror shall provide a statement that, if notified of contract award, will submit to AHCCCS for review and acceptance, the applicable certificate/s of insurance as required within this RFP document, within five (5) business days of such notification. See Exhibit A, for an example of a certificate of insurance.
6. **Offeror's Financial Disclosure:** The offeror shall complete Exhibit E, "Offeror's Financial Disclosure."
7. **Performance Standards:** The offeror shall acknowledge and sign Exhibit F.
8. **HIPAA Business Associate Addendum:** Since protected health information, as defined in 45 CFR 164.501, may be made available to the selected vendor, Exhibit G, “HIPAA Business Associate Addendum,” is part of the Contract.
9. **Offeror's Checklist:** The offeror should complete Exhibit H, “Offeror's Checklist.”
10. **Offeror's Responsibility:** The offeror is cautioned that it is the offeror's sole responsibility to submit information related to the evaluation categories and that the State of Arizona is under no obligation to solicit such information if it is not included with the offeror's proposal. Failure of the offeror to submit such information may cause an adverse impact on the evaluation of the offeror's proposal.
11. **Clarifications:** Clarifications may be requested from offerors at any time after receipt of offers. Clarifications may be requested orally or in writing. If clarifications are requested orally, the offeror shall confirm the request in writing. A request for clarifications shall not be considered a determination that the offeror is susceptible for award.
12. **Discussions:** After the initial receipt of proposals, discussions are currently planned to be conducted with offeror(s) who submit proposals determined to be reasonably susceptible of being selected for award. The discussions may include scenario demonstrations (oral presentations) based on AHCCCS

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workflow. Award may be made without discussions; therefore, offers should be submitted complete and include the most favorable terms.


13. **Best and Final Offers:** If discussions are conducted, they shall be conducted with all offerors determined to be in the competitive range or reasonably susceptible for award. Written Best and Final Offers will be requested from any offeror with whom discussions have been conducted, unless the offeror has been determined not susceptible for award or nonresponsible.
  
14. **Additional Definitions of Terms:** As used within this solicitation document and any resultant contract, the following terms are defined below:
  - 14.1 “ACA” means The Patient Protection and Affordable Care Act health reform federal Legislation.
  - 14.2 “AICPA” means the American Institute of Certified Public Accountants.
  - 14.3 “ALTCS – Arizona Long Term Care System” means a program under AHCCCSA that delivers long term, acute and behavioral health care services to eligible members, as authorized by A.R.S. 36-2931 et seq., encompassing long term care and alternative service delivery for AHCCCS recipients and/or AHCCCS eligible recipients, i.e., developmentally disabled, elderly and physically disabled.
  - 14.4 “CMS” means Centers for Medicare and Medicaid Services.
  - 14.5 “NCPDP” means the National Council for Prescription Drug Programs.
  - 14.6 “NDC” means National Drug Code.
  - 14.7 “OBRA” means the Omnibus Budget Reconciliation Act of 1990.
  - 14.8 “PPA” means Prior Period Adjustment.
  - 14.9 “PQAS” means Prior Quarter Adjustment Statement.
  - 14.10 “QA” means Quality Assurance.
  - 14.11 “RAD” means Requirements Analysis Document.
  - 14.12 “ROSI” means Reconciliation of State Invoices.
  - 14.13 “SAS 70” means Statement on Auditing Standards (SAS) No. 70 is a widely recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA).

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14.14 “VPN” means a virtual private network.

**15. Additional Confidentiality Information:**


The Offeror must comply with all state and federal confidentiality provisions, including the Medicaid laws as well as the HIPAA provisions Part 160 and 164.

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1. **Arbitration:** The Parties to this Contract agree to resolve all disputes arising out of or relating to this contract through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. § 12-1518, except as may be required by other applicable statutes (Title 41).
2. **Advertising and Promotion of Contract:** The Contractor shall not advertise or publish information for commercial benefit concerning this contract without the prior written approval of the Contracting Officer.
3. **Amendments:** This Contract is issued under the authority of the Contracting Officer who signed this Contract. The Contract may be modified only through a Contract Amendment within the scope of the Contract unless otherwise permitted by the Special Terms and Conditions. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by an unauthorized State employee or made unilaterally by the Contractor are violations of the Contract and of applicable law. Such changes, including unauthorized written Contract Amendments shall be void and without effect, and the Contractor shall not be entitled to any claim under this Contract based on those changes.
4. **Arizona Law:** The law of Arizona applies to this contract including, where applicable, the Uniform Commercial Code, as adopted in the State of Arizona.
5. **Assignment and Delegation:** The Contractor shall not assign any right nor delegate any duty under this contract without prior written approval of the Contracting Officer, who will not unreasonably withhold such approval.
6. **Audits and Inspections:** Pursuant to A.R.S. 35-214 at any time during the term of this Contract, and five (5) years thereafter, the Contractor's or any subcontractor's books and records shall be subject to audit by the State and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the Contract or Subcontracts.
7. **Availability of Funds for the Next Fiscal Year:** Funds may not presently be available for performance under this Contract beyond the current fiscal year. No legal liability on the part of the State for any payment may arise under this Contract beyond the current fiscal year until funds are made available for performance of this Contract. The State shall make reasonable efforts to secure such funds.
8. **Cancellation for Conflict of Interest:** Pursuant to A.R.S. 38-511, the State may cancel this contract within three (3) years after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the State is or becomes at any time, while the Contract or an extension of the Contract is in effect, an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation, unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this Contract as provided in A.R.S. 38-511.

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9. **Compliance with Applicable Laws:** The materials and services supplied under this Contract shall comply with all applicable federal, state and local laws, and the Contractor shall maintain all applicable license and permit requirements.
10. **Contract Claims:** All contract claims or controversies under this contract shall be resolved according to A.A.C. Title 9, Chapter 34 and rules adopted thereunder.
11. **Contract Order of Precedence:** In the event in the provisions of the contract, as accepted by AHCCCS and as they be amended, the following shall prevail in the order set forth below:
- 11.1 Special Terms and Conditions;
  - 11.2 Uniform Terms and Conditions;
  - 11.3 Statement or Scope of Work;
  - 11.4 Specifications;
  - 11.5 Attachments;
  - 11.6 Exhibits;
  - 11.7 Documents, referenced or included in the solicitation; and
  - 11.8 Terms and conditions of the accepted offer.
12. **Contractor's Representations and Warranties:** All representations and warranties made by the Contractor under this Contract shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12-529, the State is not subject to or barred by any limitations of actions prescribed in A.R.S., Title 12, Chapter 5.
13. **Delivery:** Unless stated otherwise in the contract, all prices shall be F.O.B. Destination and shall include all delivery and unloading at the destination.
14. **Exclusions:** Except as otherwise set forth in this Contract, there are no express or implied warranties of merchantability or fitness.
15. **Federal Immigration and Nationality Act:**
- The Contractor shall comply with all federal, state, and local immigration laws and regulations relating to the immigration status of their employees during the term of the contract. Further, the Contractor shall flow down this requirement to all subcontractors utilized during the term of the contract. The State shall retain the right to perform random audits of Contractor and subcontractor

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records or to inspect papers of any employee thereof to ensure compliance. Should the State determine that the Contractor and/or any subcontractors be found noncompliant, the State may pursue all remedies allowed by law, including, but not limited to: suspension of work, termination of the contract for default, and suspension and/or debarment of the Contractor.

15.1 Compliance with the Federal Immigration and Nationality Act (FINA) and All Other Federal Immigration Laws and Regulations related to Immigration Status of its Employees:

By entering into the Contract, the Contractor warrants compliance with the Federal Immigration and Nationality Act (FINA) and all other Federal immigration laws and regulations related to the immigration status of its employees. The Contractor shall obtain statements from its subcontractors certifying compliance and shall furnish the statements to the Procurement Officer, upon request. These warranties shall remain in effect through the term of the Contract. The Contractor and its subcontractors shall also maintain Employment Eligibility Verification forms (I-9) as required by the U.S. Department of Labor’s Immigration and Control Act, for all employees performing work under the Contract. I-9 forms are available for download at USACIS.GOV.


The State may request verification of compliance for any Contractor or subcontractor performing work under the Contract. Should the State suspect or find that the Contractor or any of its subcontractors are not in compliance, the State may pursue any and all remedies allowed by law, including, but not limited to: suspension of work, termination of the Contract for default, and suspension and/or debarment of the Contractor. All costs necessary to verify compliance are the responsibility of the Contractor.

15.2 Compliance Requirements for A.R.S. 41-4401, Government Procurement: E-Verify Requirement:

15.2.1 The contractor warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. 23-214, Subsection A. (That subsection reads: “After December 31, 2007, every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program.”)

15.2.2 A breach of a warranty regarding compliance with immigration laws and regulations shall be deemed a material breach of the contract and the contractor may be subject to penalties up to and including termination of the contract.

15.2.3 Failure to comply with a State audit process to randomly verify the employment records of contractors and subcontractors shall be deemed a material breach of the contract and the contractor may be subject to penalties up to and including termination of the contract.

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15.2.4 The State Agency retains the legal right to inspect the papers of any employee who works on the contract to ensure that the contractor or subcontractor is complying with the warranty under paragraph 16.2.1.

**16. Fitness.** The Contractor warrants that any material supplied to the State shall fully conform to all requirements of the Contract and all representations of the Contractor, and shall be fit for all purposes and uses required by the Contract.

**17. Force Majeure:**

17.1 Except for payment of sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-intervention-acts; or failures or refusals to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence.

17.2 Force Majeure shall not include the following occurrences:


17.2.1 Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;

17.2.2 Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or


17.2.3 Inability of either the Contractor or any subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.

17.3 If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day, of the commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

17.4 Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.


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18. **Gratuities:** The Contracting Officer may, by written notice to the Contractor, immediately terminate this contract if it determines that employment or a gratuity was offered or made by the Contractor or a representative of the Contractor to any officer or employee of AHCCCS for the purpose of influencing the outcome of the procurement or securing the contract, an amendment to the contract, or favorable treatment concerning the contract, including the making of any determination or decision about contract performance. The Contracting Officer, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the gratuity offered by the Contractor.
19. **Implied Contract Terms:** Each provision of law and any terms required by law to be in this contract are a part of this contract as if fully stated in it.
20. **Indemnification -- Patent and Copyright:** The Contractor shall defend, indemnify and hold harmless AHCCCS against any liability including costs and expenses for infringement of any patent, trademark or copyright arising out of contract performance or use by AHCCCS of materials furnished or work performed under this contract. The Contracting Officer shall reasonably notify the Contractor of any claim for which it may be liable under this paragraph.
21. **Indemnification**
- 21.1 Contractor/Vendor Indemnification (Not Public Agency)
- The parties to this contract agree that the State of Arizona, its departments, agencies, boards and commissions shall be indemnified and held harmless by the contractor for the vicarious liability of the State as a result of entering into this contract. However, the parties further agree that the State of Arizona, its departments, agencies, boards and commissions shall be responsible for its own negligence. Each party to this contract is responsible for its own negligence.
- 21.2 Public Agency Language Only
- Each party (“as indemnitor”) agrees to indemnify, defend, and hold harmless the other party (as indemnitee”) from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney’s fees) (hereinafter collectively referred to as ‘claims’) arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers.
22. **Inspection/Testing:** The contractor agrees to permit access to its facilities, subcontractor facilities and the contractor's processes for producing the materials, at reasonable times for inspection of the materials covered under this contract. AHCCCS shall also have the right to test at its own cost the materials to be supplied under this contract. Neither inspection at the contractor's facilities nor testing


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shall constitute final acceptance of the materials. If AHCCCS determines non-compliance of the materials, the contractor shall be responsible for the payment of all costs incurred by AHCCCS for testing and inspection.

23. **IRS W9 Form:** In order to receive payment under any resulting contract, the contractor shall have a current IRS W9 Form on file with the State of Arizona.
24. **Liens:** The Contractor warrants that the materials supplied under this contract are free of liens.
25. **No Parole Evidence:** This contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any term used in this contract.
26. **No Waiver:** Either party's failure to insist on strict performance of any term or condition of the contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the non-conforming performance knows of the nature of the performance and fails to object to it.
27. **Nonconforming Tender:** Materials supplied under this contract shall fully comply with the contract. The delivery of materials or a portion of the materials in an installment that do not fully comply constitutes a breach of contract. On delivery of nonconforming materials, AHCCCS may terminate the contract for default under applicable termination clauses in the contract, exercise any of its rights and remedies under the Uniform Commercial Code or pursue any other right or remedy available to it.
28. **Non-Discrimination:** The Contractor shall comply with State Executive Order No. 99-4, which mandates that all persons, regardless of race, color, religion, sex, national origin or political affiliation, shall have equal access to employment opportunities, and all other applicable federal and state laws, rules and regulations, including the Americans with Disabilities Act. The Contractor shall take positive action to ensure that applicants for employment, employees, and persons to whom it provides service are not discriminated against due to race, creed, color, religion, sex, national origin or disability.
29. **Non-exclusive Remedies:** The rights and the remedies of AHCCCS under this contract are not exclusive.
30. **Notices:** Notices to the Contractor required by this Contract shall be made by the Contracting Officer to the person indicated on the Offer and Acceptance form submitted by the Contractor unless otherwise stated in the Contract. Notices to AHCCCS required by the Contract shall be made by the Contractor to the Contracting Officer. An authorized Contracting Officer and an authorized Contractor representative may change their respective person to whom notice shall be given by written notice and an amendment to the Contract shall not be necessary.


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31. **Offshore Performance of Work Prohibited:** Due to security and identity protection concerns, direct services under this contract shall be performed within the borders of the United States. Any services that are described in the specifications or scope of work that directly serve the State of Arizona or its clients and may involve access to secure or sensitive data or personal client data or development or modification of software for the State shall be performed within the borders of the United States. Unless specifically stated otherwise in the specifications, this definition does not apply to indirect or “overhead” services, redundant back-up services or services that are incidental to the performance of the contract. This provision applies to work performed by subcontractors at all tiers. Offerors shall declare all anticipated offshore services in the proposal.
32. **Payments:** The Contractor shall be paid as specified in the Contract. Payment must comply with requirements of A.R.S. Title 35.
33. **Payment of Taxes by AHCCCS:** AHCCCS shall pay only the rate and/or amount of taxes identified in the Offer and in any resulting contract.
34. **Prohibition from Doing Business with Companies in Excluded Countries:** The Offeror shall submit a statement that the company and its subcontractors do not have scrutinized business operations in the following countries: Iran, Sudan, and countries that are in violation of the Export Administration Act (terrorist countries).
35. **Purchase Orders:** The contractor shall, in accordance with all terms and conditions of the contract, fully perform and shall be obligated to comply with all purchase orders received by the contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the Contracting Officer, including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this contract.
36. **Property of AHCCCS:** Any materials, including reports, computer programs and other deliverables, created under this contract are the sole property of AHCCCS. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the Contracting Officer.
37. **Records:** Under A.R.S. § 35-214 and § 35-215, the Contractor shall retain and shall contractually require each subcontractor to retain all data and other records (“records”) relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records at no cost to the State.
38. **Relationship of Parties:** The Contractor under this contract is an independent contractor. Neither party to this contract shall be deemed to be the employee or agent of the other party to the contract.
39. **Risk of Loss:** The Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract.


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Mere receipt does not constitute final acceptance. The risk of loss for nonconforming materials shall remain with the Contractor regardless of receipt.


40. **Right of Offset:** AHCCCS shall be entitled to offset against any amounts due the Contractor any expenses or costs incurred by AHCCCS concerning the Contractor's non-conforming performance or failure to perform the contract, including expenses, costs and damages described in the proceeding paragraphs.
41. **Right to Assurance:** If AHCCCS, in good faith, has reason to believe that the Contractor does not intend to perform or continue performing this contract, the Contracting Officer may demand in writing that the Contractor give a written assurance of intent to perform. The demand shall be sent to the Contractor by certified mail, return receipt required. Failure by the Contractor to provide written assurance within the number of days specified in the demand may, at the Contracting Officer's option, be the basis for terminating the contract.
42. **Severability:** The provisions of this contract are severable to the extent that any provision or application held to be invalid shall not affect any other provision or application of the contract, which may remain in effect without the invalid provision, or application.
43. **State and Local Transaction Privilege Taxes:** AHCCCS is subject to all applicable state and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect taxes from the buyer does not relieve the seller from its obligation to remit taxes.
44. **Stop Work Order:**
  - 44.1 AHCCCS may, at any time, by written order to the Contractor, require the Contractor to stop all or any part of the work called for by this Contract for a period of ninety (90) days after the order is delivered to the Contractor, and for any further period to which the parties may agree. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.
  - 44.2 If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The Contracting Officer shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.
45. **Subcontracts:** The contractor may, with the consent of the Contracting Officer, enter into written subcontract(s) for performance of certain of its functions under the contract. Subcontractors must be approved in writing by the Contracting Officer to the effective date of any subcontract.

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- 45.1 No subcontract which the contractor enters into with respect to performance under the contract shall in any way relieve the contractor of any responsibility for performance of its duties.
- 45.2 The contractor shall give the Contracting Officer immediate notice in writing by certified mail of any action or suit filed and prompt notice of any claim made against the contractor by any subcontractor or vendor which in the opinion of the contractor may result in litigation related in any way to the contract with AHCCCS.
46. **Suspension or Debarment:** The Contracting Officer may, by written notice to the Contractor, immediately terminate this Contract if the Contracting Officer or the State determine that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body.
47. **Tax Indemnification:** The contractor and all subcontractors shall pay all federal, State and local taxes applicable to its operation and any persons employed by the contractor. Contractor shall require all subcontractors to hold the State harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under Federal and/or State and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.
48. **Termination for Convenience:** The Contracting Officer reserves the right to terminate the contract in whole or in part at any time when in the best interests of AHCCCS without penalty or recourse. The Contracting Officer shall give written notice by certified mail, return receipt requested, to the Contractor of the termination at least ninety (90) days before the effective date of the termination. In the event of termination under this paragraph, all documents, data and reports prepared by the Contractor under the contract shall become the property of and be delivered to the Contracting Officer. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed and materials accepted before the effective date of the termination. The cost principles and procedures provided in A.A.C. R 2-7-701 shall apply.
49. **Termination for Default:**
- 49.1 The Contracting Officer reserves the right to terminate this contract in whole or in part due to the failure of the Contractor to comply with any term or condition of the contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or failure to take corrective action as required by the Contracting Officer to comply with the terms of the contract. If the Contractor is providing services under more than one contract with AHCCCS, the Contracting Officer may deem unsatisfactory performance under one contract to be cause to require the Contractor to provide assurance of performance under any and all other contracts. In such situations, the Contracting Officer reserves the right to seek remedies under both actual and anticipatory breaches of contract if adequate assurance of performance is not received. The Contracting Officer shall mail written notice of the termination and the reason(s) for it to the Contractor by certified mail, return receipt requested.

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- 49.2 In the event the Contractor requests a hearing prior to termination, AHCCCS is required by the Balanced Budget Act of 1997 to oversee the operation of the Contractor entity through appointment of temporary management prior to the hearing.
- 49.3 Upon termination under this paragraph, all documents, data, and reports prepared by the Contractor under the contract shall become the property of and be delivered to the Contracting Officer on demand.
- 49.4 The Contracting Officer may, upon termination of this contract, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this contract. The Contractor shall be liable for any excess costs incurred by AHCCCS in procuring the materials or services in substitution for those due from the Contractor.
50. **Third Party Antitrust Violations:** The Contractor assigns to AHCCCS any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor toward fulfillment of this contract.

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1. **Assignment of Contract and Bankruptcy:** This contract is voidable and subject to immediate cancellation by the Contracting Officer upon Contractor becoming insolvent or filing proceedings in bankruptcy or assigning rights or obligations under this contract without the prior written consent of the Contracting Officer.
  
2. **Authority to Contract:** This contract is issued under the authority of the Contracting Officer who signed this contract. Changes to the contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by an unauthorized state employee or made unilaterally by the Contractor are violations of the contract and of applicable law. Such changes, including unauthorized written contract amendments, shall be void and without effect, and the Contractor shall not be entitled to any claim under this contract based on those changes.
  
3. **Choice of Forum:** The parties agree that jurisdiction over any action arising out of or relating to this contract shall be brought or filed in a court of competent jurisdiction located in the State of Arizona.
  
4. **Continuation of Performance Through Termination:** The contractor shall continue to perform, in accordance with the requirements of the contract, up to the date of termination, as directed in the termination notice.
  
5. **Conflict of Interest:** The Contractor shall not undertake any work that represents a potential conflict of interest, or which is not in the best interest of AHCCCS or the State without prior written approval by AHCCCS. The Contractor shall fully and completely disclose any situation that may present a conflict of interest. If the Contractor is now performing or elects to perform during the term of this contract any services for any AHCCCS contracted plan, provider or Contractor or an entity owning or controlling same, the Contractor shall disclose this relationship prior to accepting any assignment involving such party.
  
6. **Contract Cancellation (Immediate):** This contract is critical to AHCCCS and the agency reserves the right to immediately cancel the whole or any part of this contract due to failure of the contractor to carry out any material obligation, term or condition of the contract. The Contracting Officer shall issue a written notice of default effective at once and not deferred by any interval of time. Default shall be for acting or failing to act in any of the following:
  - 6.1 The contractor provides material that does not meet the specifications of the contract;
  - 6.2 The contractor fails to adequately perform the services set forth in the specifications of the contract;
  - 6.3 The contractor fails to complete the work required or furnish the materials required within the time stipulated in the contract;

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- 6.4 The contractor fails to make progress in the performance of the contract and/or gives the Contracting Officer reason to believe that the contractor will not or cannot perform to the requirements of the contract.
- 6.5 The Contracting Officer may resort to any single or combination of the following remedies:
- 6.5.1 Cancel any contract;
  - 6.5.2 Reserve all rights or claims to damage for breach of any covenants of the contract;
  - 6.5.3 Perform any test or analysis on materials for compliance with the specifications of the contract. If the result of any test confirms a material non-compliance with the specifications, any reasonable expense of testing shall be borne by the contractor.
  - 6.5.4 In case of default, the Contracting Officer reserves the right to purchase materials or to complete the required work in accordance with the Arizona Procurement Code. The Contracting Officer may recover reasonable excess costs from the contractor by:
    - 6.5.4.1 Deduction from an unpaid balance;
    - 6.5.4.2 Collection against the bid and/or performance bond; or
    - 6.5.4.3 Any combinations of the above or any other remedies as provided by law.
7. **Contract Cancellation (Minimum 10 Day)**: The Contracting Officer reserves the right to cancel the whole or any part of this contract due to failure by the contractor to carry out any material obligation, term or condition of the contract. The Contracting Officer shall issue written notice to the contractor for acting or failing to act as in any of the following:
- 7.1 The contractor provides material that does not meet the specifications of the contract;
  - 7.2 The contractor fails to adequately perform the services set forth in the specifications of the contract;
  - 7.3 The contractor fails to complete the work required or furnish the materials required within the time stipulated by the contract;
  - 7.4 The contractor fails to make progress in the performance of the contract and/or gives the Contracting Officer reason to believe that the contractor will not or cannot perform to the requirements of the contract;
  - 7.5 Upon receipt of the written notice of concern, the contractor shall have a minimum of ten (10) days (Contracting Officer may determine a longer period) to provide a satisfactory response to

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the Contracting Officer. Failure on the part of the contractor to adequately address all issues of concern may result in the Contracting Officer resorting to any single or combinations of the following remedies.

- 7.5.1 Cancel any contract;
- 7.5.2 Reserve all rights or claims to damage for breach of any covenant of the contract;
- 7.5.3 Perform any test or analysis on materials for compliance with the specifications of the contract. If the result of any test confirms a material no-compliance with the specifications, any reasonable expense of testing shall be borne by the contractor;
- 7.5.4 In case of default, the Contracting Officer reserves the right to purchase materials, or to complete the required work in accordance with the Arizona Procurement Code. The Contracting Officer may recover reasonable excess costs from the contractor by;
  - 7.5.4.1 Deduction from an unpaid balance;
  - 7.5.4.2 Collection against the bid and/or performance bond; or
  - 7.5.4.3 Any combination of the above or any other remedies as provided by law.

- 8. **Contract Disputes:** Contract disputes arising under A.R.S. § Title 36, Chapter 29 shall be adjudicated in accordance with AHCCCS Rules.
- 9. **Cooperation with other Contractors:** AHCCCS may award other contracts for additional work related to this contract and Contractor shall fully cooperate with such other contractors and AHCCCS employees or designated agents, and carefully fit its own work to such other contractors' work. Contractor shall not commit or permit any act which will interfere with the performance of work by any other contractor or by AHCCCS employees.
- 10. **Confidentiality of Records:** The contractor shall establish and maintain procedures and controls that are acceptable to AHCCCS for the purpose of assuring that no information contained in its records or obtained from AHCCCS or others carrying out its functions under the contract, shall be used or disclosed by it, its agents, officers or employees, except as required to efficiently perform duties under the contract. Persons requesting such information shall be referred to AHCCCS. The contractor also agrees that any information pertaining to individual persons shall not be divulged other than to employees or officers of the contractor as needed for the performance of duties under the contract, unless otherwise agreed to, in writing, by AHCCCS.
- 11. **Covenant Against Contingent Fees:** The Contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a

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commission, percentage, brokerage or contingent fee. For violation of this warranty, the Contracting Officer shall have the right to annul this contract without liability.

**12. Contract:**

12.1 The contract between AHCCCS and the contractor shall consist of (1) the Request for Proposal (RFP) and any amendments thereto, and (2) the proposal submitted by the contractor in response to the RFP. In the event of a conflict in language between the two documents referenced, the provisions and requirements set forth and/or referenced in the RFP shall govern. However, AHCCCS reserves the right to clarify any contractual relationship in writing, and such written clarification shall govern in case of conflict with the applicable requirements stated in the RFP or the contractor's proposal. In all other matters not affected by the written clarification, if any, the RFP shall govern.

12.2 The contract shall be construed according to the laws of the State of Arizona. The State of Arizona is not obligated for the expenditures under the contract until funds have been encumbered.


**13. Disclosure of Confidential Information:** The Contractor shall not, without prior written approval from the Contracting Officer, either during or after the performance of the services required by this contract, use, other than for such performance, or disclose to any person other than AHCCCS personnel with a need to know, any information, data, material, or exhibits created, developed, produced, or otherwise obtained during the course of the work required by this contract. This nondisclosure requirement shall also pertain to any information contained in reports, documents, or other records furnished to the Contractor by AHCCCS.

**14. Effective Date:** The effective date of this contract shall be the date that the Contracting Officer signs the Offer and Award page of this document.

**15. Employees of the Contractor:** All employees of the Contractor employed or in performance of work under this Contract shall be employees of the Contractor at all times and not of AHCCCS. The Contractor shall comply with the Social Security Act, Workers' Compensation laws and unemployment laws of the State of Arizona as well as federal, state and local legislation relevant to the Contractor's business.

**16. Federal Immigration and Nationality Act:** The Contractor shall comply with all federal, state, and local immigration laws and regulations relating to the immigration status of their employees during the term of the contract. Further, the Contractor shall flow down this requirement to all subcontractors utilized during the term of the contract. The State shall retain the right to perform random audits of Contractor and subcontractor records or to inspect papers of any employee thereof to ensure compliance.

Should the State determine that the Contractor and/or any subcontractors be found noncompliant, the State may pursue all remedies allowed by law, including, but not limited to: suspension of work, termination of the contract for default, and suspension and/or debarment of the Contractor.

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**17. Fraud and Abuse:**

- 17.1 It shall be the responsibility of the Contractor to report all cases of suspected fraud and abuse by subcontractors, members or employees. The Contractor shall provide written notification of all such incidents to the Contracting Officer.
- 17.2 As stated in A.R.S. § 13-2310, incorporated herein by reference, any person who knowingly obtains any benefit by means of false or fraudulent pretenses, representations, promises or material omissions is guilty of a class 2 felony.
- 17.3 Contractors are required to research potential overpayments identified by a fraud and abuse investigation or audit conducted by AHCCCS. After conducting a cost benefit analysis to determine if such action is warranted, the Contractor should attempt to recover any overpayments identified due to erroneous, false or fraudulent billings.

**18. Incorporation by Reference:** This solicitation and all attachments and amendments, the Contractor's proposal, final praccepted by the Contracting Officer, and any approved subcontracts are hereby incorporated by reference into the contract.

**19. Independent Contractor:** The contractor represents himself/herself to be an independent contractor offering such services to the general public and shall not represent himself/herself or his/her employees to be an employee of the State of Arizona and/or AHCCCS. Therefore, the contractor shall assume all legal and financial responsibility for taxes, FICA, employee fringe benefits, workers compensation, employee insurance, etc.

**20. Indemnification Clause:** Contractor shall indemnify, defend, save and hold harmless the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees (hereinafter referred to as "Indemnatee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of such contractor to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the parties that the Indemnatee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnatee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents and employees for losses arising from the work performed by the Contractor for the State of Arizona.

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*This indemnity shall not apply if the contractor or sub-contractor(s) is/are an agency, board, commission or university of the State of Arizona.*

- 21. Insurance Requirements:** Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The *insurance requirements* herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.

- 21.1 **Minimum Scope And Limits Of Insurance:** Contractor shall provide coverage with limits of liability not less than those stated below.


21.1.1 **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.

- General Aggregate \$2,000,000
- Products – Completed Operations Aggregate \$1,000,000
- Personal and Advertising Injury \$1,000,000
- Blanket Contractual Liability – Written and Oral \$1,000,000
- Fire Legal Liability \$ 50,000
- Each Occurrence \$1,000,000

21.1.1.1 The policy shall be endorsed to include the following additional insured language: ***“The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.”***

21.1.1.2 Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

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21.1.2 Automobile Liability

Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

Combined Single Limit (CSL) \$1,000,000

The policy shall be endorsed to include the following additional insured language:  
***“The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor, involving automobiles owned, leased, hired or borrowed by the Contractor.”***

21.1.3. Worker's Compensation and Employers' Liability

|                         |             |
|-------------------------|-------------|
| Workers' Compensation   | Statutory   |
| Employers' Liability    |             |
| Each Accident           | \$ 500,000  |
| Disease – Each Employee | \$ 500,000  |
| Disease – Policy Limit  | \$1,000,000 |

21.1.3.1 Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.


21.1.3.2 This requirement shall not apply to: Separately, EACH contractor or subcontractor exempt under A.R.S. 23-901, AND when such contractor or subcontractor executes the appropriate waiver (Sole Proprietor/Independent Contractor) form.

21.1.4 Professional Liability (Errors and Omissions Liability)

|                  |             |
|------------------|-------------|
| Each Claim       | \$1,000,000 |
| Annual Aggregate | \$2,000,000 |

21.1.4.1 In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

21.1.4.2 The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Work of this contract.

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21.2 Additional Insurance Requirements: The policies shall include, or be endorsed to include, the following provisions:

21.2.1 The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees, wherever additional insured status is required, such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this Contract.

21.2.2 The Contractor's insurance coverage shall be primary insurance with respect to all other available sources.

21.2.3. Coverage provided by the Contractor shall not be limited to the liability assumed under the indemnification provisions of this Contract.


21.3 Notice Of Cancellation: Each insurance policy required by the insurance provisions of this Contract shall provide the required coverage and shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days prior written notice has been given to the State of Arizona. Such notice shall be sent directly to **AHCCCS Contracts, 701 East Jefferson, Mail Drop 5700, Phoenix, AZ 85034**, and shall be sent by certified mail, return receipt requested.

21.4 Acceptability Of Insurers: Insurance is to be placed with duly licensed or approved non-admitted insurers in the state of Arizona with an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

21.5 Verification Of Coverage: Contractor shall furnish the State of Arizona with certificates of insurance (ACORD form or equivalent approved by the State of Arizona) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.


All certificates and endorsements are to be received and approved by the State of Arizona before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this Contract shall be sent directly to **AHCCCS Contracts, 701 East Jefferson, Mail Drop 5700, Phoenix, AZ 85034**. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona

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reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time. **DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATE OF ARIZONA'S RISK MANAGEMENT SECTION.**

- 21.6 **Subcontractors:** Contractors' certificate(s) shall include all subcontractors as insureds under its policies **or** Contractor shall furnish to the State of Arizona separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.
- 21.7 **Approval:** Any modification or variation from the *insurance requirements* in this Contract shall be made by the Department of Administration, Risk Management Section, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.
- 21.8 **Exceptions:** In the event the Contractor or sub-contractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a Certificate of Self-Insurance. If the contractor or sub-contractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.
22. **Key Personnel:** It is essential that the contractor provide an adequate staff of experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this contract. The contractor must assign specific individuals to the key positions. Once assigned to work under the contract, key personnel shall not be removed or replaced without the prior written approval of AHCCCS' authorized representative and a copy to the Contracting Officer of record.
23. **Licenses:** Contractor shall maintain in current status all federal, state and local licenses and permits required for the operation of the business conducted by the contractor.
24. **Lobbying:** No funds paid to the Contractor by AHCCCS, or interest earned thereon, shall be used for the purpose of influencing or attempting to influence an officer or employee of any federal or State agency, a member of the United States Congress or State Legislature, an officer or employee of a member of the United States Congress or State Legislature in connection with awarding of any federal or State contract, the making of any federal or State grant, the making of any federal or State loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any federal or State contract, grant, loan, or cooperative agreement. The Contractor shall disclose if any funds other than those paid to the Contractor by AHCCCS have been used or will be used to influence the persons and entities indicated above and will assist AHCCCS in making such disclosures to CMS.
25. **No Guaranteed Quantities:** AHCCCS does not guarantee the Contractor any minimum or maximum quantity of services or goods to be provided under this contract.

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26. **Non-exclusive Contract:** Any contract resulting from this solicitation shall be awarded with the understanding and agreement that it is for the sole convenience of AHCCCS. The state reserves the right to obtain like goods or services from another source when necessary.

27. **Other Contracts:** AHCCCS may undertake or award other contracts for additional or related work and the contractor shall fully cooperate with such contractors and state employees and carefully fit his own work to such additional work. The contractor shall not commit or permit any act which will interfere with the performance of work by any other contractor or by state employees. AHCCCS shall equitably enforce this section to all contractors to prevent the imposition of unreasonable burdens on any contractor.


28. **Ownership of Information and Data:**

28.1 Any data or information system, including all software, documentation and manuals, developed by Contractor pursuant to this contract, shall be deemed to be owned by AHCCCS. The federal government reserves a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use and to authorize others to use for federal government purposes, such data or information system, software, documentation and manuals. Proprietary software which is provided at established catalog or market prices and sold or leased to the general public shall not be subject to the ownership or licensing provisions of this section.

28.2 Data, information and reports collected or prepared by Contractor in the course of performing its duties and obligations under this contract shall be deemed to be owned by AHCCCS. The ownership provision is in consideration of Contractor's use of public funds in collecting or preparing such data, information and reports. These items shall not be used by Contractor for any independent project of Contractor or publicized by Contractor without the prior written permission of the Contracting Officer. Subject to applicable state and federal laws and regulations, AHCCCS shall have full and complete rights to reproduce, duplicate, disclose and otherwise use all such information. At the termination of the contract, Contractor shall make available all such data to the Contracting Officer within thirty (30) days following termination of the contract or such longer period as approved by the Contracting Officer. For purposes of this subsection, the term "data" shall not include member medical records.

28.3 Except as otherwise provided in this section, if any copyrightable or patentable material is developed by Contractor in the course of performance of this contract, the federal government, AHCCCS and the State of Arizona shall have a royalty-free, nonexclusive, and irrevocable right to reproduce, publish, or otherwise use, and to authorize others to use, the work for state or federal government purposes. Contractor shall additionally be subject to the applicable provisions of 45 CFR Part 74 and 45 CFR Parts 6 and 8.

29. **Responsibility for Payments Indemnification:** The contractor shall be responsible for issuing payment for services performed by the contractor's employees and will indemnify and save AHCCCS harmless for all claims whatsoever growing out of the lawful demands of employees, subcontractors, suppliers or any other third party incurred in the furtherance of the performance of the contract. The

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contractor shall, at AHCCCS' request, furnish satisfactory evidence that all obligations of the nature hereinabove designated have been paid, discharged or waived.

**30. Term of Contract and Option to Renew:**

30.1 The initial term of this contract shall be for three (3) initial years with two (2) one-year options to extend, not to exceed a total contracting period of five (5) years. The terms and conditions of any such contract extension shall remain the same as the original contract, as amended. All contract extensions shall be through contract amendment, and shall be at the sole option of AHCCCS.

30.2 When the Contracting Officer issues an amendment to extend the contract, the provisions of such extension will be deemed to have been accepted 60 days after the date of mailing by the Contracting Officer, even if the extension amendment has not been signed by the Contractor, unless within that time the Contractor notifies the Contracting Officer in writing that it refuses to sign the extension amendment. If the Contractor provides such notification, the Contracting Officer will initiate contract termination proceedings.

30.3 If the Contractor chooses not to renew this contract, the Contractor may be liable for certain costs associated with the transition of its members to a different Contractor. If the Contractor provides the Contracting Officer written notice of its intent not to renew this contract at least 180 days before its expiration, this liability for transition costs may be waived by the Contracting Officer.


**31. Termination - Availability of Funds:** Funds are not presently available for performance under this contract beyond the current fiscal year. No legal liability on the part of AHCCCS for any payment may arise under this contract until funds are made available for performance of this contract. AHCCCS shall make reasonable efforts to secure such funds.

**32. Type of Contract:** Firm Fixed-Price.

**33. Warranty of Services:** The Contractor warrants that all services provided under this contract will conform to the requirements stated herein. AHCCCS' acceptance of services provided by the Contractor shall not relieve the Contractor from its obligations under this warranty. In addition to its other remedies, the Contracting Officer may, at the Contractor's expense, require prompt correction of any services failing to meet the Contractor's warranty herein. Services corrected by the Contractor shall be subject to all of the provisions of this contract in the manner and to the same extent as the services originally furnished.


**34. Additional Guidelines for Exceptions to Terms and Conditions:**

In keeping with the Uniform Instructions to Offeror paragraph 3.4, Exceptions to Terms and Conditions: If offerors take any exception to any term, condition or requirement included in this

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solicitation document, such exception shall be submitted to the Contract **Specialist no later than 5:00 P.M. M.S.T. on September 8, 2010.**

- 34.1 The offeror must understand that exceptions to the Uniform Terms and Conditions and exceptions to the Special Terms and Conditions are very rarely granted.
- 34.2 The exception is **approved only if the offeror receives the approval in writing.** If the exception is acceptable, AHCCCS will give written approval and will often do a written amendment to the solicitation. Any exceptions not addressed or not responded to by the Contract Specialist are denied.

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The Offeror shall present a written narrative that demonstrates the method or manner in which the Offeror proposes to satisfy the requirements of the services described in the Scope of Work. The language of the narrative should be straightforward and limited to facts, solutions to problems and plans of proposed action.


### **3. Proposed Method of Approach – System Technology and Functionality**

#### **3.1.1 System Capability (Scope of Work Section 3.2.1)**


- 3.1.1.1 Provide a detailed description of the Offeror’s CMS and supplemental rebate system capabilities.
- 3.1.1.2 Describe the systems capabilities and limitations for allowing real-time online access to AHCCCS for reports and queries for both the CMS and supplemental rebate information.
- 3.1.1.3 Describe the Offeror’s web-based, VPN or Internet capabilities for obtaining from and submitting information to CMS, AHCCCS and manufacturers/labelers.
- 3.1.1.4 Describe the windows or web browser that are used and the ability to check the status of payments, or details of line items on invoices with the need for the user to utilize a programming or query language.
- 3.1.1.5 Provide a web password to a test site to view a demo and attachments of screen shots to demonstrate the system capability.
- 3.1.1.6 Provide a detailed example of when a legislative change required the Offeror to make a system change.
- 3.1.1.7 Describe internal procedures, system upgrades and the ability to support new NDPDP formats.

#### **3.1.2 Invoice Processing and Functionality (Scope of Work Section 3.2.2)**

- 3.1.2.1 Describe in detail the methodology used for calculating CMS and supplemental rebates for pharmacy point-of-sale encounter claims and physician administered drugs via J-code conversion. Include a sample invoice.
- 3.1.2.2 Describe in detail the CMS and supplemental rebate methodology and/or processes for the following:
  - 3.1.2.2.1 Generation of invoices.

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- 3.1.2.2.2 Identification of incorrect units and conversion of billed units to CMS rebateable units based on package sizes and CMS specified units prior to invoicing. Describe your process to ensure accuracy.
- 3.1.2.2.3 Invoice review process.
- 3.1.2.2.4 Access to online and real time invoices for CMS and supplemental rebates.
- 3.1.2.2.5 Invoice submission to manufacturers/labelers. Describe current methods used to send and track invoices.
- 3.1.2.2.6 Provision of the rebate invoices to AHCCCS.
- 3.1.2.2.7 Maintenance of current manufacturer/labelers contact names, addresses for invoice mailing, telephone and fax numbers and email addresses. Provide the frequency of updates and the source of the information.
- 3.1.2.2.8 Interfacing with manufacturers/labelers describing any technological requirements that may vary from manufacturer to manufacturer.
- 3.1.2.2.9 Verification of manufacturer/labeler receipt of invoice.
- 3.1.2.2.10 Receipt of payments log.
- 3.1.2.2.11 Allocation of payments to invoices.
- 3.1.2.2.12 Reconciliation payments to invoices.
- 3.1.2.2.13 Calculation, adjustment, recording and linking Prior Period Adjustments to the corresponding invoice reported on the CMS tape to the quarter billed.
- 3.1.2.2.14 Performing matching without exception to the information of the Prior Quarter Adjustment Statement (PQAS) forms to the PPA records on the CMS tape.
- 3.1.2.2.15 Calculations of interest and outstanding balances.
- 3.1.2.2.16 Refunding of overpayments.
- 3.1.2.2.17 Tracking, researching and resolving disputes with manufacturer/labeler.
- 3.1.2.2.18 Re-creation of past invoices.

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|  | <b>Exhibit A – Method of Approach</b> |            | <b>AHCCCS</b>   |
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3.1.2.2.19 Call tracking of phone conversations with manufacturer/labeler.

3.1.2.2.20 Sending required data to CMS.

3.1.2.2.21 Describe the process for invoicing rebates for compounded drugs.

3.1.2.3 Provide the process for excluding NDCs from Public Health Service providers.

3.1.2.4 Describe the current process for providing the Requirement Analysis Document (RAD) 30 days prior to rebate invoice processing.

### **3.1.3 Rebate Activity Accounting (Scope of Work Section 3.2.3)**

3.1.3.1 Describe your accounting system and reconciliation process to:

3.1.3.1.1 Maintain accurate rebate accounting records using generally accepted accounting principles for:

3.1.3.1.1.1 Invoices billed.

3.1.3.1.1.2 Full and partial payments received including timing parameters and other pertinent considerations.

3.1.3.1.1.3 Late payments received and manufacturer/labeler notification.

3.1.3.1.1.4 Data from Reconciliation of State Invoices (ROSI),

3.1.3.1.1.5 Prior period adjustments, disputes and interest, other adjustments and updates.

3.1.3.1.1.6 Calculation of interest due.


3.1.3.2 Describe current processes to:

3.1.3.2.1 Maintain account balances and payment history conversions.

3.1.3.2.2 Post invoices to the accounts receivable subsidiary ledger.

3.1.3.2.3 Electronically send checks and/or prepare a check receipt/tracking report to be sent to AHCCCS.

3.1.3.2.4 Update ledgers with payments, interest and adjustments.

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- 3.1.3.2.5 Report interest separately from other payments as well as separate CMS OBRA and ACA amounts from Supplemental interest.
- 3.1.3.2.6 Report rebate payments at the NDC level, per quarter, within 5 days of receipt.
- 3.1.3.2.7 Provide online real-time monthly reports of all payments and interest received by CMS OBRA and ACA level and supplemental programs by the 5<sup>th</sup> day of each month.
- 3.1.3.2.8 Provide AHCCCS the capability to view and retrieve all payments and interest posted in a specified time period to show, by labeler and quarter what amounts have been posted and adjusted, and beginning and ending balance.


3.1.3.3 Describe the reconciliation process for CMS and supplemental rebate payments including:

- 3.1.3.3.1 Receipts and tracking of checks with specific reference to using the “postmark” date to track timeliness of payments.
- 3.1.3.3.2 Timelines to reconcile daily deposits.
- 3.1.3.3.3 The review process to ensure all rebates for the outstanding quarter are paid regardless of outstanding issues with the manufacturer/labeler.
- 3.1.3.3.4 Notification to the manufacturer of interest due on late payments and also the timeline for providing notification.
- 3.1.3.3.5 Rate and unit adjustments.
- 3.1.3.3.6 The ability to reconcile any differences within five (5) business days.

3.1.3.4 Describe the methods used for handling, storing and retrieving manufacturer/labeler documentation as well as communicating with the manufacturer/labeler.

3.1.3.5 Describe any assistance the Offeror has provided to assist a customer with a CMS or State audit.

**3.1.4 Quality Assurance (Scope of Work Section 3.2.4)**

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3.1.4.1 Describe your quality assurance, monitoring processes and the type of report being proposed to report the QA results to AHCCCS to ensure:

3.1.4.1.1 Rebate calculations are correct.

3.1.4.1.2 Accurate invoices are produced and:

3.1.4.1.2.1 Units to be rebated are not considered excessive.

3.1.4.1.2.2 Units to be rebated are not considered suboptimal.

3.1.4.1.2.3 NDC claims data packaging matches CMS packaging.

3.1.4.1.2.4 Are provided to the correct manufacturer/labeler.

3.1.4.1.2.5 Are not duplicative.

3.1.4.1.3 Accurate dating is used when invoices are re-created.

3.1.4.2 Describe the process used to monitor remittance documentation to:

3.1.4.2.1 Ensure the collection of the rebate is correct

3.1.4.2.2 Ensure the collection of interest is correct.

3.1.4.3 Describe the monitoring and follow-up processes to ensure total and complete accuracy that the standard ROSI and PQAS forms for adjustments to invoices follow CMS instructions for the completion of the forms.


3.1.4.3.1 Describe any issues that the Offeror's system must make in order to ensure the accuracy of the ROSI and PQAS forms completion.

3.1.4.3.2 Describe the process for monitoring receipt of mail, tracking of postmark dates and storage of envelopes or other media used in this process.


### **3.1.5 Reporting (Scope of Work Section 3.2.5)**

3.1.5.1 Describe your experience with submitting CMS reports for other clients.

3.1.5.1.1 List the type of data and forms required by CMS and describe the reporting process.

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- 3.1.5.2 Describe the Offeror’s capability to provide AHCCCS with web access to an online real-time flexible query and ad hoc reporting tool.
- 3.1.5.3 Provide attachments and/or screen shots that demonstrate the types of reporting and list any limitations.
- 3.1.5.4 Provide a listing of current available reports with a synopsis, purpose and sample of each that will be made available on line to AHCCCS monthly and quarterly. Please flag reports that are included here but not specifically related to a response to a question elsewhere in this section. Please provide a sample\_report that includes the frequency, any limitations and the method of delivery for the following:
- 3.1.5.4.1 The current quarter plus 4 prior quarters that includes beginning and ending invoices including adjustments and amounts reported to CMS.
  - 3.1.5.4.2 The significant variances from the usual amounts paid and quantities used as benchmarks and prior reporting.
  - 3.1.5.4.3 Overdue amounts per manufacturer/labeler due to AHCCCS for more than 12 months.
  - 3.1.5.4.4 Total units invoices.
  - 3.1.5.4.5 Rebate summaries.
  - 3.1.5.4.6 Payments received.
  - 3.1.5.4.7 Check logs.
  - 3.1.5.4.8 NDC specific reports.
  - 3.1.5.4.9 Payment summaries for specific manufacturers/labelers.
  - 3.1.5.4.10 Disputed rebate dollars by manufacturer.
  - 3.1.5.4.11 Customized ad hoc online reports.
  - 3.1.5.4.12 Identification of fraud and abuse.
- 3.1.5.5 Provide a copy of the Report on Controls Placed in Operation and Tests of Operating Effectiveness that meets all standards and requirements of the AICPA’s SAS 70 for the Offeror’s operations performed for the operations.
- 3.1.5.6 Describe the offeror’s ability to customize reports.

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3.1.5.7 Reports and stats for:

3.1.5.7.1 The number and percentage of rebate dollars submitted and collected with the capability to sort by rebate type.

3.1.5.7.2 The number and percentage of rebate dollars disputed.

3.1.5.8 Describe the process to meet the data requirements and completion of the CMS-64 reporting requirements in an exportable format as defined by the administration on a monthly and quarterly basis, as well as provide a copy of the completed Form 64.9R quarterly, combining CMS and Supplemental rebate amounts. Also provide a list and narrative explaining the amounts in dispute.

**3.1.6 Review and Resolution Process (Scope of Work Section 3.2.6)**

3.1.6.1 Describe the dispute resolution process, including but not limited to the following items:

3.1.6.1.1 Process for obtaining and using claims level detail in the resolution of disputes.

3.1.6.1.2 Acquisition, verification and use of accurate data for disputed units.

3.1.6.1.3 Notification and action to be taken with the manufacturers/labelers that do not respond with second and final notices.

3.1.6.1.4 Circumstances that require and necessitate informing CMS of uncooperative manufacturers/labelers.


3.1.6.1.5 The hearing process for disputes.

3.1.6.1.6 Situations that require informing the administration of delinquent and/or uncooperative manufacturers/labelers.

3.1.6.2 Describe the processes in place to research and resolve amounts for rebate invoices for “0” amounts invoiced or amounts paid less than invoice, in previous quarters.

3.1.6.3 Describe the process to research, follow-up and reconcile Prior Quarter Adjustments and interest due from manufacturers/labelers at rates set by the CMS schedule published on the CMS website.

3.1.6.4 Describe your processes when manufacturers/labelers have failed to fulfill their responsibilities for payment of rebates, adjustments and interest.

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3.1.6.5 Describe the process for submitting corrected invoices and the timeline for submission to manufacturers/labelers.

3.1.6.6 Describe the process and time frame for providing AHCCCS with copies of corrected invoices, which shall document the explanation for the corrections, adjustments, modifications and any potential interest due.

**3.1.7 Additional Requirements (Scope of Work Section 3.3)**

3.1.7.1 Provide an exhibit showing the overall technical architecture and network configuration, including user interface screens, systems reports, interface file layouts, process flow diagrams and entity relationship diagrams applicable to the system as they relate to the connectivity to AHCCCS.

3.1.7.2 Submit a preliminary Implementation Plan with your proposal. This plan must outline in detail each task and effort as discussed in your proposed method of approach including:

3.1.7.2.1 All tasks/activities required to complete the development, installation, and configuration of the Offeror’s proposed solution.

3.1.7.2.2 Responsibility for performing each task (AHCCCS or Offeror).

3.1.7.2.3 Level of effort for each task.

3.1.7.2.4 Begin and End Dates for each task.

3.1.7.2.5 Milestone dates to include and not limited to:


3.1.7.2.5.1 Requirements analysis.

3.1.7.2.5.2 Development.

3.1.7.2.5.3 Testing.

3.1.7.2.5.4 Implementation.

3.1.7.3 If awarded a contract, within 30 days of contract execution, the new Contractor must submit a final Implementation Plan and schedule to AHCCCS for review and approval. The final Implementation Plan shall specify expected dates of completion of all steps and identify the person(s) responsible for each step. Any unapproved deviation by the Contractor from the approved final Implementation Plan may result in the use of all remedies provided within the Contract, including contract cancellation. The Offeror

|  |                                       |            |   |
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|  | <b>Exhibit A – Method of Approach</b> |            | <b>AHCCCS</b>   |
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shall meet with AHCCCS and all relevant parties prior to the commencement of the contract for purposes of coordinating implementation activities and to provide:

- 3.1.7.3.1 The project management plan.
- 3.1.7.3.2 The User Training Plan and Manual.
- 3.1.7.3.3 The User Documentation in electronic format prior to the acceptance test.

### **3.1.8 ISD Requirements (Scope of Work Section 3.2.8)**

3.1.8.1 Provide an overview of the system including:

- 3.1.8.1.1 The data model.
- 3.1.8.1.2 A description of each component of the system.
- 3.1.8.1.3 Definition of terms.
- 3.1.8.1.4 Specifications for the hardware and software platforms required to operate the system.


3.1.8.2 Provide verification that the Offeror’s system cleanse and verify the source data before it is loaded into the drug rebate database including how discrepancies, including missing data elements, inappropriate billing units, issues/errors and other data anomalies are reported to AHCCCS.

3.1.8.3 Provide a short narrative on how the system provides security from inappropriate access to, or use of, the data through logon, password, individual security profiles, and specific application security.


### **3.1.9 Supplemental Rebates**

3.1.9.1 Identify, by therapeutic class, all drugs for which the Offeror currently holds supplemental rebate contracts. If selected as the contractor, please describe your anticipated negotiation and contracting efforts prior to the expected go-live date.

3.1.9.2 Describe the supplemental rebate contracting structure including the length of the contract terms, ability of the manufacturer/labeler to increase or decrease offers mid-contract and whether the rebates are at a fixed rate, market share or dependent upon CMS.

|  |                                       |            |   |
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|  | <b>Exhibit A – Method of Approach</b> |            | <b>AHCCCS</b>   |
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- 3.1.9.3 Describe the process that allows manufacturers/labelers to participate in the Offeror’s supplemental rebate program.
- 3.1.9.4 Describe the Offeror’s experience in assisting other states with the preparation of materials for CMS review and state plan amendments for a proposed supplemental rebate program.
- 3.1.9.5 Describe the clinical and financial review process for drugs and or devices included in the supplemental rebate program.
- 3.1.9.6 Provide a sample of financial modeling if a specific product, as part of the supplemental rebate program, is identified as a preferred product.
- 3.1.9.7 Describe the Offeror’s ability to support the supplemental rebate invoicing and processes when 100% of the expected revenue belongs to the State.

|  |                                      |            |   |
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|  | <b>Exhibit B – Firm’s References</b> |            | <b>AHCCCS</b><br>Arizona Health Care Cost<br>Containment System |
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References shall be verifiable and should be able to comment on the firm's related experience. The Offeror shall submit a minimum of three (3) similar size and scope professional references for organizations your company has provided services. Each reference shall provide at least the following information:


- 1.1 Name, address and telephone number of Contracting Agency or Company.
- 1.2 Contact Person (and his/her email address) who may be contacted for verification of all information submitted.
- 1.3 Location of Services.
- 1.4 Name of all key personnel and sub-contractors used.
- 1.5 Start and completion date of work performed.
- 1.6 Detailed written narrative of the specific services performed.



|  |  |            |   |
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|  | <b>Exhibit D – Resumes for Key Personnel</b> |            | <b>AHCCCS</b><br>Arizona Health Care Cost<br>Containment System |
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Complete a separate resume for each key person who will be proposed to provide the services as required in the Scope of Work. Each resume shall, at a minimum, contain at least the following information:

- 1.1 Name of person.
- 1.2 Proposed position for contract service.
- 1.3 Position currently held in offeror's firm.
- 1.4 Number of years with offeror's firm.
- 1.5 Number of years experience providing services being procured by this solicitation.
- 1.6 Job related training.
- 1.7 Education.
- 1.8 Qualifications.
- 1.9 Previous related experience with large local, state or federal government agencies.
- 1.10 Certifications.
- 1.11 Membership in professional organizations.
- 1.12 Primary functions person will fulfill under this Contract.
- 1.13 If person will not be assigned exclusively to this Contract, what percentage of time will person be assigned to this Contract.
- 1.14 Any additional information which would substantiate the key person possesses the experience, expertise and knowledge to provide the proposed services.

|  |   |            |   |
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|  | <b>Exhibit E – Offeror’s Financial Disclosure</b> |            | <b>AHCCCS</b><br>Arizona Health Care Cost Containment System<br>701 East Jefferson, MD 5700<br>Phoenix, Arizona 85034 |
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*Instructions: Complete each item, using attachments where necessary. If attachments are used, indicate the item number and question being referenced as it appears below.*

|    |  | <u>YES</u> | <u>NO</u> |
|----|--|------------|-----------|
| A. | Does the Offeror's organization prepare a public annual financial statement? <b>IF YES, PROVIDE A COPY OF THE MOST RECENT ANNUAL FINANCIAL STATEMENT. IF NO, PROVIDE A COPY OF THE MOST RECENT UNAUDITED ANNUAL FINANCIAL STATEMENT.</b> | _____      | _____     |
| B. | Is your organization audited by an independent auditor?<br><b>IF YES, ANSWER 1 THROUGH 4.</b>  | _____      | _____     |
|    | 1) How often are audits conducted?<br>_____  |            |           |
|    | 2) By whom are they conducted?<br>_____  |            |           |
|    | 3) Are management letters or internal controls issued by the auditing firm?  | _____      | _____     |
|    | 4) Does your organization have any uncorrected audit exceptions?   | _____      | _____     |
| C. | Are there any suits, judgments, tax deficiencies or claims pending against your organization? If yes, answer 1 and 2   | _____      | _____     |
|    | 1) What is the dollar amount?<br>_____   |            |           |
|    | 2) In which state(s)?<br>_____   |            |           |
| D. | Has the Offeror's organization ever gone through bankruptcy?   | _____      | _____     |

|  |                                    |            |   |
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|  | <b>Certificate of Insurance</b>    |            | <b>AHCCCS</b>   |
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Prior to commencing services under this contract, the contractor must furnish the state certification from insurer(s) for coverages in the minimum amounts as stated below. The coverages shall be maintained in full force and effect during the term of this contract and shall not serve to limit any liabilities or any other contractor obligations.

|  |                        |                                      |
|--|------------------------|--------------------------------------|
| <b>Name and Address of Insurance Agency:</b> | <b>Company Letter:</b> | <b>Companies Affording Coverage:</b> |
|  | A                      |                                      |
| <b>Name and Address of Insured:</b>          | B                      |                                      |
|  | C                      |                                      |
|  | D                      |                                      |

| LIMITS OF LIABILITY<br>MINIMUM - EACH OCCURRENCE  |  | COMPANY<br>LETTER | TYPE OF INSURANCE  | POLICY<br>NUMBER | DATE<br>POLICY |
|---|--|-------------------|--|------------------|----------------|
| Bodily Injury<br>Per Person<br>Each Occurrence<br>Property Damage<br><b>OR</b><br>Bodily Injury<br>and<br>Property Damage<br>Combined |  |                   | Comprehensive General Liability Form<br>Premises Operations<br>Contractual<br>Independent contractors<br>Products/Completed Operations Hazard<br>Personal Injury<br>Broad Form Property Damage<br>Explosion & Collapse (If Applicable)<br>Underground Hazard (If Applicable) |                  |                |
| Same as Above   |  |                   | Comprehensive Auto Liability Including<br>Non-Owned (If Applicable)  |                  |                |
| Necessary if underlying is<br>not above minimum   |  |                   | Umbrella Liability   |                  |                |
| Statutory Limits  |  |                   | Workmen's Compensation and<br>Employer's Liability   |                  |                |
|   |  |                   | Other  |                  |                |


State of Arizona and the Department named above are added as additional insured as required by statute, contract, purchase order, or otherwise requested. It is agreed that any insurance available to the named insured shall be primary of other sources that may be available.

It is further agreed that no policy shall expire, be canceled or materially changed to affect the coverage available to the state without thirty (30) days written notice to the State. This Certificate is not valid unless countersigned by an authorized representative of the insurance company.


**Name and Address of Certificate Holder:**

Date Issued: \_\_\_\_\_


\_\_\_\_\_  
Authorized Representative

|   |  |            |  |
|---|--|------------|--|
| <br><b>AHCCCS</b> | <b>Exhibit F - Performance Standards</b> |            | <b>AHCCCS</b>  |
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| Performance Standard  | Performance Measure  | Performance Penalty   |
|---|--|---|
| <p><b>Drug Rebate Invoicing to Manufacturers</b><br/>The Offeror will generate and issue quarterly drug rebate invoices (current quarter invoices and prior quarter utilization adjustments) to manufacturers in a format specified by CMS and approved by the AHCCCS.</p>  | <p>Generate and mail all quarterly drug rebate invoices (current quarter invoices and prior quarter utilization adjustments) within 60 calendar days after the end of each quarter or within 15 calendar days after receipt of the quarterly CMS rebate data files (drug and labeler contact), whichever event occurs first.</p> | <p>At the discretion of AHCCCS, the Offeror may be required to pay \$10,000.00 per business day for each business day that the Offeror fails to meet the Performance Measure. If assessed, the Offeror will pay the aforementioned penalty within 30 calendar days of the date of assessment by AHCCCS.</p> |
| <p><b>Create and Provide CMS 64.9R Report</b><br/>The Offeror will calculate and produce the CMS 64.9R report on a quarterly basis in the format specified by CMS and approved by AHCCCS.</p>   | <p>On electronic media, calculate and provide to AHCCCS the quarterly CMS 64.9R report within ten business days after the end of each quarter.</p>   | <p>At the discretion of AHCCCS, the Offeror may be required to pay \$25,000 per business day for each business day that the Offeror fails to meet this Performance Measure. If assessed, the Offeror will pay the aforementioned penalty within 30 calendar days of the date of assessment by the Sate.</p> |
| <p><b>Create and Provide CMS Form 64.21: Quarterly Utilization Data to CMS</b><br/>The Offeror will generate and mail quarterly utilization data to CMS in a format and on media that is specified by CMS and approved by AHCCCS. In addition, the Offeror will include the Cover Letter specified by CMS and approved by AHCCCS.</p> | <p>Generate and mail quarterly utilization data (including changes to prior quarters) and Cover Letter to CMS within 60 calendar days after the end of each quarter or within 15 calendar days after receipt of the quarterly CMS rebate data files (drug and labeler contact), whichever event occurs first.</p>                | <p>At the discretion of AHCCCS, the Offeror may be required to pay \$10,000.00 per business day for each business day that the Offeror fails to meet the Performance Measure. If assessed, the Offeror will pay the aforementioned penalty within 30 calendar days of the date of assessment by AHCCCS.</p> |

|   |  |            |  |
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| <br><b>AHCCCS</b> | <b>Exhibit F - Performance Standards</b> |            | <b>AHCCCS</b>  |
|   | SOLICITATION NO.: <b>YH11-0001</b>       | PAGE<br>71 | Arizona Health Care Cost Containment System<br>701 East Jefferson, MD 5700 |
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| Performance Standard   | Performance Measure   | Performance Penalty  |
|--|---|--|
| <b>Financial Accuracy of Rebate Invoices and the CMS 64.9R and 64.21 Reports.</b>  | The financial accuracy rate must be 99% or higher. Results will be provided monthly.  | At the discretion of AHCCCS, the Offeror may be required to pay \$25,000 if the Offeror fails to meet this Performance Measure. If assessed, the Offeror will pay the aforementioned penalty within 30 calendar days of the date of assessment by the State.   |
| <b>Dunning Notices</b><br>The Offeror will ensure that written notification is sent to each and every manufacturer concerning past-due, undisputed, account balances. These notices (Dunning Notices) will set out the principal amount owed as well as the calculated interest, which has accrued through the date of the notice. | <ul style="list-style-type: none"> <li>• Written Dunning Notices will be mailed to all manufacturers with 45-day past-due, undisputed account balances within 50 days of the original invoice mail date.</li> <li>• Written Dunning Notices will be mailed to all manufacturers with 75-day past-due, undisputed account balances within 80 days of the original invoice mail date.</li> <li>• Written Dunning Notices will be mailed to all manufacturers with 90-day past-due, undisputed account balances within 95 days of the original invoice mail date.</li> </ul> | At the discretion of AHCCCS, the Offeror may be required to pay \$1000.00 per Manufacturer per business day for each business day that the Offeror fails to meet this Performance Measure. If assessed, the Offeror will pay the aforementioned penalty within 30 calendar days of the date of assessment by the Sate. |
| <b>Create and Generate a Dispute Resolution Report</b>   | The Offeror will provide a dispute resolution summary report to AHCCCS within ten days from the end of the previous quarter.  | At the discretion of AHCCCS, the Offeror may be required to pay \$1000.00 per business day for each business day that the Offeror fails to meet this Performance Measure. If assessed, the Offeror will pay the aforementioned penalty within 30 calendar days of the date of assessment by AHCCCS.                    |

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|  | <b>Exhibit F - Performance Standards</b> |            | <b>AHCCCS</b>   |
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| Performance Standard   | Performance Measure   | Performance Penalty   |
|--|---|---|
| <p><b>Generate and Deliver Ad-Hoc Reports</b><br/>The Offeror will generate and deliver ad-hoc reports as requested by AHCCCS.</p> | <p>From time to time, AHCCCS may present the Offeror with ad-hoc reporting requests. Each request will be made in writing and contain reasonably sufficient detail as to subject matter and time period involved. Offeror will deliver ad-hoc reporting to AHCCCS within five business days of the request.</p> | <p>At the discretion of AHCCCS, the Offeror may be required to pay \$1000.00 per business day for each business day that the Offeror fails to meet this Performance Measure. If assessed, the Offeror will pay the aforementioned penalty within 30 calendar days of the date of assessment by AHCCCS.</p>                          |
| <p>Protection of Personal Health Information</p>   | <p>The Offeror must use secure transmission protocols when submitting Personal Health Information (PHI) such as encrypted email and ensure that the Offeror's security does not result in PHI of AHCCCS members being released or obtained by others.</p>   | <p>At the discretion of AHCCCS, the Offeror may be required to pay \$300.00 per participant PHI record to a maximum of \$50,000 per incident that the Offeror fails to meet this Performance Measure. If assessed, the Offeror will pay the aforementioned penalty within 30 calendar days of the date of assessment by AHCCCS.</p> |
| <p>Responding to Legislative Requests</p>  | <p>From time to time, AHCCCS may request specific information with regards to legislative requests. The Offeror will provide support to AHCCCS in responding to information requests made by the Legislature. Responses are due to AHCCCS within two (2) business days.</p>                                     | <p>At the discretion of AHCCCS, the Offeror may be required to pay \$1000.00 per business day for each business day that the Offeror fails to meet this Performance Measure. If assessed, the Offeror will pay the aforementioned penalty within 30 calendar days of the date of assessment by AHCCCS</p>                           |

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|  | <b>Exhibit F - Performance Standards</b> |            | <b>AHCCCS</b>   |
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AHCCCS will entertain proposals for additional standards that Offerors are willing to associate performance guarantees. To the extent that the Offeror's system tracks performance in a different manner, AHCCCS will consider alternative standards. It is not AHCCCS' intent to incur additional costs to track the performance measures in precisely the manner described above (or cause an Offeror not to submit a proposal because the standards are not consistent with their current system). Offerors should understand that alternative standards must ensure the same level of performance as those indicated above. These standard guarantees will become part of the resulting contract payment provisions with the selected Offeror. AHCCCS reserves the right to negotiate additional performance guarantees. AHCCCS will audit the Offeror's performance as necessary.


**PERFORMANCE STANDARDS, GUARANTEES, LIQUIDATED DAMAGES**

**PERFORMANCE GUARANTEES:** The purpose of the performance guarantees is to ensure that Offerors provide quality service to AHCCCS staff and members and set a standard for measuring that service. The following requirements are areas where the Offeror will guarantee performance for each objective specified. Failure to meet the required standards will result in the liquidated damages. Prompt resolution of problems or issues is expected but will not reduce or eliminate any liquidated damages imposed due to failure to meet the performance standards outlined below. The Offeror should agree to accept these as written unless documentation or information can be provided to show why the guarantee requested does not apply to the subject of this RFP or to the Offeror or that the request violates state or federal law. Minor language adjustments that do not change the substance of the guarantee may be considered at AHCCCS' option.

Liquidated Damages may be enforced by reducing the administrative fees or other amounts owed to the Offeror.

**LIQUIDATED DAMAGES – Failure to meet Performance Requirements**

The purpose of liquidated damages is to ensure adherence to the performance requirements in the contract. No punitive intention is inherent. It is agreed by AHCCCS and the Offeror that, in the event of a failure to meet the performance measures listed, damage shall be sustained by AHCCCS, and that it is and shall be impractical and extremely difficult to ascertain and determine the actual damages which AHCCCS shall sustain in the event of, and by reason of, such failure; and it is therefore agreed that the Offeror shall pay AHCCCS for such failures at the sole discretion of AHCCCS according to the following:


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|  | <b>Exhibit F - Performance Standards</b> |            | <b>AHCCCS</b>   |
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Damage assessments are linked to performance of system implementation or operational responsibilities. Where an assessment is defined as a “dollar” amount, the dollar value shall be set at the discretion of the AHCCCS.

For all self reported metrics, the Offeror shall include a check for liquidated damages as specified, with the report due for the metric. Written notification of each failure to meet a performance requirement that is measured by AHCCCS shall be given to the Offeror prior to assessing liquidated damages. The Offeror shall have five (5) business days from the date of receipt of written notification of a failure to perform to specifications to cure the failure. Additional days can be requested and may be approved by the AHCCCS Contract Manager if deemed necessary. If the failure is not resolved within this warning/cure period, liquidated damages may be imposed retroactively to the date of failure to perform. Late reports will incur additional liquidated damages by AHCCCS. Liquidated damage amounts will double for each five (5) business days that a report is delayed. The imposition of liquidated damages is not in lieu of any other remedy available to AHCCCS.

If AHCCCS elects to not exercise a damage clause in a particular instance, this decision shall not be construed as a waiver of AHCCCS’ rights to pursue future assessment of that performance requirement and associated damages.

To the extent that there is any breach of the Agreement, other than breaches of the Performance Guarantees contained in this Request for Proposal, an accepted Offer, or any amendment to the Agreement that arises from the accepted offer, AHCCCS is entitled to any and all damages related to such breach that are allowed by law.

|  |  |            |  |
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|  | <b>Exhibit F - Performance Standards</b> |            | <b>AHCCCS</b>  |
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ACKNOWLEDGE AND ACCEPT

The Performance Guarantee and Liquidated Damages section of the Request for Proposal has been reviewed by me. I hereby acknowledge and accept all of the provisions, requirements, and conditions of AHCCCS in this section of Request for Proposal, subject to the modifications, conditions and limitations I have listed below.

\_\_\_\_\_

Authorized Signature of the Offeror


\_\_\_\_\_

Printed Name of Signatory

\_\_\_\_\_

Title


Date \_\_\_\_\_

|  |  |            |   |
|--|--|------------|---|
|  | <b>Exhibit G - HIPAA Business Associate Addendum</b> |            | <b>AHCCCS</b><br>Arizona Health Care Cost Containment System<br>701 East Jefferson, MD 5700<br>Phoenix, Arizona 85034 |
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This Addendum is made part of this Contract between the Arizona Health Care Cost Containment System ("AHCCCS") and the Contractor, referred to as "Business Associate" in this addendum.

AHCCCS and Business Associate agree that this Contract shall comply with the Administrative Simplification requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as set forth in Title 45, Parts 160 and 164 of the Code of Federal Regulations (the "CFR"). In the event of conflicting terms or conditions, this Addendum shall supersede the Contract.

1. Definitions. Capitalized terms not otherwise defined in the Contract shall have the meanings given to them in Title 45, Parts 160 and 164 of the CFR and are incorporated herein by reference.
2. Use and Disclosure of Protected Health Information. Business Associate shall use and/or disclose Protected Health Information ("PHI") only to the extent necessary to satisfy Business Associate's obligations under the Contract.
3. Prohibition on Unauthorized Use or Disclosure of PHI. Business Associate shall not use or disclose any PHI received from or on behalf of AHCCCS, except as permitted or required by the Contract, as required by law or as otherwise authorized in writing by AHCCCS. Business Associate shall comply with:
  - (a) Title 45, Part 164 of the CFR;
  - (b) State laws, rules and regulations applicable to PHI not preempted pursuant to Title 45, Part 160, Subpart B of the CFR or the Employee Retirement Income Security Act of 1974 ("ERISA") as amended; and
  - (c) AHCCCS' health information privacy and security policies and procedures.
4. Business Associate's Operations. Business Associate may use PHI it creates or receives for or from AHCCCS only to the extent necessary for Business Associate's proper management and administration or to carry out Business Associate's legal responsibilities. Business Associate may disclose such PHI as necessary for Business Associate's proper management and administration or to carry out Business Associate's legal responsibilities only if:
  - (a) The disclosure is required by law; or
  - (b) Business Associate obtains reasonable assurance, evidenced by written contract, from any person or organization to which Business Associate shall disclose such PHI that such person or organization shall:
    - (i) Hold such PHI in confidence and use or further disclose it only for the purpose for which Business Associate disclosed it to the person or organization or as required by law; and
    - (ii) Notify Business Associate (who shall in turn promptly notify AHCCCS) of any instance of which the person or organization becomes aware in which the confidentiality of such PHI was breached.


|  |  |            |   |
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|  | <b>Exhibit G - HIPAA Business Associate Addendum</b> |            | <b>AHCCCS</b><br>Arizona Health Care Cost Containment System<br>701 East Jefferson, MD 5700<br>Phoenix, Arizona 85034 |
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5. Data Aggregation Services. Business Associate may use PHI to provide Data Aggregation Services related to AHCCCS' Health Care Operations.
6. PHI Safeguards. Business Associate shall develop, implement, maintain and use appropriate administrative, technical and physical safeguards to prevent the improper use or disclosure of any PHI received from or on behalf of AHCCCS.
7. Electronic Health Information Security and Integrity. Business Associate shall develop, implement, maintain and use appropriate administrative, technical and physical security measures in compliance with Section 1173(d) of the Social Security Act, Title 42, Section 1320d-2(d) of the United States Code and Title 45, Part 142 of the CFR to preserve the integrity and confidentiality of all electronically maintained or transmitted Health Information received from or on behalf of AHCCCS pertaining to an individual. Business Associate shall document and keep these security measures current.
8. Protection of Exchanged Information in Electronic Transactions. If Business Associate conducts any Standard Transaction for or on behalf of AHCCCS, Business Associate shall comply, and shall require any subcontractor or agent conducting such Standard Transaction to comply, with each applicable requirement of Title 45, Part 162 of the CFR. Business Associate shall not enter into or permit its subcontractors or agents to enter into any Trading Partner Contract in connection with the conduct of Standard Transactions for or on behalf of AHCCCS that:
  - (a) changes the definition, Health Information condition or use of a Health Information element or segment in a Standard;
  - (b) adds any Health Information elements or segments to the maximum defined Health Information set;
  - (c) uses any code or Health Information elements that are either marked "not used" in the Standard's Implementation Specification or are not in the Standard's Implementation Specification(s); or
  - (d) changes the meaning or intent of the Standard's Implementation Specification(s).
9. Subcontractors and Agents. Business Associate shall require each of its subcontractors or agents to whom Business Associate may provide PHI received from, or created or received by Business Associate on behalf of AHCCCS to agree to written contractual provisions that impose at least the same obligations to protect such PHI as are imposed on Business Associate by the Contract.
10. Access to PHI. Business Associate shall provide access, at the request of AHCCCS, to PHI in a Designated Record Set, to AHCCCS or, as directed by AHCCCS, to an individual to meet the requirements under Title 45, Part 164, Subpart E, Section 164.524 of the CFR and applicable state law. Business Associate shall provide access in the time and manner set forth in AHCCCS' health information privacy and security policies and procedures.
11. Amending PHI. Business Associate shall make any amendment(s) to PHI in a Designated Record Set that AHCCCS directs or agrees to pursuant to Title 45, Part 164, Subpart E, Section 164.526 of

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|  | <b>Exhibit G - HIPAA Business Associate Addendum</b> |            | <b>AHCCCS</b><br>Arizona Health Care Cost Containment System<br>701 East Jefferson, MD 5700<br>Phoenix, Arizona 85034 |
|  | SOLICITATION NO.: <b>YH11-0001</b>                   | PAGE<br>78 |   |
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the CFR at the request of AHCCCS or an Individual, and in the time and manner set forth in AHCCCS' health information privacy and security policies and procedures.

12. Accounting of Disclosures of PHI.
  - (a) Business Associate shall document such disclosures of PHI and information related to such disclosures as would be required for AHCCCS to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with Title 45, Part 164, Subpart E, Section 164.528 of the CFR.
  - (b) Business Associate agrees to provide AHCCCS or an individual, in the time and manner set forth in AHCCCS' health information privacy and security policies and procedures, information collected in accordance with Section 11(a) above, to permit AHCCCS to respond to a request by an individual for an accounting of disclosures of PHI in accordance with Title 45, Part 164, Subpart E, Section 164.528 of the CFR.
  
13. Access to Books and Records. Business Associate shall make its internal practices, books and records relating to the use and disclosure of PHI received from or on behalf of AHCCCS available to AHCCCS and to DHHS or its designee for the purpose of determining AHCCCS' compliance with the Privacy Rule.
  
14. Reporting. Business Associate shall report to AHCCCS any use or disclosure of PHI not authorized by the Contract, by law, or in writing by AHCCCS. Business Associate shall make the report to AHCCCS' Privacy Official not less than 24 hours after Business Associate learns of such unauthorized use or disclosure. Business Associate's report shall at least:
  - (a) identify the nature of the unauthorized use or disclosure;
  - (b) identify the PHI used or disclosed;
  - (c) identify who made the unauthorized use or received the unauthorized disclosure;
  - (d) identify what Business Associate has done or shall do to mitigate any deleterious effect of the unauthorized use or disclosure;
  - (e) identify what corrective action Business Associate has taken or shall take to prevent future similar unauthorized use or disclosure; and
  - (f) provide such other information, including a written report, as reasonably requested by AHCCCS' Privacy Official.
  
15. Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate in violation of the requirements of the Contract.
  
16. Termination for Cause. Upon AHCCCS' knowledge of a material breach by Business Associate of the terms of this Addendum, AHCCCS shall:


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|  | <b>Exhibit G - HIPAA Business Associate Addendum</b> |            | <b>AHCCCS</b><br>Arizona Health Care Cost Containment System<br>701 East Jefferson, MD 5700<br>Phoenix, Arizona 85034 |
|  | SOLICITATION NO.: <b>YH11-0001</b>                   | PAGE<br>79 |   |
|  | <b>Request for Proposal</b>                          | OF<br>81   |   |

- (a) Provide an opportunity for Business Associate to cure the breach or end the violation and terminate if Business Associate does not cure the breach or end the violation within the time specified by AHCCCS.
- (b) Immediately terminate the Contract if Business Associate has breached a material term of the Contract and cure is not possible.
- (c) If neither termination nor cure is feasible, AHCCCS shall report the violation to DHHS.

17. Return or Destruction of Health Information.

- (a) Except as provided in Section 17(b) below, upon termination, cancellation, expiration or other conclusion of the Contract, Business Associate shall return to AHCCCS or destroy all PHI received from AHCCCS, or created or received by Business Associate on behalf of AHCCCS. 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.
- (b) In the event that Business Associate determines that returning or destroying the PHI is not feasible, Business Associate shall provide to AHCCCS notification of the conditions that make return or destruction not feasible. Upon verification by AHCCCS that the return or destruction of PHI is not feasible, Business Associate shall extend the protections of the Contract to such PHI and limit further uses and disclosure of PHI to those purposes that make the return or destruction not feasible, for so long as Business Associate maintains such PHI.

18. Automatic Amendment. Upon the effective date of any amendment to the regulations promulgated by HHS with respect to PHI, the Contract shall automatically amend such that the obligations imposed on Business Associate as a Business Associate remain in compliance with such regulations.

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| <br><b>AHCCCS</b> | <b>Exhibit H - Offeror's Checklist</b> |            | <b>AHCCCS</b>   |
|   | SOLICITATION NO.: <b>YH11-0001</b>     | PAGE<br>80 | Arizona Health Care Cost<br>Containment System            |
|   | <b>Request for Proposal</b>            | OF<br>81   | 701 East Jefferson, MD 5700<br><br>Phoenix, Arizona 85034 |

**Note to Prospective Offerors:** This Exhibit has been added to this RFP as a convenience to offerors. It is believed to be a complete listing of all submission requirements pursuant to this RFP. However, if a requirement is stated anywhere in the RFP text, yet does not appear in the Offeror's Checklist, the text statement takes precedence over the omission of that requirement in the Offeror's Checklist. **Place a check mark to the left and provide the page number where this item is located within your proposal, in the right hand column. All items must be included.**

| Require<br>ment # | Description  | RFP Page/<br>Reference | Offeror's<br>Page # |
|-------------------|--|------------------------|---------------------|
| 1                 | Offeror's checklist completed (i.e., page numbers entered in the right-hand column of this table.) | This Page              |                     |
| 2                 | Offer and Acceptance page complete   | Page 3                 |                     |
| 3                 | Pricing Schedule   | Page 17                |                     |
| 4                 | Copies of proposal submitted as one (1) marked "Original" and seven (7) copies plus one (1) CD     | Page 28                |                     |
| 5                 | Exhibit A – Method of Approach   | Page 55                |                     |
| 6                 | Documentation of information on past performances as related to this RFP                           | Page 28                |                     |
| 7                 | Minimum of three (3) professional references for the firm (see Exhibit B)                          | Page 29                |                     |
| 8                 | Names and titles of Key Personnel (see Exhibit C)  | Page 29                |                     |
| 9                 | Resume for each Key Person (see Exhibit D)   | Page 29                |                     |
| 10                | Any Additional Pertinent Information (optional)  | Page 30                |                     |
| 11                | Statement of Intent to provide Certificate of Insurance, as required in the RFP                    | Page 30                |                     |
| 12                | Exhibit E, Offeror's Financial Disclosure  | Page 68                |                     |
| 13                | Financial Statement (requested in Exhibit E)   | Page 68                |                     |
| 14                | Exhibit F, Performance Standards – signed & dated  | Page 70                |                     |
| 15                | Signed Cover Sheets of Solicitation Amendments, if any   |                        |                     |
|                   |  |                        |                     |

**Intentionally left blank.**