

Exhibit B
Payment Provisions

1. Invoicing and Payment

- a. For services satisfactorily rendered, and upon receipt and approval of the invoices, the State agrees to compensate the Contractor for actual expenditures incurred in accordance with the rates specified herein.
- b. Invoices shall include the Agreement Number and shall be submitted in triplicate (original, one paper copy and one electronic copy) not more frequently than monthly, in arrears, to:

[TBD], Contracting Officer
Department of Health Care Services
Medi-Cal Dental Services Division
MS 4708
P.O. Box 997413
Sacramento, CA 95899-7413

- c. Invoices shall:
 - 1) Be prepared on Contractor letterhead. If invoices are not on produced letterhead, invoices shall be signed by an authorized official, employee or agent certifying that the expenditures claimed represent actual expenses for the service performed under this Agreement.
 - 2) Bear the Contractor's name as shown on the Agreement.
 - 3) Bear the Contractor's vendor number as assigned by DHCS Accounting.
 - 4) Identify the billing and/or performance period covered by the invoice.
 - 5) Itemize costs for the billing period in the same or greater level of detail as indicated in this Agreement. Subject to the terms of this Agreement, reimbursement may only be sought for those costs and/or cost categories expressly identified as allowable in this Agreement and approved by DHCS.
 - 6) Contain a Certification signed by the Contractor's Chief Financial Officer, or equivalent position, stating that all requisite deliverables and/or performance requirements for the period have been met.
 - 7) Be signed by an authorized official, employee or agent certifying that the expenditures claimed represent actual expenses for the service performed under this Contract.
 - 8) Report expenses attributed to Disabled Veteran Business Enterprise (DVBE) subcontractors or DVBE suppliers at any tier (if any).
 - 9) Report expenses attributed to certified small business subcontractors and/or suppliers at any tier (if any). This requirement only applies if your firm identified small business firms for participation during the Contractor selection process.

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2. Budget Contingency Clause

- a. It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement do not appropriate sufficient funds for the program, this Agreement shall be of no further force and effect. In this event, DHCS shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.
- b. If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this program, DHCS shall have the option to either cancel this Agreement with no liability occurring to DHCS, or offer an Agreement Amendment to Contractor to reflect the reduced amount.

3. Prompt Payment Clause

Payment will be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with Section 927.

4. Amounts Payable

- a. Reimbursement shall be made for allowable expenses up to the amount annually encumbered commensurate with the State fiscal year in which services are performed and/or goods are received.
- b. The Contractor shall maintain records reflecting actual expenditures for each State fiscal year covered by the term of this Agreement.

5. Timely Submission of Final Invoice

- a. A final undisputed invoice shall be submitted for payment no more than ninety (90) calendar days following the expiration or termination date of this Agreement, unless a later or alternate deadline is agreed to in writing by the Contracting Officer. Said invoice should be clearly marked "Final Invoice", thus indicating that all payment obligations of DHCS under this Agreement have ceased and that no further payments are due or outstanding.
- b. The State may, at its discretion, choose not to honor any delinquent final invoice if the Contractor fails to obtain prior written State approval of an alternate final invoice submission deadline. Written State approval shall be sought from the Contracting Officer prior to the expiration or termination date of this Agreement.
- c. The Contractor is hereby advised of its obligation to submit, with the final invoice, a "Contractor's Release (Exhibit F)" acknowledging submission of the final invoice to DHCS and certifying the approximate percentage amount, if any, of recycled products used in performance of this Agreement.

6. Expenses Allowable / Fiscal Documentation

- a. Invoices, received from a Contractor and accepted and/or submitted for payment by DHCS, shall not be deemed evidence of allowable Agreement costs.

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- b. Contractor shall maintain for review and audit, and supply to DHCS upon request, adequate documentation of all expenses claimed pursuant to this Agreement to permit a determination of the appropriateness of the expenses.
- c. If the allowability or appropriateness of an expense cannot be determined by DHCS because invoice detail, fiscal records or backup documentation is nonexistent or inadequate according to Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS) or other practices, all questionable costs may be disallowed and payment may be withheld by DHCS. Upon receipt of adequate documentation supporting a disallowed or questionable expense, reimbursement may resume for the amount substantiated and deemed allowable.
- d. If travel is a reimbursable expense, receipts shall be maintained to support the claimed expenditures. For more information on allowable travel and per diem expenses and required documentation, see Exhibit G, entitled "Travel Reimbursement Information".

7. Progress Payment Withholds

Notwithstanding provisions to the contrary, all compensation for services provided under this Agreement will be made pursuant to the terms of Exhibit B, Attachment I, to this Agreement. The provisions of Exhibit B, Attachment I, supersede and replace any and all conflicting RFP provisions.

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Special Payment Provisions

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In the event of a conflict between the provisions of Exhibit B, to Exhibit B, Attachment I, the provisions of Exhibit B, Attachment I shall govern.

1. Introduction

This Exhibit defines the basis for payment for contractual services required by this Contract. Compensation will be made for the Contractor payment categories described in the Contract.

- A. Takeover
- B. Operations – Base Volume Method of Payment (BVMP)
- C. Turnover
- D. Administrative Change Orders
- E. Cost Reimbursement

All of these payment categories shall be paid according to the schedule and under the conditions described in this Exhibit. Included under the conditions described in this Exhibit are certain conditions precedent-to-payment that require receipt and Department approval of specific goods or services before release of payment. Any section of the Contract that has not been specifically tied to an invoice precedent-to-payment in this Exhibit shall be tied to the Adjudicated Claim Services Lines (ACSL) invoice category. Requirements and precedent-to-payment provisions of the Contract can only be waived with prior written consent of the Contracting Officer.

2. Takeover

Takeover constitutes all contractual responsibilities required for the Administrative Services Organization (ASO) Contractor to assume administrative responsibilities, as defined in Exhibit A, Scope of Work, Attachment I, Takeover Requirements.

Payment for Takeover will be on a fixed price basis with the exception of those specific work items paid under fixed price per Treatment Authorization Request (TAR) and Cost Reimbursement.

The TAR documents processed during Takeover will be paid at the bid rate for Phase One of Operations and will be counted in the Phase One TAR volume. Operation Contract Phases are defined in this Exhibit.

Also included in Takeover payment is payment for any work that may occur during Takeover that is required under Exhibit C, General Terms and Conditions, Exhibit D (F), Special Terms and Conditions, and Exhibit E, Additional Provisions.

Expansion Items will be paid in addition to the Takeover costs above in the amount shown on Attachment 12-2, Expansion Item Bid Sheet. The cost for Expansion Items will be added to the Takeover costs and paid according to the Takeover Payment Phases below. On-going operational costs shall be included in the ACSL bid rate and are not to be included nor be payable as Takeover expenses.

Liquidated damages imposed on the Contractor pursuant to Exhibit E, Additional Provisions, associated with Takeover, will be withheld from the final Takeover payment.

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All Takeover costs described below shall be included on Attachment 12-1, Takeover Bid Sheet, to be considered for payment under this payment provision.

A. Takeover Payment Phases

1) Phase One

Fifty-five percent (55%) of the Contractor's fixed price for Takeover will be paid in twelve (12) equal installments, with ten percent (10%) being withheld from each installment. Each payment is contingent upon written approval by the Contracting Officer based on successful completion of deliverables. If a deliverable is not approved, the payment will be withheld until the deliverable is approved. The schedule for the twelve (12) payments will be set by the Contracting Officer based on the Contractor meeting milestones and deliverables for Takeover in Exhibit A, Scope of Work, Attachment I, Takeover Requirements.

The first installment will be made upon the Contracting Officer's acceptance and approval of the Takeover Project Plan. Included in the Takeover Project Plan will be a comprehensive Takeover schedule showing deliverables, milestones and required Department approvals. This schedule shall serve as the basis for payment of subsequent installments.

2) Phase Two

The final payment for the remaining forty-five percent (45%) and withholds will be due, payable and made when all requirements as stated below have been met and after six months of successful Operations by the Contractor, as specified in Exhibit A, Scope of Work, Attachment I, Takeover Requirements.

B. Takeover Invoicing

The Contractor shall submit twelve (12) monthly installment invoices for payment by the Department only after the Department has approved, in writing, required deliverables and the attainment of defined milestones. Invoices shall include a report showing the attainment of all monthly requirements defined in the Takeover Project Plan.

Invoices for Takeover completion will be processed upon the Contracting Officer's written acceptance that the Takeover Completion Criteria described in Exhibit A, Scope of Work, Attachment I, Takeover Requirements, have been met. The Takeover price shall be adjusted for any disallowed costs in accordance with Exhibit A, Scope of Work, Attachment I, Takeover Requirements, prior to the submission of any Takeover invoices. The revised Takeover price will then be adjusted in accordance with the invoicing requirements of this Exhibit.

3. Operations: Base Volume Method of Payment (BVMP)

Operations constitute all contractual responsibilities required for the Contractor to administer and carry out the scope of work identified in this Contract.

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Payment for Operations will be on a fixed price basis for all Operations functions that include Adjudicated Claim Services Lines (ACSL), Treatment Authorization Requests (TAR) and the Telephone Service Center (TSC). Claims are paid on a line-item basis using a count of ACSLs (paid on a per claim line basis), TARs (paid on a per document basis) and TSC (paid on a per minute basis). Combined, these Operation functions are referenced as Base Volume Method of Payment (BVMP) categories.

A. BVMP Rate Categories:

- 1) Adjudicated Claim Service Lines (ACSL)
- 2) Treatment Authorization Requests (TAR)
- 3) Telephone Service Center (TSC) – Provider
- 4) Telephone Service Center (TSC) - Beneficiary

B. Contract Phases

Contract operations shall be divided into six Contract phases covering the six possible years of Operations under this Contract.

- 1) Contract Years—there shall be one Contract year, also known as phase, called Contract Year 1. Contract Year 1 commences at the Assumption of Operations (AOO) by the Contractor, as defined in Exhibit A, Scope of Work, Attachment I, Takeover, and will consist of twelve (12) consecutive months. In the event the start date of the Contract is delayed, Contract Year 1 may be less than a twelve (12)-month period.
- 2) Contract Extension Years—there are five optional one-year Contract Extension years called Contract Extension Year 1, 2, 3, 4 and 5. If exercised by the State and approved by DGS and the Centers for Medicare and Medicaid Services (CMS), Contract Extension Year 1 commences immediately when Contract Year 1 ends. Each Contract Extension Year consists of consecutive twelve (12)-month periods.

Additionally, the Contracting Officer may exercise a one-time Extended Operations Period of the Contract for a time frame of no less than six months and no more than twelve (12) months.

C. BVMP Volumes

Price Bid Sheet Attachments 12-3 to 12-6 provide the volumes for each payment period, including Contract Year 1 and Contract Extension Years. These Attachments provide:

- 1) A Base Volume Range for each Contract Year payment
- 2) A Maximum Volume Range (Plus Level) for each Contract Year

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- 3) A Minimum Volume Range (Minus Level) for each Contract Year

D. BVMP Payment Calculation

- 1) BVMP payment is calculated based on two methods for services provided:

- a) The first method is to provide a flat fee for service for a Base Volume Range of work within specific Operations Payment categories for set periods of time, defined as Operations Payment period/phase for the Contract year. The flat fee shall include all costs associated with the BVMP operations categories, including general and administrative costs, all other overhead costs, fees and profit.

Base Volume Range - The fixed price bid amount for the Base Volume Range will provide for full payment for all services and expenses incurred in providing the defined product or service within the Base Volume Range for each Contract Year. If the Contractor processes Volume Levels within the Base Volume Range, then the Contractor will be paid the Base Volume payment amount. The Base Volume payment amount is a fixed amount, not a per unit price.

- b) The second method is a per-unit cost where the volume is either above the Maximum Base Volume (Plus Level) or below the Minimum Base Volume (Minus Level).

Maximum Volume Range - If the Contractor processes volume above the Base Volume Range, then the Maximum Volume Range per unit price is multiplied by the number of units above the Base Volume Range and added to the Base Volume payment, up to a limit identified by DHCS in Price Bid Sheets Attachments 12-3 to 12-6.

Minimum Volume Range - If the Contractor processes volume below the Base Volume Range, then the Minimum Volume Range per unit price is multiplied by the number of units below the Base Volume Range and subtracted from the Base Volume payment, down to a limit identified by DHCS in Price Bid Sheets Attachments 12-3 to 12-6.

- 2) BVMP Monthly Payment

BVMP monthly payment is based on a Contract Year/Phase period where the fluctuations in volumes are smoothed by averaging effects of longer reporting periods. Monthly payments are made on a projected basis allowing for both Plus or Minus Levels of projected payments. Monthly Minimum, Maximum or Base Volume Range volumes are determined by dividing the total Contract Year/Phase volume by the number of months in that Contract Year/Phase. Then the monthly range is multiplied by the number of months within the Contract Year/Phase that have passed. A BVMP example is presented below to reinforce how BVMP is calculated.

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Volume Calculation Example:

If the high of the Base Volume Range is 21,000,000 for a 12 month Contract year, then the average high monthly Base Volume Range is $21,000,000 \div 12 = 1,750,000$ per month.

If this is the third month of the Contract year, then the projected cumulative high Base Volume Range amount is 5,250,000 transactions ($1,750,000 \times 3$).

A monthly running total of transactions or units of production shall be kept. The running total is then compared to the projected ranges and unadjusted payment amounts are calculated. Prior payments are then used to adjust the monthly payment, if necessary.

Payment Calculation Example:

The actual cumulative volumes for the first 3 months of a Contract year are 1,000,000, 1,800,000 and 2,000,000.

The average low monthly Base Volume Range is 1,583,333 transactions per month. The average high monthly Base Volume Range is 1,750,000. Base Volume monthly payment is \$9,166,667 and there is a reduction of \$1.25 per unit for Minus Level transactions.

Monthly payments are as follows:

Month	1	2	3
Cumulative Low Base Volume	1,583,333	3,166,666	4,749,999
Actual Cumulative Volume	1,000,000	2,800,000	4,800,000
Below Cumulative Base Volume	583,333	366,666	0
Cumulative Adjustment Amount	(\$ 729,166)	(\$ 458,333)	\$ 0.00
Prior Adjustment Amount	\$ 0.00	(\$ 729,166)	(\$ 458,333)
Net Monthly Adjustment	(\$ 729,166)	\$ 270,833	\$ 458,333
Monthly Base Volume Payment	\$ 9,166,667	\$ 9,166,667	\$ 9,166,667
Net Monthly Payment	\$ 8,437,501	\$ 9,437,500	\$ 9,625,000

The Cumulative Adjustment represents the amount to be adjusted to the present date. In this case, it is computed by multiplying the Below Base Volume (cumulative) volume by the per unit price (MONTH 2 Ex. $-366,666 \times -\$1.25 = -\$458,333$).

The Prior Adjustment Amount is equal to all previous Net Monthly Adjustments (MONTH 3 Ex. $-\$729,166 + \$270,833 = -\$458,333$).

Net Monthly Adjustment is equal to the Cumulative Adjustment Amount minus the Prior Adjustment Amount.

Net Monthly Payment is equal to the Base Volume Payment plus the Net Monthly Adjustment.

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3) BVMP Extended Operations Payment

Ranges, volumes and rates for the Contract Phase immediately preceding any Period of Extended Operations (as defined in Exhibit E, Additional Provisions, Term of the Contract) will be the basis of payment for any such Period of Extended Operations. If the option to extend the Contract (for a Period of Extended Operations) is exercised for a period of less than a full year, the Base Volume Ranges and all Volume Levels specified in the Contractor BVMP price bids will be adjusted in proportion to the number of months of the extension.

The adjustment will be accomplished by dividing the Base Volume Ranges and Volume Levels (for the preceding Phase) specified in Contractor BVMP price bids on BVMP Exhibits by twelve (12) (respectively), and then by multiplying the result by the number of months extended. This calculation will result in adjusted Base Volume Ranges and Volume Levels.

For each month of any Period of Extended Operations, the Contractor will be paid one-twelfth (1/12th) of the price for the Base Volume for the preceding twelve (12)-month Phase. Reconciliation will be undertaken at the end of the Period of Extended Operations proportionately to the number of months of the Period of Extended Operations. Payment of any Extended Operations shall be reimbursed at the bid rate for the preceding phase applicable to the adjusted volume range, except that the preceding phase rates shall be adjusted by any changes in the last year of the California Consumer Price Index (CCPI) immediately preceding commencement of the Extended Operations Phase.

4) Monthly BVMP Reconciliation Payment Calculation

To avoid major adjustments for BVMP payments at the end of a Contract year/phase, reconciliation of BVMPs shall be made by the Contractor on a monthly basis. Monthly payments are made on a proportional basis allowing for both Plus or Minus Levels of prorated payments. Monthly Maximum, Minimum or Base Volume Range volumes are determined by dividing the annual/Contract Year volume by the months in that period. The monthly range is then multiplied by the number of months within the Contract Year/Phase that have passed.

The Contractor shall keep a monthly running total of transactions or units of production volume. The Actual Cumulative Volume is then compared to the projected ranges and unadjusted payment amounts are calculated. Prior Adjustment Amounts are then used to adjust the Net Monthly Payment, if necessary.

The final payment for the Contract Year/Phase will not be paid until after the annual BVMP reconciliation, described below, has been reviewed and approved by the Contracting Officer.

5) Annual BVMP Reconciliation Payment Calculation

At the end of each Contract Year/Phase the actual transaction or unit volumes for the entire period for all the BVMP will be determined by the Contractor and the

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associated bid rates will be applied. If the cumulative amount paid to the Contractor on a monthly basis varies from the amount calculated on an annual basis, an adjustment will be made to reflect the annual amount.

E. Adjustment of BVMP

If the actual yearly volume of BVMPs, for any reason, including legislation or court action, exceeds the yearly Maximum Volume Range (Plus Level) listed in Price Bid Sheets Attachments 12-3 to 12-6, for that Contract Year/ Phase, payment for only the BVMP volumes above that Level shall be adjusted through the Contract Change Order process. While the new transaction price is being adjusted, an interim rate equivalent to the Plus Level per unit price of the Volume Range will be paid for the BVMPs exceeding the Maximum Plus Level Volume. Following adjustments, the amount paid on an interim basis will be adjusted retroactively to reflect the new rate.

Additionally, the Contract sets a minimum BVMP volume amount (minimum of the Minus Volume Range), which will also serve as a point of adjustment. If for any reason, including legislation or court action at the end of a payment Contract Year/Phase it is determined that the actual BVMP volume did not reach the Minus Volume Range, further reduction to the Volume Range Contract price beyond the cost in the Minus Volume Range shall be adjusted through the Contract Change Order process. While the new BVMP price is being adjusted, an interim rate equivalent to the Minus Level per unit price of the Volume Range will be paid for BVMPs falling below the minimum of the Minus Level Volume. Following adjustments, the amount paid on an interim basis will be adjusted retroactively to reflect the new rate.

F. BVMP Payment Reports

1) Monthly Reconciliation Payment Reports

The Contractor shall work with the FI Contractor in the development of payment reports for each BVMP category to track all payments and levels bid. Because all adjustments to payments are computed by using a tiered approach in level order, all adjustments in all levels utilized must be tracked in addition to the volume of BVMPs (see Operations Monthly Reconciliation Payment Calculations above).

The format and content of the Monthly BVMP Reconciliation Payment Reports shall be determined by the Department. The ASO Contractor shall be responsible for the verification of all required format and content of the reports as generated by the FI Contractor.

The Contractor shall submit a monthly BVMP payment report with each invoice.

2) BVMP Annual Reconciliation Payment Report

The Contractor shall work with the FI Contractor in the development of payment reports for each BVMP category that requires annual reconciliation to track all payments and levels bid. Each monthly payment is one-twelfth (1/12th) of the

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annual base volume payment and the monthly report shall track the cumulative transactions (see Operations Annual Reconciliation Payment Calculations above).

The format and content of the Annual BVMP Reconciliation Payment Reports shall be determined by the Department. The ASO Contractor shall be responsible for the verification of all required format and content of the reports as generated by the Fiscal Intermediary (FI) Contractor.

The Contractor shall submit an annual BVMP payment report with each invoice.

G. BVMP Payment Categories

1) General Adjudicated Claim Service Lines (ACSLs)

The ACSL shall consist of all claim service lines adjudicated for all claim types (approved for payment or denied) except: all adjustments; resubmissions and retroactive rate adjustments; Claim Inquiry Forms (CIFs); lines created due to data entry errors; lines created due to substitute for billed lines using the replace and substitute process; or claim denials resulting from the failure of a provider to return a Resubmission Turnaround Document (RTD).

The below are definitions for terminology related to an ACSL:

- a) ACSL - An ACSL will be considered payable to the Contractor for a given month if it has been included in the checkwrites issued that month. Lines adjudicated for payment but not in a checkwrite are not billable until they are issued to the provider in a checkwrite.
- b) CLAIM SERVICE LINE – A logical detail service line on a claim form or record that contains a service code, a service description, date of service and a service fee, and may be billed by the provider on either a claim form or a Notice of Authorization (NOA). Documents that are classified by the California - Medicaid Management Information System (CD-MMIS) as TARs are not claims for ACSL calculation. NOAs returned by the provider as a claim are counted as ACSLs when adjudicated.
- c) APPROVED FOR PAYMENT - A claim service line that has reached final adjudication status and has been determined to meet all requirements for payment and is included in the checkwrite.
- d) DENIED - A claim service line that has reached a final adjudication status and is not payable to the provider because it is not a covered benefit, is not for an eligible beneficiary, is not from an enrolled Medi-Cal dental provider, has not been prior authorized when necessary, is not medically necessary (based on diagnosis and other information supplied with the claim), is a duplicate of a previously approved payment, or is otherwise not authorized for payment.

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- e) **ADJUSTMENT** - A transaction that changes information on a previously adjudicated claim (e.g., payment amount, units of service or other change to history). May be a debit, credit or void adjustment or reversal of a previously paid claim.
 - f) **RETROACTIVE RATE ADJUSTMENTS** - A re-adjudication of paid claims using a new rate, which may be necessitated by policy, budgetary, statutory changes, lawsuits or other reasons. For the period covered by the rate change, the re-adjudication may result in either an increase, decrease or no change in the amount previously paid.
 - g) **CLAIMS INQUIRY FORM (CIF)** – A special form submitted by the provider to the Contractor to inquire about the status of a claim in the system. These may result in adjustments that are not ACSLs.
 - h) **LINES CREATED BY DATA ENTRY ERRORS** – These are lines created by the Contractor due to improper manual or machine reading of claim information. These are not ACSLs.
 - i) **REPLACE AND SUBSTITUTE** – A processing procedure that allows the Contractor to substitute another claim service line(s) for otherwise denied claim service lines. Only the claim service line submitted by the provider will be counted for payment. The substitute lines created by the Contractor are not payable as ACSLs.
 - j) **CLAIM DENIED FROM FAILURE OF THE PROVIDER TO RETURN AN RTD** – A claim service line that requires correction by the provider through a RTD, the provider has failed to return the RTD and the claim service line is denied for that failure.
- 2) **Treatment Authorization Requests (TARs)**

For payment purposes, the Contractor shall consider only those processed TAR documents that have been approved, modified, or denied, and for which the provider has been sent a NOA during the month.

- a) **TREATMENT AUTHORIZATION REQUEST (TAR)** - A TAR is a request for authorization of dental service by a provider. A TAR document consists of all information submitted on an approved Medi-Cal request for prior authorization form (Forms DC-202, DC-209, DC-217, DC-206, DC-214A, and DC-214B). Currently, the CD-MMIS classifies a document as a TAR where there is line item service described but there is no date of service for one or more of line items shown. Documents classified as TARs shall not be payable as claims.
- b) **AUTHORIZED FOR SERVICE** - A TAR that has reached a final adjudication status and has been determined to meet all requirements for authorization
- c) **MODIFIED** - A TAR that has been approved with modified services.

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- d) DENIED – A TAR that has reached a final adjudication status and is not approved.
 - e) RETURNED NOAs - NOAs returned for reconsideration will not be considered to be a TAR for payment.
 - f) INTERNALLY REPROCESSED TAR - A TAR that is reprocessed by the Contractor to allow processing of a subsequent TAR due to a conflict in history will not be considered to be a TAR or ACSL for payment.
 - g) CLAIM INQUIRY FORM - CIFs submitted by the provider requesting reconsideration or an extension of a TAR or a tracer are not billable as a TAR.
 - h) RESUBMISSION TURNAROUND DOCUMENT (RTD) DENIALS - Claims, TARS, NOA, and CIFs denied for failure of the provider to return the RTD within the required time frames will not be considered to be a TAR or ACSL for payment.
 - i) ELECTIVE PRIOR AUTHORIZATION – A TAR for approval whereby, the service(s) do not require a TAR are not considered TARS for payment purposes.
- 3) Provider and Beneficiary Telephone Service Center (TSC)
- a) The Contractor TSC Telephone Minutes payments will be made when the TSC meets the performance requirements and standards of Exhibit A, Scope of Work, Attachment II, Operations, Telephone Service Center (TSC). The State shall pay the Contractor a price per minute for TSC Operations.
 - b) The Contractor shall comply with provisions listed in Exhibit A, Scope of Work, Attachment II, Operations, TSC. Failure to do so may result in negative consequences to the Department, the Medi-Cal Dental Program and its providers and beneficiaries.
 - c) The Contractor shall not be entitled to payment for that month if they fail to meet the deliverables for a given month. Compliance with a subsequent month's requirements will entitle the Contractor payment for that month, and any previous month for which payment was not received. Failure to receive payment does not excuse the Contractor from submittal of the required deliverable.

H. Operations Payment Categories

The monthly Operations invoices will be equal to the sum of the total amount due for ACSL and TAR BVMP monthly payments. The monthly Operations invoice will be divided into the following payment categories and percentages listed below (each categories percentage represents the percent billable for that category for each month) and sent to the Department for payment. A two percent (2%) withhold, which is considered payment for Outreach activities, will be deducted from the final invoice

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for each payment category once all relevant and/or required adjustments have been made in accordance with the Provision entitled Conditions Precedent to Payment below.

1) General Administrative Operations	15%
2) Cycle Time	35%
3) Quality Management	20%
4) Provider Services	15%
5) Beneficiary Services	15%
	100%

I. Conditions Precedent-to-Payment

The Contractor's Operations payments will be made for each of the five separate categories stated above, provided that all contractual responsibilities have been met. When invoicing the Department, the Contractor shall show the applicable requirement or billed deliverable, performance achieved, and payment requested for the amount due. If performance was not achieved, it shall be so indicated, and a plan to achieve performance shall be included.

Payment will be made for each category when all applicable deliverables are approved and accepted by the Contracting Officer. Failure to meet the requirements for a given month will constitute failure to provide the deliverable, and the Contractor shall not be entitled to payment for that month. Compliance with a subsequent month's requirements will entitle the Contractor payment for that month, minus the adjustment for services not performed, and if deliverables have been submitted (although not timely) for any previous month for which payment was not received. Denial of payment will occur, unless, at the Contracting Officer's discretion, he/she determines that the Contractor is in substantial compliance with specific contractual requirements.

The two percent (2%) yearly withhold shall be paid after the completion of each Contract year and upon the Department's written approval the Contractor successfully met all the performance requirements and standards in Exhibit A, Scope of Work, Attachment II, Operations, under Beneficiary Outreach and Provider Outreach sections. One percent (1%) of the withhold will be paid if the Contractor succeeds in meeting all requirements as listed in Exhibit A, Scope of Work, Attachment II, Operations, Beneficiary Outreach, and the other one percent (1%) will be paid if the Contractor succeeds in meeting all requirements as listed in Exhibit A, Scope of Work, Attachment II, Operations, Provider Outreach. If the Contractor fails to meet one or both of the stated requirements within the specified Contract year, the Contractor shall not be entitled to any portion of the withhold payment for the period in which the performance requirements were not met even if the performance requirements are met at a later date.

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1) The specific deliverables for each area of Operations are identified below:

a) GENERAL OPERATIONS - 15%

- i. ACSL and TAR Reports (CP-O-495, CP-O-496 and CP-O-497) (described in Exhibit A, Scope of Work, Attachment II, Operations and Exhibit A, Attachment I, Takeover).
- ii. Timely Financial Reports (described in Exhibit E, Additional Provisions).
- iii. Timely implementation of changes/updates directed by the Department (i.e. DOILs, CWRs, State and Federal Policy/Regulations, etc.) as described in Exhibit A, Scope of Work, Attachment II, Operations, Administrative Support of Contract Changes.
- iv. Contractor has met the requirements listed in Exhibit A, Scope of Work, Attachment II, Operations, Surveillance and Utilization Review Subsystem and Exhibit A, Scope of Work, Attachment II, Operations, S/URS Reporting System.

b) CYCLE TIME - 35%

Payment shall be made for this category when the Contractor meets all cycle time requirements as listed in Exhibit A, Scope of Work, Attachment II, Operations, Claims Processing Subsystem.

c) QUALITY MANAGEMENT - 20%

Payment shall be made for this category when all applicable deliverables and performance standards have been met as defined in the subsequent paragraph and in Exhibit A, Scope of Work, Attachment II, Operations, under the following sections: Quality Management (QM) Operations, Administrative Support of Contract Changes and General Reporting Requirements.

The Contractor shall submit all required project plans by the specified Contract date and shall meet all scheduled tasks/deliverables/milestones of all current Department approved project plans for a particular month. If the Contractor fails to submit any required project plans by the specified Contract date or fails to meet any schedule task/deliverable/milestone of a current Department approved project plan, the Department shall deem the required precedent to payment as having not been met for the applicable monthly invoice.

d) PROVIDER SERVICES – 15%

Payment shall be made for this category when all applicable deliverables and performance standards have been met as defined in Exhibit A, Scope of Work, Attachment II, Operations, Provider Services and Exhibit A, Scope of Work, Attachment II, Operations, Denti-Cal Internet Website.

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e) BENEFICIARY SERVICES – 15%

Payment shall be made for this category when all applicable deliverables and performance standards have been met as defined in Exhibit A, Scope of Work, Attachment II, Operations, Beneficiary Services.

J. Operations Invoicing

Operations invoices shall include a certification signed by the Contractor's Chief Financial Officer, or equivalent position, stating that all requisite deliverables and/or performance requirements have been met. In the event that requisite deliverables and/or performance requirements have not been met, then the Contractor shall provide an explanation and a plan to achieve performance.

The Contractor's certification shall be submitted to the Department with each respective Operations invoice along with documentation that demonstrates that requirements have been met for payment. Said documentation shall include the billing reports (see BVMP Billing Reports below), along with all other substantiation the Department requires to verify that the invoice is payable. Approval of the Operations invoices by the Department shall be contingent upon the receipt of the certifications and reports listed.

1) ACSLs and TARs

Operations payments shall be divided into distinct phases for ACSLs and TARs based on the date of payment for ACSLs and approval for TARs.

- a) ACSLs – Phase One commences upon the assumption by the Contractor of ACSL processing and will end the same day as the Contract Year 1.
- b) TARs – Phase One commences at the timeframe specified in Exhibit A, Scope of Work, Attachment I, Takeover, and shall be included in and continues until the end of Contract Year 1/Phase 1.

The Contractor shall invoice the Department separately for the five Operations areas and submit reports as defined throughout Exhibit A, Scope of Work, with each invoice. Cycle time invoices shall be submitted on, or before the seventeenth (17th) State work day of the month and all invoices shall be submitted after completion of the required work. This invoicing method will allow the Contractor and the Department time to verify monthly reports have been received and cycle time requirements have been met, prior to authorizing payment.

All invoices for other areas of the Contract shall be submitted to the Department no earlier than the first (1st) State work day of the month.

2) Telephone Service Center (TSC)

The payment phases for TSC are the same as described in this Exhibit, in the section entitled Operations Invoicing, ACSLs and TARS.

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On or before the seventeenth (17th) State work day of the month, the Contractor shall submit two separate monthly invoices for each of the two TSC Operation areas (Provider and Beneficiary). Separate supporting documentation and a statement that separately identifies and lists each deliverable and the Contractor's compliance with each of those terms, as defined in Exhibit A, Scope of Work, Attachment II, Operations, Telephone Service Center, shall be included with each invoice along with any and all vendor invoices substantiating the minutes for the invoice shall be submitted along with the TSC billing report.

The Contractor may only invoice for hold times up to one minute. Once the Contractor exceeds the monthly average wait or hold time performance requirement, the corresponding invoice (Provider and/or Beneficiary) must contain a line item reduction for all costs associated with the minutes exceeding the performance standard. This reduction is calculated as follows: Reduction = (Total calls * Minutes exceeding standard) * BVMP per minute rate. The BVMP rate used will be the highest per minute rate used in that months invoice calculation. An example of the line item reduction follows:

Example Line Item Reduction:

Performance Standard and Example BVMP Rate

Average Hold time performance standard	=	60 seconds (1 minute)
BVMP Per Minute Rate (Example Rate)	=	\$1.47

Monthly Performance Example

Total Provider calls received for month	=	8,500
Average hold time per month	=	14 minutes, 15 seconds
Hold time Exceeding Standard	=	13 minutes, 15 seconds

Calculation example:

$$(8,500 * 13.25) * 1.47 = \$165,558.75$$

Line item reduction = \$165,558.75

In the above calculation the seconds exceeding hold time are represented as a fraction of a minute. Thus fifteen (15) seconds is equal to .25 percent of a minute.

Seconds shall be computed and rounded to the fourth decimal or 10,000th of a minute. Example:

14 seconds	=	.2333
15 seconds	=	.25
43 seconds	=	.7167
45 seconds	=	.75

All invoice reductions incurred during the Phase will be totaled and factored into the annual BVMP reconciliation. This invoice reduction is separate and in addition to the stipulations contained in this Exhibit, in the section entitled Operations: Base Volume Method of Payment, Conditions Precedent to Payment.

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K. Operations Billing Reports

1) ACSL Billing Report

The Contractor shall submit billing report CP-O-495 with the monthly General Operations Invoice. The basis of this report shall be the CP-O-495 report currently generated by the FI Contractor, which shall be revised during Takeover to meet the requirements of this Contract. An ACSL will be considered payable for a given month if it has been processed through a weekly cycle during that month and is ready for inclusion in the payment data file. Denials that have been made during the month after the last weekly audit cycle will be counted as ACSLs for the next month. The report will calculate the monthly total amount billed for Operations, be scalable to accommodate various ranges and include statistics for ACSL volume levels for each week, the month as a whole and for the payment phase.

During Takeover, the Contractor shall work with the FI Contractor to revise the existing billing report to meet Contract requirements. Documentation for these revisions shall be subject to review and approval by the Department. Refer to the CD-MMIS FI Contract. The report shall be ready for Department acceptance testing when such testing commences. See Exhibit A, Scope of Work, Attachment I, Takeover and the CD-MMIS FI Contract, Exhibit A, Scope of Work, Attachment I, Takeover.

This report shall be cumulative for the Contract payment phase and show statistics by program claim type and total claims. It shall report data under the following categories:

- a) ACSLs and claims for cost reimbursable services, by reimbursable categories with subtotals. This report shall separately identify ACSLs processed for all other cost reimbursable services;
- b) Billable ACSLs identifiable by those billed on claim forms and NOAs categorized by hardcopy and Medi-Cal computer media lines;
- c) Retroactive rate adjustment lines;
- d) Other adjustment lines;
- e) Lines created by the Contractor using replace and substitute;
- f) Data Entry error lines: and
- g) Claim denials due to provider's failure to return Resubmission Turnaround Documents (RTDs).

This report shall summarize ACSLs and non-billable lines by payment categories and by claim document, providing subtotals and totals. The total claim lines on this report shall balance with all other CD-MMIS reports without the need to manually add additional data and with the file used to produce the checkwrite.

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The ASO Contractor shall work in conjunction with the FI Contractor to ensure that the format and content of the report meets all requirements as determined by the Contracting Officer. Please refer to the CD-MMIS FI Contract, Exhibit A, Scope of Work, Attachment II, Operations, Claims Processing.

2) TAR Billing Report

The Contractor shall submit the TAR billing report CP-O-496 with the monthly Operations invoice and with the invoice for TARs processed during Takeover. The basis of this report shall be the CP-O-496 report currently generated by the FI Contractor which shall be revised to meet the requirements of this Contract. A TAR will be considered payable for a given month if the NOA is ready to be mailed to the provider. The report shall calculate the monthly total amount billed for Operations TARs. The report must be scalable to accommodate various ranges and shall include statistics for TAR volume levels for each week, the month and for the payment phase, and include a summary page similar to that required for ACSLs.

During Takeover, the Contractor shall work with the FI Contractor to develop the report to meet contractual requirements. Documentation for these reports shall be subject to the review and approval of the Department. Refer to CD-MMIS FI Contract. The report shall be ready for Department acceptance testing when such testing commences. See Exhibit A, Scope of Work, Attachment I, Takeover and the CD-MMIS FI Contract, Exhibit A, Scope of Work, Attachment I, Takeover.

This report shall be cumulative for each month of the Contract payment phase, show statistics by total TARs and shall report data under the following categories:

- a) TARs for cost reimbursable services, by reimbursable categories with subtotals. This report shall separately identify TARs processed by all other cost reimbursable categories. Determinations that require the use of an aid code, shall utilize the current aid code for the beneficiary, if available. If aid code information is not available the TAR shall not be reported in a special category.
- b) Billable TARs.
- c) Non-billable NOAs processed for reconsideration.
- d) Any other adjustments which are non-billable.
- e) TAR denials due to the provider's failure to return RTDs.

This report shall summarize TARs and non-billable documents by payment categories and by document providing subtotals and totals. The total count on this report shall balance with other CD-MMIS reports without the need to manually add additional data.

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The ASO Contractor shall be responsible for the verification of all required format and content of the report as generated by the FI Contractor (refer to CD-MMIS FI Contract Exhibit A, Scope of Work, Attachment II, Operations, Claims Processing).

3) Consolidated ACSL and TAR Billing Report

In addition to the ACSL and TAR billing reports, the Contractor shall utilize the consolidated billing report (CP-O-497) for ACSLs and TARs from CD-MMIS to submit with the monthly Operations invoice. The basis of this report shall be a summary of the CP-O-495 report for ACSLs and the CP-O-496 report for TARs. During Takeover, the Contractor shall work with the FI Contractor to revise the existing reports to meet contract requirements.

This report shall be cumulative for the Contract payment phase and shall show statistics by total ACSLs and TARs. The report must be scalable to accommodate various ranges and shall meet contractual requirements. Documentation for these reports shall be reviewed, and approved by the Department if they are acceptable. The report shall be ready for Department Acceptance Testing when such testing commences. (See Exhibit A, Scope of Work, Attachment I, Takeover and the CD-MMIS FI Contract, Scope of Work, Exhibit A, Attachment I, Takeover).

The ASO Contractor shall be responsible for the verification of all required format and content of the report as generated by the FI Contractor. Refer to the CD-MMIS FI Contract, Exhibit A Scope of Work,).

4) TSC Billing Report

The Contractor shall submit a billing report for TSC Telephone Minutes with the TSC Telephone Minutes invoice and TSC Telephone Minutes during Takeover. Refer to current MR-O-495-497 billing reports which shall be revised to meet the requirements of this Contract. The ASO Contractor shall be responsible for the verification of all required format and content of the report as generated by the FI Contractor. Refer to the CD-MMIS FI Contract.

The ASO Contractor shall be responsible to provide data to the FI Contractor in order to generate the required billing report(s). The report(s) will calculate the monthly total amount billed for Operations TSC Telephone Minutes and must be scalable to accommodate various ranges.

Supporting documentation must accompany the billing report(s). The documentation shall be provided by the ASO Contractor and include statistics for TSC Telephone Minutes volume levels for each week, the month and for the payment phase, and include a summary page similar to that required for ACSLs. It shall report data under the following categories:

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- a) Interactive Voice Response (IVR) minutes and calls.
- b) Agent Incoming minutes and calls;
- c) Agent Outgoing minutes and calls;
- d) Hold and Transfer minutes and calls;
- e) Conlan minutes and calls (for Beneficiary telephone services); and
- f) Total minutes and calls.

During Takeover, the Contractor shall work with the FI Contractor to revise the existing MR-O-495-497 report(s) to meet contractual requirements. Documentation for these reports shall be subject to the review and approval of the Contracting Officer. The report(s) shall be ready for Department acceptance testing when such testing commences. See Exhibit A, Scope of Work, Attachment I, Takeover and the CD-MMIS FI Contract, Exhibit A, Scope of Work, Attachment I, Takeover.

4. Cost Reimbursements

Operations constitute all contractual responsibilities required for the Contractor to administer and operate the Administrative Services Operations as described in Exhibit A, Scope of Work. This section describes Operations Payment for any work that may occur during Operations due to items of the Contract reimbursed by cost where the Contractor purchases or pays for cost reimbursable items, services or equipment on behalf of DHCS and invoices the State for payment. Only direct costs explicitly described in this section are eligible for cost reimbursement. All other costs are to be included in fixed price components.

This section identifies the cost reimbursable categories that are not included in the Contractor's prices. Such costs shall consist only of direct costs, which can be specifically identifiable with the particular cost objective. In the event of a dispute as to whether any costs are in fact direct costs, it is the intent of the State that "direct cost" shall be narrowly construed.

A. Cost Reimbursement Categories**1) Postage**

The Department will reimburse only the actual charges paid for U.S. Postal rates utilized to mail documents to providers, beneficiaries, the State, the federal government or for any other Medi-Cal or State program-related business. Return envelope postage is also reimbursable. All other direct or indirect costs associated with postage are not reimbursable.

2) Parcel Services and Common Carriers

The Department will reimburse only the actual charges paid for parcel services and common carriers for the delivery of:

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- a) Medi-Cal and other dental program claim and Treatment Authorization Request (TAR) forms to providers.
- b) Documents, materials, and equipment to providers, beneficiaries, and State or federal offices.

All other direct or indirect costs associated with parcel services and common carriers charges are not reimbursable.

3) Printing

Costs to print the following forms and related envelopes for mailing such forms, documents and other Department program printing requests, as directed by the Department, are reimbursable:

- a) Medi-Cal and other dental program claim forms to include TARs, NOAs, and CIFs;
- b) Claim Appeals Forms;
- c) TAR Corrections Documents;
- d) Applications given to providers for provider enrollment in special programs (e.g., EFT, Provider Billing Software, etc.);
- e) Provider Manuals, Bulletins, State-issued Letters, and Updates to include copies for the State and federal government;
- f) Beneficiary Notices; and
- g) User Guides or manuals developed for providers.

4) Telephone Toll Charges

The Department will reimburse only the actual telephone utility charges paid by the Contractor for maintaining toll-free lines available to providers and beneficiaries; for providing telephone lines for the Interactive Voice Response equipment; and other beneficiary or provider use lines that may be added by Change Order. Each toll charge incurred by the Contractor will be reimbursed by the Department and must be directly supported by a billing from the telephone utility. This excludes all other direct or indirect costs associated with telephone toll charges. An additional exclusion from this category are charges and calls to the Contractor for any activity not stated in Exhibit A, Scope of Work, Attachment II, Operations, and any costs incurred for maintenance, equipment, wiring, repair, or facilities installation.

5) Special Training Sessions

At the direction of the Contracting Officer, the Contractor will be required to conduct special training sessions as discussed in Exhibit A, Scope of Work,

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Attachment II, Operations, Staff Training Requirements. The Department will reimburse the Contractor for rental of a facility, if necessary, and travel and per diem expenses as specified in Exhibit D (F), Special Terms and Conditions and Exhibit E, Additional Provisions. No other direct or indirect costs will be reimbursed.

6) Conventions, Provider Enrollment Workshops, and Health Fairs

Costs related to conventions, provider enrollment workshops, or health fairs shall be reimbursed by the Department. Costs reimbursable under this category include the cost of the booth, print material, and related expenses. The Department will not reimburse for Stuff We All Get (S.W.A.G.) per the Governor's February 18, 2011 memorandum. Travel and per diem expenses are reimbursable under the guidelines set forth in Exhibit E, Additional Provisions. The Contractor shall secure Department approval prior to participation in any convention, provider enrollment workshop, or health fair. Any cost related to a convention, provider enrollment workshop, or health fair without prior Department approval shall not be reimbursable. Only those costs related directly to the Medi-Cal Dental Program shall be reimbursed.

7) Facilities Improvement and Modifications

The Contractor is required to provide adequate facilities to State or federal on-site audit and monitoring staff. Such facilities shall be included in the fixed price. However, the Department may require that the Contractor make certain modifications and improvements to these facilities, such as the addition of walls, partitions, and secure other equipment and monitoring tools necessary for the Department to oversee this Contract. The direct costs for these modifications and improvements shall be reimbursed by the Department subject to prior review and written approval of the Contracting Officer. No indirect costs shall be reimbursed.

8) Personal Computers (PCs), Monitors, Printers, Related Equipment, and Software

Costs incurred under the direction of the Contracting Officer in this category refer to all direct costs for: the installation and monthly charges for data lines; and the purchase, lease, installation, and maintenance of desktops for State staff at Contractor facilities, or at the direction of the Contracting officer. Also included under these cost reimbursement provisions are the direct purchase and maintenance costs incurred on equipment used in State office facilities as directed by the Contracting Officer.

9) Cost Reimbursed Audits (as applicable) and Research

- a. Any required annual audits will be cost reimbursed for the direct cost of the audit if the Department requires the Contractor to subcontract for the audit. Additional audits, surveys and studies, as approved by the Contracting Officer, shall be cost reimbursed for the direct cost. No other direct and indirect costs shall be reimbursable.

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10) Independent Contractor Consideration

The Department reserves the right to require the Contractor to contract with a Department-approved Independent Verification and Validation (IV&V) Contractor, Project Estimation Contractor, Independent Project Oversight (IPO) and/or Project Management (PM) Contractor for the management, development and/or implementation of large/complex operations changes. The Contractor shall be reimbursed according to the Cost Reimbursement provisions of the Contract.

11) Annual Risk Assessments

DHCS reserves the right to require the Contractor to subcontract with an independent third party/parties for two annual risk assessments. One risk assessment should cover the Contractors Security policies and procedures. The second risk assessment is to cover the Contractors Privacy policies and procedures.

12) Miscellaneous

At the discretion of the contracting officer, and with prior written approval, DHCS may recognize other Cost Reimbursable categories. These categories are intended for costs not anticipated at the time the RFP was released and for cost necessary to allow the Contractor to carry out its contractual requirements as outlined in Exhibit A, Attachment I through III, Scope of Work. This category is not intended for costs associated with items otherwise covered by precedent-to-payment invoices and/or ACSL, TAR or TSC payments. When submitting invoices for this category, the Contractor shall submit evidence of Department approval for use of this category, along with vendor invoices to substantiate all charges.

B. Cost Reimbursement Invoice

Each cost reimbursement category will be invoiced separately as a subset of a single cost reimbursement invoice on a monthly basis. Sales tax, if applicable, should be included in the appropriate category and not invoiced separately.

C. Cost Reimbursement Plan

The Contractor shall provide an annual Cost Reimbursement Plan to the Department within twenty-five (25) State work days after the end of the State Fiscal Year for approval by the Department. The Cost Reimbursement Plan shall:

- 1) Outline the major areas of expense by cost reimbursement category.
- 2) Delineate methods for reducing costs for each cost reimbursement category (on the basis of the previous years' plans).
- 3) Include an allocation plan for the distribution of direct and, as it pertains to cost reimbursed printing activities, indirect expenses into appropriate cost reimbursement categories. The allocation plan must specify the allocation methodology used to distribute indirect costs to the printing function.

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- 4) Specify policies and procedures for collecting and compiling cost reimbursement expenses, and for ensuring that non-cost reimbursable expenses are not billed to the Department.
- 5) List, in detail, all cost reimbursable expense line items, the specific invoice category each is billed under, and for each, the accounting number/project code used within the Contractor's accounting system.
- 6) Specify the project purchases and leases for the upcoming year.
- 7) Specify the numbers and classifications of cost reimbursable staff. The current salary range for each classification of staff billed under cost reimbursement shall be kept on file and made available to the Department upon request.
- 8) Include a complete inventory of cost reimbursement (i.e., State owned or leased) items, including equipment and software. The inventory shall list each item, the manufacturer, model number, the location, the serial number, the purchased/leased price, lease term, maintenance cost, inventory tag number, lease/maintenance contract number(s), telephone circuit number (for modems), and (for purchased items) the depreciated balance. This list shall be sorted by the location and within the location, by item. The Contractor shall conduct a physical inventory of all cost reimbursement items and submit an updated inventory list to the Department for review and approval annually.
- 9) Include a list of key workload indicators within the cost reimbursement program, the monthly volume for each indicator for the previous year and projected volume for the following year. These indicators shall include impression count, counts of forms printed and imprinted (by type of form), supply expenses, postage expenses, labor expenses, and computer peripheral (e.g., monitor, printer, controller, modem) counts broken out by leased versus purchased, counts of active providers on the Provider Master File (PMF) and, separately, on the Non-Provider List.
- 10) Include a description of the method the Contractor will use to maintain control of the location and transfer of cost reimbursement equipment, both at the Contractor's and the Department's sites.

5. Restrictions on Reimbursable Purchases and Subcontracts

The Department will not pay any indirect expenses related to the administration of cost reimbursable items. In order for the Contractor to avoid incurring indirect expenses on cost reimbursable items, the Department will allow the Contractor to forward the vendor's/subcontractor's paper invoices to the State. The Contractor is required to provide the Department with required supporting documentation.

Payment to the Contractor for subcontracts or purchases of cost reimbursable items, services or equipment shall be the actual cost to the Contractor. Such actual cost shall consist of the amount charged to the Contractor for the subcontract or the purchase. The Contractor shall also be paid the other direct costs associated with procuring and

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managing the subcontracts or purchases and indirect expenses based upon the labor needed to perform these tasks.

Under no circumstances will the Department reimburse indirect costs associated with the amount of a subcontract or purchase of cost reimbursable items, services or equipment. This prohibition includes overhead and general and administrative expenses, as a percentage of a third party's charges to the Contractor.

Under certain conditions, indirect rates can be applied to cost reimbursement expenses. Following the annual fiscal reconciliation of the indirect rate, this new reconciled rate shall become the indirect Contract rate for both cost reimbursed expenses and non-executed Change Orders.

Under no circumstances will the Department pay cost reimbursement for overhead for Department space. The Department space included in the Takeover and Operations fixed price bids should include all overhead costs associated with the use of the facilities including the common space in Contractor facilities such as the hallways, rest room facilities, and cafeteria/snack bar. In addition, the common space overhead in the Contractor claims processing facilities cannot be allocated to the print shop or the Record Retention Center.

6. Turnover

The Turnover period constitutes all work activities required of the Contractor as defined under Exhibit A, Scope of Work, Attachment III, Turnover and Runout Requirements. Also included is any work that may occur during Turnover required under Exhibit C, General Terms and Conditions, Exhibit D(F), Special Terms and Conditions, and Exhibit E, Additional Provisions.

A. Turnover Invoicing

Fifty-five percent (55%) of the Turnover bid price shall be paid in nine equal installments, with nine percent (9%) being withheld from each installment. The schedule for the nine payments shall be set by the Contracting Officer based on the Contractor meeting milestones and deliverables stated in Exhibit A, Scope of Work, Attachment III, Turnover and Runout Requirements.

A final payment for the remaining forty-five percent (45%) and withholds shall be due, payable and made when all requirements as specified in Exhibit A, Scope of Work, Attachment III, Turnover and Runout Requirements have been met.

Each payment is contingent on written approval by the Contracting Officer based on successful completion of deliverables. If a deliverable is not approved, the payment will be withheld until the deliverable is approved.

B. Extended Operations

If the Department elects to exercise its option to extend the Contract by use of Extension Phases 1, 2, 3, 4, 5 or Extended Operations, the bid rate for Turnover shall be adjusted by any change in the CCPI during the time period for which Operations is extended. Multiple extensions and adjustments may occur.

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C. Turnover Not Required

If the incumbent is the successful bidder for the replacement of this Contract, and special Turnover services are not needed, then the Contractor's Turnover bid price shall be reduced by a Contract Change Order so that the Contractor shall not be paid for Turnover Preparation and Transfer of Contractor Operations.

7. Runout Processing

Runout constitutes all work activities required of the Contractor during Runout. Also included is any work that may occur during Runout required under Exhibit A, Scope of Work, Attachments II and III, and Exhibit E, Additional Provisions.

A. Runout Invoicing

The first fifty-five percent (55%) of the Runout bid price shall be paid in seven equal monthly installments, with seven percent (7%) being withheld from each installment. The schedule for the seven payments shall be set by the Contracting Officer based on the Contractor having met the Conditions Precedent to Payment stated below are met.

- 1) For the first six months of Runout Processing, the Conditions Precedent to Payment shall be as follows:
 - a) Fifty percent (50%) of the Runout Processing installment shall be the cycle time requirements listed above;
 - b) The remaining fifty percent (50%) of the installment shall be for Runout Deliverables as specified by this Contract in Exhibit A, Scope of Work, Attachment III, Turnover and Runout Requirements, including but not limited to file and record transfers.
- 2) The final seventh (7th) month, the Conditions Precedent to Payment for one-hundred percent (100%) of the final installment shall be timely transfer of the residual inventory and records required during the first (1st) month of Contract Closeout. Cost Reimbursement and TSC payments will continue through Runout Processing.

A final payment for the remaining forty-five percent (45%) and withholds will be due, payable and made when all requirements as specified in Exhibit A, Scope of Work, Attachment III, Turnover and Runout Requirements have been met. Each payment is contingent on written approval by the Contracting Officer based on successful completion of deliverables. If a deliverable is not approved, the payment will be withheld until the deliverable is approved.

Any reduction in required Runout Services shall be done through a cost savings Change Order.

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B. Extended Operations

If the Department elects to exercise its option to extend the Contract by use of Extension Phases 1, 2, 3, 4, 5 or Extended Operations, the bid rate for Runout shall be adjusted by any change in the CCPI during the time period for which Operations is extended. Multiple extensions and adjustments may occur.

8. Invoicing

A. Invoices

The Contractor shall provide invoices in duplicate, which consists of the original and one copy of both the invoice and supporting documentation, each in hardcopy, delivered to the individual designated by the Contracting Officer. In addition to the paper copies supplied to the Department, the Contractor must submit the invoice and supporting documentation in electronic media format to the FI Contractor for uploading into CD-MMIS. See this Contract, Exhibit A, Scope of Work, Attachment II, Operations, Administrative Support of Contract Changes. During Takeover, the Contractor will work with the Department and the FI Contractor on the development of the electronic media invoice and supporting documentation. The Department will deny or reduce any invoice that the Contractor has improperly billed.

B. Conditions Precedent-to-Payment

Invoices described in this Exhibit are tied to areas of the Contract Scope of Work which contain Contract requirements. All requirements of the Contract are subject to precedent-to-payment. Any payment for a deliverable shall be made only after the Contracting Officer approves of the deliverable in writing.

9. Administrative Change Orders

The payment method for Change Orders will be fixed price, fixed rate, cost reimbursement or a combination of the three. The Contractor shall separate these three types of costs on the Change Order Price Proposal (Exhibit E, Attachment I, Change Order Pricing Proposal Form). Payment for Change Orders will be made after the Department has provided written approval of the deliverables or the performance of work, or a combination of both, if applicable.

A. Change Order Invoice

The Contractor shall invoice the Department separately for Change Orders based on the requirements for each Change Order.

B. Change Order Conditions Precedent-to-Payment

The Department will determine the conditions precedent to payment upon development and implementation of the Change Order.

Failure to meet the deliverables of the performance of work for each Change Order will subject the Contractor to the Operations liquidated damages specified in Exhibit E, Additional Provisions, Liquidated Damages.