

**RFP SOLICITATION
AMENDMENT #1**

YH27-0002 AHCCCS Medicaid School-Based Claiming	Task Order Solicitation Due Date October 20, 2026, 3:00 pm AZ Time	Procurement Officer: Cynthia Smolens Email: procurement@azahcccs.gov
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**A signed copy of this document that includes the attached completed
Questions and Answers form must be submitted with your RFP solicitation proposal.**

Paragraph # or Title	Page #	Amendment
Exhibit A- Solicitation Instructions to Offerors	4	Page 4 of Exhibit A-Special Instructions to Offerors Solicitation, corrects the page limit requirement for Part B1 Narrative Proposal Method of Approach from 35 pages to a 30 page limit to be consistent with Page 5, section 6.2.3.
Exhibit A- Solicitation Instructions to Offerors	4	Part B is revised and corrects the numbering from B8 to B4 and B9 to B5. Adds B6 – Addendum B Documentation Compliance. Part B – Method and Approach ~~B1 Narrative Proposal Method of Approach – 35 page limit~~ ~~B2 Narrative Proposal Experience and Expertise – 20 page limit, excluding résumés,~~ ~~B3 Attachment 3– Price Proposal~~ ~~B8 Offeror’s Organizational Chart~~ ~~B9 Offeror’s Résumés of Key Personnel~~ PART B Method and Approach, is hereby updated B1 Narrative Proposal Method of Approach (includes Attachment 4 – Questionnaire) – 30 page limit B2 Narrative Proposal Experience and Expertise (includes Attachment 4 – Questionnaire) – 20 page limit, excluding résumés, B3 Attachment 3– Price Proposal B4 Offeror’s Organizational Chart B5 Offeror’s Résumés of Key Personnel
Addendum B to Special Terms and Conditions AHCCCS IT Security and Privacy Requirements	37	Section 1.1, “Public State Data” is the type of Data that the contractor will have access to as part of its work under the Contract.

Addendum B to Special Terms and Conditions AHCCCS IT Security and Privacy Requirements	37 and 45	Section 1.3 is hereby deleted.
Addendum B to Special Terms and Conditions AHCCCS IT Security and Privacy Requirements	45	Submission Timeline column, "Prior to execution of the contract" language for all items is amended to "Prior to services start date". See attached Revised Addendum B to Special Terms and Conditions AHCCCS IT Security and Privacy Requirements.

OFFEROR HEREBY ACKNOWLEDGES RECEIPT AND UNDERSTANDING OF THIS SOLICITATION AMENDMENT.	THIS SOLICITATION AMENDMENT IS HEREBY EXECUTED ON THIS DAY, IN PHOENIX, AZ.
SIGNATURE OF AUTHORIZED INDIVIDUAL:	SIGNATURE: SIGNATURE ON FILE
TYPED NAME:	TYPED NAME: Meggan LaPorte, CPPO, MSW
TITLE:	TITLE: Chief Procurement Officer
DATE:	DATE: October 8, 2026



QUESTIONS AND ANSWERS FORM

AHCCCS Medicaid School-Based Claiming

Questions shall be submitted electronically on this form to Procurement@azahcccs.gov no later than

September 24, 2026 3:00 PM, Arizona Time

Question #	VENDOR NAME	Paragraph # or Title	Page #	Vendor Question	AHCCCS Response
1.	Mel's Adult Foster care/ Melva Calvin	Scope of Work- Education, Training and Technical Assistance Component	6	May an RN-owned small business participate as a subcontractor to the Successful Offeror to provide education, training, technical assistance, clinical-record review, and or compliance-review support? If so, must the subcontractor meet the same prior-experience requirements as the prime Offeror?	The Offerors may include in its proposal the utilization of subcontractors to carry out the requirements of the RFP.
2.	Mel's Adult Foster Care/ Melva Calvin	Scope of Work §3.2.6-Training	7	May education, training and technical assistance to participating in LEAs be delivered primarily remotely or virtually by a subcontractor, with in person support provided only when required by AHCCCS or an LEA?	The offerors may include in its proposal the utilization of subcontractors to carry out the requirements of the RFP.
3.	Sivic Solutions Group	Exhibit A Section 3; Evaluation Criteria and Selection Process	2	Please provide the scoring methodology and weighting assigned to each evaluation criterion: (1) Method of Approach, (2) Experience and Expertise, and (3) Cost	No additional information about evaluation will be provided.
4.	Sivic Solutions Group	Exhibit A Sections 3 and 12; Mandatory Requirements	2, 8-9	Exhibit A references both "Mandatory Requirements" and "minimum mandatory requirements" as a basis for proposal rejection. Please identify all requirements that are considered mandatory/pass-fail requirements and specify which requirements must be satisfied prior to proposal scoring.	The Offeror shall submit its proposal in accordance with Exhibit A - Instructions to Offerors. AHCCCS has not indicated a minimum mandatory level of experience and expertise for this RFP.



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5.	Sivic Solutions Group	Attachment 3 Price Proposal Section 2.2	N/A	For Direct Medical Services pricing, should the proposed dollar amount be applied on a per submitted claim, per clean claim, or per paid claim basis?	Per Paid Claim
6.	Sivic Solutions Group	Scope of Work Section 1.5; Direct Service Claiming Historical Activity	5	Please provide the annual number of Direct Service Claims submitted and paid for each of the past five State Fiscal Years. The RFP references approximately 2.2 million interim claims in SFY 2025; please clarify whether these are Direct Service Claims.	Yes, paid Direct Service Claims SFY 26 - 2,275,835 SFY 25 - 2,197,565 SFY 24 - 2,817,772 SFY 23 - 2,590,061 SFY 22 - 2,022,194
7.	Sivic Solutions Group	Scope of Work Sections 1.3 and 3.1	4-5	Please provide the number of participating LEAs for each of the past five State Fiscal Years. The RFP indicates that 101 LEAs participated in SFY 2025; please provide comparable participation figures for each of the preceding four State Fiscal Years.	LEAs SFY 26 99 LEA's SFY 25 97 LEA's SFY 24 99 LEA's SFY 23 100 LEA's SFY 22 100 LEA's
8.	Sivic Solutions Group	Scope of Work Section 4; Cost Based Reimbursement Methodology	9	What is the first State Fiscal Year cost report and cost settlement cycle for which the successful Offeror will be responsible for preparing, reconciling, and settling?	FY2028
9.	Sivic Solutions Group	Scope of Work Sections 16.5 and 4.1	17-18, 9	For reconciliation periods that began prior to the contract start date, will AHCCCS provide the successful Offeror with all data, supporting documentation, expenditure records, RMTS data, and historical records necessary to complete the required cost reporting, reconciliation, and settlement activities?	The awarded contractor will receive all data, records and information necessary to complete the required cost reporting, reconciliation, and settlement activities.



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10.	Sivic Solutions Group	Scope of Work Section 5; Administrative Claiming	10	Please provide the biannual Medicaid Administrative Claiming (MAC) claim amounts and corresponding payments for each of the past five State Fiscal Years. The RFP references approximately \$16.3 million in outreach claims for SFY 2025; please provide comparable claim and payment amounts for each of the preceding four State Fiscal Years.	MAC SFY 26 \$16,900,908 SFY 25 \$16,350,013 SFY 24 \$15,949,587 SFY 23 \$11,951,877 SFY 22 \$12,472,660
11.	Sivic Solutions Group	Questionnaire Part 1, Question 1; Scope of Work Section 16	N/A, 17-18	In the event of a contractor transition, please identify the data, documentation, training materials, system information, RMTS historical data, cost reporting, LEA participation records, and operational procedures that the incumbent contractor will be required to transfer to the successful Offeror.	The awarded contractor will receive all data, records and information necessary for the contractor transition process.
12.	Sivic Solutions Group	Scope of Work Section 3.5; Compliance Reviews	8	Please provide annual volumes for the past five State Fiscal Years of comprehensive compliance reviews, desk reviews, health aide pre-payment reviews, and corrective action plans issued.	FY26 comprehensive compliance reviews, 22 LEAs Desk reviews are conducted during cost settlement to identify salary and benefits entered in cost pools; edits are based on averages and acceptable thresholds. FY25 totaled 4000 edits. Health aide pre-payment reviews are completed for all IEPs with more than 150 minutes prescribed in and IEP for 1 day. FY 2026



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					SIT 10 and CAP 31. Additional information can be provided to the contractor at the time of award.
13.	Sivic Solutions Group	Scope of Work 3.1.2 Participation Agreements	5	In the event of a contractor transition, will existing LEA participation agreements be assigned to the successful Offeror, or will participating LEAs be required to execute new participation agreements with the successful Offeror?	LEAs will be required to sign a new participation agreements.
14.	Sivic Solutions Group	Exhibit A - 6.2.3. Method of Approach Narrative Proposal (B1)	5	Please clarify which of the following sections are included in the 30-page limit: 6.2.3.1. written narrative; and 6.2.5. proposed subcontractors	Both sections are to be included. 6.2.5 Proposed subcontractors and their role in the service delivery shall be clearly described.
15.	Sivic Solutions Group	Exhibit A - 6.2.6. Experience and Expertise of the Firm and Key Personnel (B2)	5-6	Please clarify which of the following sections are included in the 20-page limit: 6.2.6.1. written narrative; 6.2.6.2. certificate of good standing; 6.2.6.3. designated contact person; and 6.2.6.4. utilizing subcontractors	All subsections are to be included in the 20 page limit.
16.	Sivic Solutions Group	RFP - Addendum B to Special Terms and Conditions	45	Please clarify whether one of the following compliance certifications or assessment reports must be submitted with Part A, Part B, or Part C of the proposal, and, if so, identify the applicable proposal section: • Current FedRAMP authorization, (if a cloud product is also enrolled in the GovRAMP Fast Track Program), or	See Solicitation Amendment 1 with revised Addendum B



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				- GovRAMP Ready or Authorized Status, or equivalent current StateRAMP certification, certification for state-level cloud services, or - Current HITRUST certification, or - SOC 2 Type II Report (issued from a completed SSAE 18 assessment), or - A Security and Privacy Controls Assessment Report (SAR) performed by an independent third-party	
17.	Carelon	RFP 3.1.1	3	Confirm whether AHCCCS intends to award one contractor responsible for all MSBC components (DSC + MAC + RMTS + annual cost settlement + compliance reviews), or whether AHCCCS may carve out components (e.g., RMTS platform, cost reporting, compliance) to separate entities during the contract term.	See RFP Solicitation Summary 1.1 “..establish a contract with a single entity or organization...”
18.	Carelon	1.1.8	3	Please define “perform certain key claims functions related to the submittal and payment of LEA interim claims” (e.g., claim creation, edits/scrubbing, file transmission, remittance posting, denial management, appeal support, payment calculation, payment release).	See Scope of Work section 6 Interim Claims for Direct Medical Services.
19.	Carelon	1.1.9	(Page 3); Background re interim vs annual	Please specify which “key functions” the contractor must perform for annual cost-based reimbursement (template development, cost report intake, desk review, reconciliation methodology, settlement calculation,	See Scope of Work section 4 Cost Based Reimbursement Methodology.



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			reconciliation (Page 4)	payment adjustment processing, audit support, training/TA).	
20.	Carelon	1.1.10	3	For RMTS, is AHCCCS soliciting a contractor to provide/host a RMTS application/system , or to administer RMTS processes using an AHCCCS-provided tool? Please specify required functions (moment generation, sampling, roster maintenance, notifications, coding, QA, late response handling, reporting).	The contractor must provide/host and use their own RMTS application system. Specifics pertaining to RMTS are found in Scope of Work section 4.1 and 4.1.1. The Offeror is required to provide their proposed methodology for RMTS as noted in Attachment 4 - Questionnaire.
21.	Carelon	1.1.11	3	For “conduct compliance reviews of all participating LEAs,” please define: minimum review frequency; whether reviews are onsite; sampling standards; whether both DSC and MAC are in scope; required deliverables (findings report, CAP, re-test).	Minimum compliance review frequency is once every 4 years. Reviews are not required to be on-site. Yes, both DSC and MAC are in scope. Please review Scope of Work section 3.5 Compliance Reviews for further information.
22.	Carelon	1.1.2 -1.1.5	3	How will AHCCCS measure the contractor’s obligation to “protect fiscal integrity,” “clear articulation of requirements,” and “ensure consistency” (e.g., required manuals, policy memos, FAQs, decision trees, standard operating procedures, help desk scripts)?	AHCCCS oversees, audits, reviews and monitors all components of this program.



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23.	Carelon	1.1	3	The RFP states the State reserves the right to accept any item or combination of items unless restricted by Offeror. Please confirm whether Offerors are permitted to propose alternate scope packaging (e.g., base + optional components) without being deemed non-responsive, and how AHCCCS will evaluate best value when scope is restricted.	The Offeror may propose optional items, which will be reviewed but not scored, and could be negotiated and added to the contract after award on an as needed basis. Optional items shall be separate and distinct, and not be unnecessarily coupled with existing RFP requirements. AHCCCS will choose whether or not any proposed optional items are desired separate and apart from the scoring and award of the contract.
24.	Carelon	1.1	3	The DFSM manages MSBC for FFS and MCO enrolled children. Please clarify whether contractor responsibilities differ by member enrollment type (FFS vs MCO) and whether the contractor must coordinate with MCOs for any claiming/eligibility/coverage determinations.	Responsibly does not differ, the MSBC Program is carved out of the MCO plans. All MSBC claims are paid FFS even if the member is on an MCO.
25.	Carelon	1.5	4	Confirm whether the contractor must maintain separate workflows, reporting, and compliance controls for DSC vs MAC , and whether the contractor must support LEAs that do MAC only, DSC only, or both .	The contractor must maintain both MAC and DSC.



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26.	Carelon	1.3	4	For assessment/diagnostic/evaluation, routine screenings, and crisis services (not required to be in IEP/IFSP/plan of care but must be in medical record), what minimum documentation elements must the contractor require/verify before a claim is submitted?	Documentation requirements are found in AMPM 710, section B. Health and Financial Records, in the RFP bidder's library.
27.	Carelon	1.2	4	For PT/OT/ST/audiology/nursing/health aides/specialized transportation/behavioral health, please clarify whether the contractor must validate provider qualifications and licensure prior to claim submission and on what cadence.	AHCCCS registers providers and will validate the qualifications and licensure of the providers; the contractor will receive a provider file. See Scope of Work section 11.3.1.
28.	Carelon	1.2 1.5	4	Please provide expected annual volumes for: interim DSC claims; MAC quarter submissions; RMTS participants/moments; number of cost reports; and number of compliance reviews per year so Offerors can size staffing/technology.	DSC Annual volumes average 2.4 million for the last 5 years. See TSIP in bidder's library for MAC Details, sample methodology. Each LEA receives a comprehensive compliance review every 4 years.
29.	Carelon	1.1.9	4	For interim payments reconciled annually with actual costs, please confirm whether the contractor is responsible for (a) calculating interim rates, (b) calculating annual reconciliations/settlements, and/or (c) initiating/processing payment adjustments.	Yes, the contractor is responsible for A and B and C.
30.	Carelon	1.4	4	Please clarify whether the AHCCCS retention percentage (federal share retained for oversight) impacts the	AHCCCS retention does not impact the contractors' tasks or



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				contractor's tasks or funding in any way, and whether the contractor must perform activities that are described as AHCCCS oversight functions (policy, claims processing, provider enrollment, auditing).	funding. AHCCCS oversees all aspects of the program and the contractor.
31.	Carelon	3.1.1	5	Please define what communications must flow through the contractor as the "single point of contact" (policy interpretation, enrollment, claims questions, RMTS, cost reporting, compliance review scheduling, disputes), and what AHCCCS will continue to handle directly.	Contractor is the single point of contact for LEAs, including policy interpretation and claim questions, RMTS, cost reporting, compliance reviews, disputes. AHCCCS is responsible for providing member enrollment and provider registration.
32.	Carelon	3.1.2	5	Are there required help desk hours, response time SLAs, call answer rates, ticketing requirements, or language access requirements associated with the toll-free number?	No
33.	Carelon	3.1.2.2	5	Confirm whether the contractor must (a) draft model agreements, (b) negotiate terms with LEAs, (c) execute agreements, (d) maintain signed copies, (e) manage renewals/amendments, and (f) enforce agreement terms.	Yes, all of A-F.
34.	Carelon	3.1.2.1	5	Please specify minimum required statewide education deliverables (e.g., number of webinars per quarter, annual conference attendance, regional in-person sessions, office hours), including expectations for LEAs that are not under participation agreement.	There is a minimum of 2 statewide education deliverables, usually performed in the Spring and Fall quarters with in-person and virtual meetings. Webinars and self-lead on demand training should



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					be available in a training module for participating LEA's.
35.	Carelon	3.2.1	5	Please confirm which support activities are considered "technical assistance" and therefore limited to participating LEAs (e.g., one-on-one claiming support, cost report prep, RMTS roster fixes, claim denial research).	See Section 3.2.5, 3.2.6.2 & 3.2.7
36.	Carelon	3.2.5.3.5	6	For the listed participation steps (group billing entity registration, NPI, individual provider registration, participation agreement, certify non-federal funds), please clarify which steps the contractor must perform, which the contractor must assist, and which the contractor must verify prior to allowing claims submission.	See Cost Reporting Guide Revised October 1, 2021 in Bidders Library.
Section 37.	Carelon	3.2.5.3.2	6	Does "register each school-based provider individually" mean AHCCCS provider enrollment in the Medicaid system, credential verification, or both? Is the contractor responsible for ongoing monitoring of licensure/credential expirations?	AHCCCS does both enrollment in the Medicaid system and credential verification. The contractor will receive provider file regularly, but not responsible to monitor licensure/credential expirations.
38.	Carelon	1.3	4	Please confirm whether the Third Party Administrator (TPA) scope under this RFP includes only physical/medical (somatic) Medicaid school-based direct service claims, or whether it also includes behavioral health (BH) service claims (including any services reimbursed through RBHAs/ACC plans or other AHCCCS	The MSBC Program includes physical/medical/BH services as DSC. The answers are yes to "a" BH claims are billed/processed through the same claiming



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				behavioral health delivery systems). If BH claims are included, please specify (a) whether they are billed/processed through the same claiming pathway as medical claims, (b) any differences in covered services, documentation, prior authorization, or provider type requirements, and (c) whether the contractor must support BH claiming for both FFS and MCO-enrolled children.	pathway as medical claims. No to “b” and No to “c”.
39.	Carelon	3.2.5.3.3	6	The participation requirement states the LEA must enter a participation agreement “to allow the Contractor to coordinate and bill.” Please clarify whether the contractor is expected to act as the billing agent submitting claims under the LEA billing entity, or whether LEAs submit claims and the contractor only provides support/oversight.	No, the contractor is not allowed to act as the LEA’s billing agent. LEA’s contract separately with a billing entity who submits claims to the contractor. See section 6.2.1.5 for additional information for submitting claims to AHCCCS.
40.	PCG	Exhibit A-Solicitation Instructions to Offerors	4	Special Instruction to Offerors – Does the table of contents and cover pages count towards the page limits?	Table of contents, cover pages, and section dividers do not count towards page limits.
41.	PCG	Exhibit A-Solicitation Instructions to Offerors	4 and 5	Special Instruction to Offerors – Please clarify the page limits for section B1 Narrative Proposal Method of Approach. Page 4 indicates a 35-page limitation; however, page 5 indicates 30-page limitation.	The page limit for Narrative Proposal Method of Approach is 30 pages. See Solicitation Amendment 1.
42.	PCG	Addendum B	39	Section 3. Information Technology Work Does this solicitation qualify as ‘Information Technology Work’?	No.



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43.	PCG	Addendum B	42	Section 4.2 references compliance with AHCCCS ARC-AMPE requirements. 44.1. Please clarify the specific ARC-AMPE version and security standards applicable to this procurement. 2. Please identify whether compliance requirements apply to the Contractor, subcontractors, third-party software vendors, and/or all systems supporting claims processing activities. 3. Please clarify the required compliance timeline and whether compliance must be demonstrated at contract award, implementation, or another designated milestone.	1. The Vendor shall comply with the current version of the CMS Acceptable Risk Controls for ACA, Medicaid, and Partner Entities (ARC-AMPE), presently Version 1.04, and any subsequent revisions issued by CMS during the term of the agreement. 2. The Contractor, its subcontractors, third-party software vendors, and all systems, applications, services, and supporting infrastructure involved in or supporting claims processing activities shall comply with the current version of the CMS Acceptable Risk Controls for ACA, Medicaid, and Partner Entities (ARC-AMPE), currently Version 1.04, and any subsequent updates, revisions, or successor versions issued by CMS during the term of the agreement. 3. See Solicitation Amendment 1 with revised Addendum B

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44.	PCG	Addendum B	44	4.8 Contractor must employ a government-rated Cloud compartment to better protect sensitive or regulated State Data. Can this requirement be met through the GovRamp Authorization requirement (section 1.3) identified on page 37 of Addendum B?	Yes.

Revised
Addendum B to Special Terms and Conditions
AHCCCS
IT SECURITY AND PRIVACY REQUIREMENTS

[Addendum B to the Special Terms and Conditions \(IT Security\)](#)

1. Mandatory Requirements:

- 1.1. Pursuant to [State Data Classification Policy P8110](#), the Contractor will have access to the following type of Data as part of its work under the Contract:

X Public State Data

☐ Confidential State Data

- 1.2. The Arizona Department of Homeland Security (AZDOHS) establishes cybersecurity standards, performs risk assessments, and verifies Contractor's compliance with these requirements. AZDOHS has identified GovRAMP assessments with continuous monitoring as the preferred standard for security assessments at the State.

~~1.3. Based on the Data accessed in this contract, the Contractor is required to achieve a minimum GovRAMP, or an approved equivalent, verified status of:~~

~~_____ ☐ GovRAMP Core no later than 12 months of contract award.~~

~~_____ ☐ GovRAMP Ready no later than 18 months of contract award.~~

~~_____ ☐ GovRAMP Authorized no later than 24 months of contract award.~~

~~_____ ☐ [Any additional assessment requirements such as a Moderate Impact CJIS Overlay should be included where applicable].~~

~~1.3.1. Prior to the transfer of any State Data, the Contractor shall enroll in GovRAMP Progressing Snapshot program and receive the first Snapshot within 60 days of award. No State Data can be transferred until completed.~~

- 1.4. If the Contractor is providing professional services that include a cloud service component that will process, transmit, or store State Data, the cloud product utilized must meet the same requirements outlined above.

2. State Data and Information Handling Warranties

- 2.1. Applicability. To the extent the Work includes handling of any (1) State's proprietary and sensitive Data or (2) Confidential Data or access-restricted information obtained from State or from others at State's behest.

- 2.2. Data Protection and Confidentiality of Information Warranty. Contractor warrants that it will establish and maintain procedures and controls acceptable to State for ensuring that State's proprietary, sensitive, and Confidential Data, including Data obtained from third parties, is protected from unauthorized access and is not mishandled, misused, or inappropriately released or disclosed. Confidential State Data shall be any data that meets the definition of the same in State Data Classification Policy P8110. Additionally, all Data; 1) created by Contractor in any way related to the Contract; 2) provided to Contractor by State; or 3) prepared by others for State, shall be protected from unauthorized access and/or usage the same as Contractor would for Confidential State Data.

Revised
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- 2.2.1. To comply with the foregoing warrant, Contractor shall:
- 2.2.1.1. Provide the State and Eligible Agencies with a copy of its Disaster Recovery plan upon request. The Disaster Recovery plan shall outline the Contractor's actions, with timelines, in the event of a natural disaster, cyber-attack, or loss of ability to operate and perform services under this contract.
 - 2.2.1.2. Immediately: (a) notify AHCCCS of any unauthorized access or inappropriate disclosures, whether stemming from an external Data Breach, internal Data Breach, system failure, or procedural lapse within twenty-four (24) hours of a Data Breach, by sending an email to "Breach Reporting" BreachReporting@azahcccs.gov and Data Privacy & Security Incident Reporting incidentreporting@azahcccs.gov, reporting the incident that occurred; (b) cooperate with AHCCCS to identify the source or cause and respond to each unauthorized access or inappropriate disclosure; and (c) notify AHCCCS promptly of any security threat that could result in unauthorized access or inappropriate disclosures; and
- 2.2.2. Unless AHCCCS has agreed otherwise in advance and in writing, Contractor **SHALL NOT**:
- 2.2.2.1. Release any State Data or allow it to be released or divulged to any individual other than to its own employees, officers, or authorized agents as needed for each person's individual performance of job duties under the Contract.
 - 2.2.2.2. Respond to any requests it receives from a third party for such Data or information, and instead shall route all such requests to State's designated representative.
- 2.3. Personally Identifiable Information Warranty. Without limiting the generality of paragraph 1.2, Contractor warrants that it will employ protections for any personally identifiable information ("PII") belonging to State's employees or other contractors or members of the general public that it receives from State or otherwise acquires in its performance under the Contract. For purposes of this paragraph:
- 2.3.1. PII has the meaning given in Arizona Revised Statute (A.R.S.) § 18-551; and
 - 2.3.2. "protections" has the meaning given in the National Institute of Standards and Technology (NIST) *Special Publication 800-160, Revision 2, Volume 1*.
- NOTE (1): For convenience of reference only, Arizona Revised Statute (A.R.S.) § 18-551 is available at: <https://www.azleg.gov/ars/18/00551.htm>
- NOTE (2): For convenience of reference only, NIST SP 800-160, Revision 2, Volume 1 is available at: <https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-160v2r1.pdf>
- 2.4. Protected Health Information Warranty. Contractor warrants that, to the extent performance under Contract involves individually identifiable health information (referred to hereinafter as

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protected health information ("PHI") and electronic PHI ("ePHI") as defined in the Privacy Rule referred to below), it:

- 2.4.1. is familiar with and will comply with the applicable aspects of the following collective regulatory requirements regarding patient information privacy protection: (a) the "Privacy Rule" in CFR 45 Part 160 and Part 164 pursuant to the Health Insurance Portability and Accountability Act ("HIPAA") of 1996; (b) Arizona laws, rules, and regulations applicable to PHI/ePHI that are not preempted by CFR45-160(B) or the Employee Retirement Income Security Act of 1974 ("ERISA") as amended; and (c) State's current and published PHI/ePHI privacy and security policies and procedures;
- 2.4.2. will cooperate with State in the course of performing under the Contract so that both State and Contractor stay in compliance with the requirements in (1) above; and
- 2.4.3. shall sign any documents that are reasonably necessary to keep both State and Contractor in compliance with the requirements in (1) above, in particular "Business Associate Agreements" (BAA) in accordance with the Privacy Rule.

NOTE: For convenience of reference only, the Privacy Rule is available at:

<http://www.hhs.gov/hipaa/for-professionals/privacy/index.html>

3. Information Technology Work

- 3.1. Applicability. Section 3 applies to any Invitation for Bids, Request for Proposals, or Request for Quotations for "Information Technology."
- 3.2. Background Checks. Each Contractor's personnel who is an applicant for an information technology position must undergo the security clearance and background check procedure, which includes fingerprinting, as required by A.R.S. § 41-710, Eligible Agency, or Co-Op Buyer. Contractor shall obtain and pay for the security clearance and background check. Contractor personnel who will have administrator privileges on a State network must additionally provide identity and address verification and undergo State-specified training for unescorted access, confidentiality, privacy, and Data security.
- 3.3. Physical and Facility Access. When Contractor personnel require physical access to a State facility, Contractor shall comply with all facility-access requirements. Where required by the facility, Contractor personnel shall be accompanied by an escort designated by the State.
- 3.4. Information Access
 - 3.4.1. System Measures. Contractor shall employ appropriate system management and maintenance, fraud prevention and detection, and encryption application and tools to any systems or networks containing or transmitting proprietary, sensitive, or Confidential State Data.
 - 3.4.2. Individual Measures. Contractor personnel shall comply with applicable State policies and procedures regarding Data access, privacy, and security, including prohibitions on

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remote access and obtaining and maintaining access identifications (IDs) and passwords. Contractor is responsible to State for ensuring that any State access IDs and passwords are used only by the person to whom they were issued. Contractor shall ensure that personnel are only provided the minimum only such level of access necessary to perform their duties. Contractor shall, on request, provide a current register of the access IDs and corresponding access levels currently assigned to its personnel.

3.4.3. External Access. Contractor shall ensure that each external person requiring access to an AHCCCS system completes and submits the current External User Affirmation Statement before access is granted, annually thereafter, and whenever otherwise required by AHCCCS. Contractor shall maintain and, upon request, provide a current register of such users and their assigned access levels

3.4.4. Access Control. Contractor is responsible to State for ensuring that hardware, software, Data, information, and that has been provided by State or belongs to or is in the custody of State and is accessed or accessible by Contractor personnel is only used in connection with carrying out the Work and is never commercially exploited in any manner whatsoever not expressly permitted under the Contract. State may restrict access of Contractor personnel, or instruct Contractor to restrict their access, if in its determination the requirements of this subparagraph are not being met.

3.5. Pass-Through Indemnity

3.5.1. Indemnity from Third Party. For computer hardware or software included in the Work as discrete units that were manufactured or developed solely by a third party, Contractor may satisfy its indemnification obligations under the Contract by, to the extent permissible by law, passing through to State such indemnity as it receives from the third-party source (each a "Pass-Through Indemnity") and cooperating with State in enforcing that indemnity. If the third party fails to honor its Pass-Through Indemnity, or if a Pass-Through Indemnity is insufficient to indemnify State Indemnitees to the extent and degree, Contractor is required to do by the Uniform Terms and Conditions, then Contractor shall indemnify, defend and hold harmless State Indemnitees to the extent the Pass-Through Indemnity does not.

3.5.2. Notification of Claims. State shall notify Contractor promptly of any claim to which a Pass-Through Indemnity might apply. Contractor, with reasonable consultation from State, shall control of the defense of any action on any claim to which a Pass-Through Indemnity applies, including negotiations for settlement or compromise, provided that:

3.5.2.1. State reserves the right to elect to participate in the action at its own expense;

3.5.2.2. State reserves the right to approve or reject any settlement or compromise on reasonable grounds and if done so timely; and

3.5.2.3. State shall in any case cooperate in the defense and any related settlement negotiations.

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- 3.6. Systems and Controls. In consideration for State having agreed to permit Pass-Through Indemnities in lieu of direct indemnity, Contractor agrees to establish and keep in place systems and controls appropriate to ensure that State funds under this Contract are not knowingly used for the acquisition, operation, or maintenance of Materials or Services in violation of intellectual property laws or a third party's intellectual property rights.
- 3.7. Redress of Infringement
- 3.7.1. Replace, License, or Modify. If Contractor becomes aware that any Materials or Services infringe, or are likely to be infringing, on any third party's intellectual property rights, then Contractor shall, at its sole cost and expense and in consultation with State, either:
- 3.7.1.1. replace any infringing items with non-infringing ones;
- 3.7.1.2. obtain for State the right to continue using the infringing items; or
- 3.7.1.3. modify the infringing items so that they become non-infringing, so long as they continue to function as specified following the modification.
- 3.7.2. Cancellation Option. In every case under 15.6.1, if none of those options can reasonably be accomplished, or if the continued use of the infringing items is impracticable, State may cancel the relevant Order or terminate the Contract, and Contractor shall take back the infringing items. If State does cancel the Order or terminates the Contract, Contractor shall refund to State:
- 3.7.2.1. for any software created for State under the Contract, the amount State paid to Contractor for creating it;
- 3.7.2.2. for all other Materials, the net book value of the product provided according to generally accepted accounting principles; and
- 3.7.2.3. for Services, the amount paid by State or an amount equal to twelve (12) months of charges, whichever is less.
- 3.7.3. Exceptions. Contractor will not be liable for any claim of infringement based solely on any of the following by a State Indemnitee:
- 3.7.3.1. modification or use of Materials other than as contemplated by the Contract or expressly authorized or proposed by a Contractor Indemnitor;
- 3.7.3.2. operation of Materials with any operating software other than that supplied by Contractor or authorized or proposed by a Contractor Indemnitor; or
- 3.7.3.3. combination or use with other products in a manner not contemplated by the Contract or expressly authorized or proposed by a Contractor Indemnitor.
- 3.8. Information Technology Warranty
- 3.8.1. Specified Design. Where the Scope of Work for information technology, Work provides a detailed design specification or sets out specific performance requirements, Contractor warrants that the Work will provide all functionality material to the intended

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use stated in the Contract, provided that, the foregoing warranty does not extend to any portions of the Materials that are:

- 3.8.1.1. modified or altered by anyone not authorized by Contractor to do so;
 - 3.8.1.2. maintained in a way inconsistent to any applicable manufacturer recommendations; or
 - 3.8.1.3. operated in a manner not within its intended use or environment.
- 3.8.2. COTS Software. With respect to Materials provided under the Contract that are commercial-off-the-shelf (COTS) software, Contractor warrants that:
- 3.8.2.1. to the extent possible, it will test the software before delivery using commercially available virus detection software conforming to current industry standards;
 - 3.8.2.2. the COTS software will, to the best of its knowledge, at the time of delivery be free of viruses, backdoors, worms, spyware, malware, and other malicious code that could hamper performance, collect unlawfully any personally identifiable information, or prevent products from performing as required by the Contract; and
 - 3.8.2.3. it will provide a new or clean install of any COTS software that State has reason to believe contains harmful code.
- 3.8.3. Payment has no Effect. The warranties in this paragraph are not affected by State's inspection, testing, or payment.
- 3.9. Specific Remedies. Unless expressly stated otherwise elsewhere in the Contract, State's remedy for breach of warranty under paragraph 15.8 includes, at State's discretion, re-performance, repair, replacement, or refund of any amounts paid by State for the nonconforming Work, plus (in every case) Contractor's payment of State's additional, documented, and reasonable costs to procure materials or services equivalent in function, capability, and performance that was first called for. For clarification of intent, the foregoing obligations are limited by the limitation of liability in paragraph 2.8. If none of the foregoing options can reasonably be affected, or if the use of the materials by State is made impractical by the nonconformance, then State may seek any remedy available to it under law.
- 3.10. Section 508 Compliance. Unless specifically authorized in the Contract, any electronic or information technology offered to the State of Arizona under this Contract shall comply with A.R.S. §18-131 and §18-132 and Section 508 of the Rehabilitation Act of 1973, which requires that employees and members of the public shall have access to and use of information technology (IT) that is comparable to the access and use by employees and members of the public who are not individuals with disabilities.
- 3.11. Cloud Applications. For cloud-based solutions which host State Data outside of the State's network, or transmit and/or receipt of State Data, the terms under Section 3 on AZDOHS Information Security Program Requirements also apply.

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4. AZDOHS Information Security Program, Warranties, and Requirements

- 4.1. Applicability. Section 4 applies when a cloud-based solution is being employed which hosts State Data outside of the State's network or transmits and/or receives State Data. These requirements may also apply to professional services providers as indicated in the Scope of Work.
- 4.2. For any system or solution that processes, stores, transmits, or shares AHCCCS member information, the Contractor shall comply with applicable ARC-AMPE and HIPAA requirements, and shall submit required compliance artifacts in the form and cadence specified by AHCCCS.
- 4.3. Security Assessment Requirements. Contractor shall ensure that any Software as a Service (SaaS), Platform as a Service (PaaS), or Infrastructure as a Service (IaaS) product utilized to process, transmit, or store State Data comply with the Statewide Information Security Program Requirements. Contractor shall ensure that systems, services, and supporting processes comply with applicable State of Arizona security requirements aligned with the NIST Cybersecurity Framework 2.0 and NIST SP 800-53, Rev. 5. AZDOHS has designated GovRAMP as the preferred method for assessing and authorizing Contractors against the Statewide Information Security Program requirements. Specific GovRAMP requirements for this contract, if any, are identified in the Scope of Work. Alternative means to satisfy this requirement may be accepted by the State at its sole discretion. AHCCCS will accept FedRAMP, GovRAMP, HITRUST, or CMS ARC-AMPE certifications.
- 4.4. Contractor shall comply with all applicable statewide enterprise architecture requirements; the most current State of Arizona information technology and information security policies, procedures, and standards from: the Arizona Strategic Enterprise Technology (ADOA-ASET); the Arizona Department of Homeland Security (AZDOHS) Information Security; Adherence to HIPAA (45 CFR §160, 162, and 164), Medicaid Confidentiality (42 CFR §431.300 et seq), and Substance Use Disorder Records (42 CFR §Part 2); and any other agency-specific policies, procedures, and standards relating to information security and technology.
- 4.5. Contractor shall comply with all federal and State laws, most current versions of all applicable policies, procedures, standards, and contractual requirements. Applicable authorities may include HIPAA, CMS security and privacy requirements, Arizona statutes, records-retention requirements, and Payment Card Industry Security Standards (if applicable). If requirements conflict, Contractor shall promptly notify the State and comply with the more protective requirement unless otherwise directed in writing by the State. References and links in the Contract are provided for convenience only and do not relieve Contractor of its obligation to identify and comply with current requirements.

NOTE (1): For convenience of reference only, policies, procedures, and standards for ADOA-ASET can be found at: <https://aset.az.gov/policies-standards-and-procedures>

and for AZDOHS at

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<https://azdohs.gov/information-technology-it-policies-standards-and-procedures>

4.6. Supplemental Security Assessments and Testing.

- 4.6.1. State reserves the right to conduct, hire a third party to conduct, or require the Contractor to hire an approved third party to conduct penetration tests, risk assessments, or vulnerability assessments of the Contractor's applications and environment. The Contractor will be alerted in advance of any assessment to establish a mutually agreeable timeline. Contractor shall respond to all flaws deemed serious by the State by providing an acceptable timeframe to resolve the issues and/or implement compensating controls.
- 4.6.2. Contractor shall promptly address vulnerabilities identified by the State or the security assessor. For each critical or high-risk vulnerability, Contractor shall complete corrective action within the applicable CMS-required remediation timeframe. If timely remediation is not feasible, Contractor shall document the risk, implement State-approved compensating controls, and obtain AHCCCS approval of a remediation plan and completion date before the applicable deadline expires
- 4.6.3. Other cybersecurity frameworks, trust documents, reports, and attestations, including, SOC 2 Type II reports, PCI compliance documentation (if applicable), HIPAA reports of compliance, and self-attestations, may be reviewed as supplemental evidence but shall not constitute exclusive or conclusive evidence that the Contractor has satisfied the State's risk assessment requirements.
- 4.6.4. Security Documentation and Compliance Reviews. At the State's request, Contractor shall provide the following items for review: System Logs from the Cloud system, delivered in the format, scope, timeframe, retention period, and secure transmission method specified by AHCCCS for analysis by AHCCCS Compliance and Security teams; Logs shall be complete, accurate, protected from unauthorized alteration or disclosure, and retained in accordance with applicable security, privacy, and records-retention requirements; Information Security Policies including, but not limited to, System Security Plans (SSP), Written Information Security Programs (WISP), or supporting written IT policies; and Third-Party Compliance Reports such as Cybersecurity Frameworks (CSF) data, Trust Documents, Self-Attestations, and industry compliance reports (including, but not limited to, SOC 2 Type II, SOC 3, PCI, or HIPAA).
- 4.6.5. The System Security Plan (SSP) shall include, at a minimum: system identification; applicable security and privacy controls; detailed configuration settings; diagrams; software and hardware inventories; the Information Security Risk Assessment (ISRA); Privacy Impact Assessment (PIA); Plan of Action and Milestones (POA&M); the independent Security Assessment Report (SAR); and an attestation by an authorized Contractor representative that the submission is complete and accurate.
 - 4.6.5.1. The content of the Contractor's Information Security documentation will be held confidentially by the State and not subject to public records requests. Any requested Information Security documentation will be deleted once the review

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of the documentation is completed and any identified deficiencies are corrected.

4.6.5.2. Secure transfer of the requested documents can be coordinated with AZDOHS by emailing: GRC@AZDOHS.gov.

- 4.7. The State shall not be required to sign any Non-Disclosure Agreements (NDA) in order to review any requested information in this section.
- 4.8. Contractor must employ a government-rated Cloud compartment to better protect sensitive or regulated State Data.

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Compliance Documentation	Submission Timeline
• Current FedRAMP authorization, (if a cloud product is also enrolled in the GovRAMP Fast Track Program), or • GovRAMP Ready or Authorized Status, or equivalent current StateRAMP certification, certification for state-level cloud services, or • Current HITRUST certification, or • SOC 2 Type II Report (issued from a completed SSAE 18 assessment), or • A Security and Privacy Controls Assessment Report (SAR) performed by an independent third-party	• Prior to services start date • Annually throughout the life of the contract
• Penetration Testing and Security and Privacy Controls Assessment Report (SAR) performed by an independent third-party.	• Prior to services start date • Annually
• AHCCCS Electronic Data Exchange Request Form	• Prior to services start date • Annually
• External User Affirmation Statement	• Prior to services start date • Annually
• System Security & Privacy Plan	• Prior to services start date • Annually
• Contingency Plan and Test Plan	• Prior to services start date • Annually
• Contingency Plan Test Results	• Prior to services start date • Annually
Incident Response Plan (IRP)	• Prior to services start date • Annually
Disaster Recovery Plan (DRP)	• Prior to services start date • Annually
Information Security Risk Assessment (ISRA)	• Prior to services start date • Every 3 years thereafter