

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 Contract 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 Contract.
- 2) Bear the Contractor's name as shown on the Contract.
- 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 Contract. Subject to the terms of this Contract, reimbursement may only be sought for those costs and/or cost categories expressly identified as allowable in this Contract 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 Contract do not appropriate sufficient funds for the program, this Contract 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 Contract and Contractor shall not be obligated to perform any provisions of this Contract.
- 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 Contract with no liability occurring to DHCS, or offer an Contract Amendment to the 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 must maintain records reflecting actual expenditures for each State fiscal year covered by the term of this Contract.

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 Contract, 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 Contract 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 Contract.
- 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 Contract.

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6. Expense Allowability / Fiscal Documentation

- A. Invoices, received from a Contractor and accepted and/or submitted for payment by DHCS, shall not be deemed evidence of allowable Contract costs.
- B. Contractor shall maintain for review and audit, and supply to DHCS upon request, adequate documentation of all expenses claimed pursuant to this Contract 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 must 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 Contract will be made pursuant to the terms of Exhibit B, Attachment I, to this Contract. 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 and 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 seven (7) Contractor payment Categories described in the Contract.

- A. Takeover
- B. Operations – Base Volume Method of Payment (BVMP)
- C. Operations – Other Fixed Price
- D. Hourly Reimbursed Systems Group
- E. Cost Reimbursements
- F. Turnover
- G. Administrative Change Orders

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 Combined Claim and TAR Document Count 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 Fiscal Intermediary (FI) Contractor to assume responsibility for the operation of the California Dental Medicaid Management Information System (CD-MMIS), as defined in Exhibit A, Attachment I Takeover Requirements.

Payment for Takeover will be on a fixed price basis with the exception of those specific work items paid under Cost Reimbursement and Hourly Reimbursed Systems Group. The Treatment Authorization Request (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 Combined Claim and TAR Document volume (see Section 3.1.1.b). Operation Contract Phases are defined in Operations, Section 3.B., below.

Also included in Takeover payment is payment for any work that may occur during Takeover that is required under Exhibit A, Attachment III, Change Requirements, 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 the Expansion Items Bid Sheet, Attachment 12-2 of the Price Bid Sheets. The costs 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 Combined Claim

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and TAR Document bid rate and are not to be included nor be payable as Takeover expenses. Any liquidated damages, related to Takeover, imposed on the Contractor pursuant to Exhibit E, Additional Provisions, will be withheld from final Takeover payment. All Takeover costs described below shall be included on the Takeover Bid Sheet, Attachment 12-1 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, Attachment I, Takeover.

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 stated below have been met and after six months of successful Operations of CD-MMIS by the Contractor, as specified in Exhibit A, Attachment I, Takeover.

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, Attachment I, Takeover, has been met. The Takeover price shall be adjusted for any disallowed costs in accordance with Takeover, Exhibit A, Attachment I prior to the submission of any Takeover invoices. The revised Takeover price will then be adjusted in accordance with the invoicing requirements of this section.

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

Operations constitute all contractual responsibilities required for the Contractor to administer and operate the CD-MMIS.

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Payment for Operations will be on a fixed price basis for all Operations functions that include the combined document count of Claims and TARs. Incoming Claims and TARs are paid on a per document basis and are referenced as a Base Volume Method of Payment (BVMP) category.

- A. BVMP Rate Category: Combined Claim and TAR Documents
- B. Contract Phases

Contract Operations shall be divided into nine Contract Phases covering the nine possible years of Operations under this Contract.

- 1) Contract Years – there are four Contract Years, also known as Phases, called Contract Year 1, 2, 3 and 4. Contract Year 1 commences at the Assumption of Operations (AOO) by the Contractor, as defined in Exhibit A, Attachment I, Takeover. Contract Year 2 commences immediately when Contract Year 1 ends. All Contract Years consist of consecutive twelve (12)-month periods except for Contract Year 1. In the event the contract start 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 named 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 4 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

Attachment 12-3 Price Bid Sheet provides the volumes for Combined Claim and TAR Documents for each payment period, including Contract Years and Contract Extension Years. This Attachment provides:

Two sets of BVMP Volume Ranges:

- 1) A Upper Volume Range for each Contract Year payment
- 2) A Lower Volume Range for each Contract Year payment

Each Volume Range consists of:

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

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D. BVMP Payment Calculation

Determination of which Volume Range (Upper or Lower) that should be utilized will be based on year-to-date volumes for the Combined Claim and TAR Document count of the BVMP. All payment calculations follow the same process regardless of which Volume Range is being utilized.

- 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 category, 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 range volume for each Contract Year. When the Contractor processes volume levels within the base volume range, 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 in which 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 Attachment 12-3 to 12-6 Price Bid Sheets.

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 Attachment 12-3 to 12-6 Price Bid Sheets.

- 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 twelve (12)-month Contract Year/Phase, 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/Phase 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.

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

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 bid 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 bid 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. This adjustment shall be applied to both the Upper and Lower Volume Ranges.

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 Period 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 Period.

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 switching between the Upper and Lower Volume Ranges (if necessary) and 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.

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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 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 Plus Level of the Upper Volume Range listed in Attachment 12-3 Price Bid Sheet, 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 of the Upper Volume Range. 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 Level of the Lower 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 Level of the Lower Volume Range, further reduction to the Volume Range Contract price beyond the cost in the Minus Level 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 of the Lower Volume Range. 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 develop a payment report for the BVMP 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 the BVMP (see Operations Monthly Reconciliation Payment Calculations above).

The format and content of the Monthly BVMP Reconciliation Payment Report shall be determined by the Department.

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

2) BVMP Annual Reconciliation Payment Report

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The Contractor shall develop a payment report for the BVMP that requires annual reconciliation to track all payments and levels bid. Each monthly payment is one-twelfth (1/12th) of the 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 Report shall be determined by the Department.

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

G. Operations Payment Categories

The monthly Operations invoices will be equal to the sum of the total amount due for the Combined Claim and TAR Document Count 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.

1) General CD-MMIS Operations	Twenty-Five Percent	(25%)
2) Cycle Time	Thirty Percent	(30%)
3) CD-MMIS Reports and Documentation	Twenty Percent	(20%)
4) Quality Management/Problem Corrections System	<u>Twenty-Five Percent</u>	<u>(25%)</u>
	One Hundred Percent	(100%)

H. Conditions Precedent-to-Payment

The Contractor's Operations payments will be made for each of the four separate categories stated above. Compensation will be made in arrears for each category, 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, and if deliverables have been submitted (although not timely) for any previous month for which payment was not received. Failure to receive payment does not excuse the Contractor from submittal of the required deliverable. 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.

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

a) GENERAL CD-MMIS OPERATIONS – Twenty-Five Percent (25%)

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- i. Consolidated Claim and TAR Document Report (CP-O-503B) (see Exhibit A, Attachment II, Operations, Exhibit A, Attachment I, Takeover and Exhibit A, Attachment II, General Reporting Requirements).
 - ii. Timely Financial Reports (described in Exhibit E, Additional Provisions).
 - iii. Timely implementation of changes/updates directed by the Department (i.e. Dental Operating Instruction Letters (DOILs), Systems Development Notices (SDNs), Contract Waiver Requests (CWRs), State and federal Policy/Regulations, etc.) (described in Exhibit A, Attachment II, Administrative Support of Contract Changes).
- b) **CYCLE TIME – Thirty Percent (30%)**

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

- c) **CD-MMIS REPORTS AND DOCUMENTATION – Twenty Percent (20%)**

Payment shall be made for this category when the Contractor meets the requirements listed in Exhibit A, Attachment II, General Reporting Requirements along with the timely delivery and acceptance of the following reports and documentation:

- i. All General Systems Designs (GSD) required or functional equivalent reports (see the various CD-MMIS users' manuals for report descriptions)
- ii. Cycle Time Reports
- iii. Claim Edit/Audit and Data Control Center (DCC) Reports
- iv. Paid Claims Tape
- v. Adhoc Reports
- vi. Non-Mainframe Reports
- vii. Error Parameter Table Listing
- viii. All reports required throughout the term of the Contract, as listed in the CD-MMIS Report Distribution list and the CD-MMIS Design Specifications. The Contracting Officer may make exception to these reports.

- d) **QUALITY MANAGEMENT REPORT PRODUCTION/PROBLEM CORRECTION SYSTEM – Twenty-Five Percent (25%)**

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, Attachment II, Quality Management (QM) Operations, Exhibit A, Attachment II, Administrative Support of Contract Changes, and Exhibit A, Attachment III, Change 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

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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.

I. 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, 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 report (see Consolidated Claim and TAR Document Billing Report 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) Combined Claim and TAR Document Count

Operations payments shall be divided into distinct phases for the Combined Claim and TAR Document Count based on the date the Claim and/or TAR document is received.

- a) Combined Claim and TAR Document Count – Phase One commences upon the assumption by the Contractor of Claim document processing and will end the same day as the Contract Year/Phase One.
- b) TAR document count processing shall commence for the Contractor at the timeframe specified in Exhibit A, Attachment I, Takeover, Section 12 and shall be included as part of Phase One.

Note: TAR document count processing commences three months prior to Claim document processing as specified in Exhibit A, Attachment I, Takeover, Section 12. As a result, the Claim and TAR Document Count BVMP levels, for the months prior to and after the start of Claim document processing, shall be below the minus level of the Minimum Volume Range. This occurrence is to be expected and shall not be subject to renegotiation of BVMP volumes through the Contract Change Order Process as specified in Section number 3, E, of this exhibit.

The last three phases will consist of the next three twelve (12)-month periods, respectively.

The Contractor shall invoice the Department separately for the four Operations areas and submit reports as defined throughout Exhibit A with each invoice. All invoices shall be submitted after completion of the required work. Invoices for the following Operations areas shall be submitted to the Department as indicated below:

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- i. CD-MMIS Reports and Documentation: Invoices shall be submitted on, or before, the seventeenth (17th) State work day of the month.
- ii. Cycle time: Invoices shall be submitted on, or before, the seventeenth (17th) State work day of the month.

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 State work day of the month.

J. Operations Consolidated Claim and TAR Document Billing Report

The Contractor shall produce a consolidated billing report for the Claim and TAR Document Count to submit with the monthly General CD-MMIS Operations Invoice. The basis of this report shall be the current CP-O-503B report, which shall be revised during Takeover to meet the requirements of this Contract. Documentation for these revisions shall be subject to review and approval by the Department. A Claim/TAR document shall be considered payable for a given month if it has been processed through a weekly cycle during that month. Claim/TAR documents that have been processed during the month after the last weekly audit cycle will be counted as a Claim/TAR document for the next month. The report will calculate the monthly total amount billed for Operations and must be scalable to accommodate various ranges. The report shall be produced and shall include statistics for Combined Claim and TAR volume levels for each week, the month as a whole and for the payment phase.

During Takeover, the Contractor shall revise the existing billing report to meet Contract requirements. Documentation for these revisions shall be subject to review and approval by the Department. The report shall be ready for Department acceptance testing when such testing commences (see Exhibit A, Attachment I, Takeover).

This report shall be cumulative for the Contract payment phase. The report shall show statistics by document type and total documents.

K. Operations Billing and Payment Reports to Support Administrative Services Organization (ASO) Contractor Invoicing

The FI Contractor is responsible to ensure these reports are completed during Takeover. These reports will allow the ASO Contractor to invoice for contractually required services.

1) BVMP Payment Reports

a. Monthly Reconciliation Payment Reports

The Contractor shall develop 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

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tracked in addition to the volume of BVMPs (see CD-MMIS ASO Contract, Exhibit B, Attachment I, Section 3, d.5, Operations Monthly Reconciliation Payment Calculations).

The format and content of the Monthly BVMP Reconciliation Payment Report shall be determined by the Department.

b. BVMP Annual Reconciliation Payment Report

The Contractor shall develop payment reports for the BVMP category that requires annual reconciliation to track all payments and levels bid. Each monthly payment is one-twelfth (1/12th) of the annual base volume payment and the monthly report shall track the cumulative transactions (see CD-MMIS ASO Contract, Exhibit B, Attachment I, Section 3, d.6, Operations Annual Reconciliation Payment Calculations).

The format and content of the Annual BVMP Reconciliation Payment Report shall be determined by the Department.

2) Adjudicated Claim Service Line (ACSL) Billing Report

The Contractor shall produce a billing report to submit with the monthly General CD-MMIS Operations Invoice. The basis of this report shall be the current CP-O-495 report, which shall be revised during Takeover to meet the requirements of this contract. Documentation for these revisions shall be subject to review and approval by the Department. An ACSL shall 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 revise the existing billing report to meet contract requirements. Documentation for these revisions shall be subject to review and approval by the Department. The report shall be ready for Department acceptance testing when such testing commences.

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 Notices of Authorization (NOAs) categorized by hardcopy and Medi-Cal computer media lines;
- c) Retroactive rate adjustment lines;

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- 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. The Contractor's design documentation, submitted during Takeover, shall document how the report is produced and how it balances to all other reports.

Additional reporting may be required; therefore, the Contractor shall, within ten (10) State work days of a request by the Department, make available a data file listing of ACSLs billed. The data file shall include all data elements on an Explanation of Benefits (EOB) payment line for each checkwrite. This file shall be used by the Department for audit purposes. As the Department will use the paid claims files for audit purposes, it will be necessary that both files and report reconcile.

3) TAR Billing Report

The Contractor shall produce a billing report for TARs to submit with the monthly Operations invoice and with the invoice for TARs processed during Takeover. The basis of this report shall be the current CP-O-496 report which shall be revised to meet the requirements of this Contract. Documentation for these revisions shall be subject to review and approval by the Department. 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 shall be scalable to accommodate various ranges. The report 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 develop the report to meet contractual requirements. Documentation for these reports shall be subject to the review and approval of the Department. The report shall be ready for Department acceptance testing when such testing commences (see Exhibit A, 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

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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; and
- e) TAR denials due to 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 all other CD-MMIS reports without the need to manually add additional data. Additionally, the Contractor shall prepare for the Department a file supporting all TAR billings for the month. The Contractor's design documentation, submitted in compliance with Takeover Requirements in Exhibit A, Attachment I, Takeover shall document how the report is produced and how it balances to all other reports.

4) Consolidated ACSL and TAR Billing Report

The Contractor shall produce a consolidated billing report for ACSLs and TARs 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, these reports shall be revised to meet the Contract requirements. Documentation for these revisions shall be subject to review and approval by the Department.

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, Attachment I, Takeover).

5) Telephone Service Center (TSC) Billing Report

The Contractor shall produce during Takeover a billing report for TSC telephone minutes to submit with the invoice for TSC Telephone Minutes. Refer to current MR-O-495-497 billing reports which shall be revised to meet the requirements of this Contract. Documentation for these reports shall be subject to the review and approval of the Department. The report shall calculate the monthly total amount billed for Operations TSC Telephone Minutes. The report must be scalable to accommodate various ranges.

Supporting documentation must accompany the billing reports. The documentation shall be generated and shall 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:

- a) Interactive Voice Response (IVR) minutes and calls;

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- 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 revise the 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, Attachment I, Takeover).

4. Hourly Reimbursed Systems Group

The Contractor shall utilize, and make available to the State, an automated Commercial Off-The-Shelf (COTS) system that records the amount of time each employee works on each Systems Group assigned activity. Refer to Exhibit A, Attachment III Change Requirements. This data shall be automatically collected into the automated system for all hourly reimbursed positions and shall record all employees' hours, (billable and non-billable hours, as well as each employee's regular hours, leave of absence hours and paid overtime hours), in accordance with Exhibit E, Additional Provision, Contractor Resource Levels. This automated system shall have the capability to generate reports and provide DHCS with electronic access to view in a screen format all positions and employees. This shall include, for each employee, the billable and non-billable hours by activity as well as the employee's regular hours worked, leave of absence hours and overtime hours displayed by project billing code (SDN, Problem Statement (PS), etc.).

If the Contractor chooses to pay overtime, they will only be reimbursed the hourly rate as bid in the Attachment 12-7 and 12-8 Price Bid Sheets. Examples of when the Contractor may choose to use overtime are to cover staff vacancies or ensure that performance standards are met. It is the Contractor's responsibility to manage resources in relation to the amount of work estimated by the Contractor.

It is critical that the Contractor comply with the activities performed by Systems Group (SG) as described in Exhibit A, Attachment III, Change Requirements.

In the event the Contractor fails to meet requirements or provide deliverables, payment will not be made by the Department until such time as all overdue deliverables are reviewed and approved, in writing, by the Department. 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.

A. Blended Hourly Rate

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Activities performed by the hourly reimbursed SG shall be compensated based upon an all-inclusive primary blended hourly rate that includes all direct and indirect costs required to support an SG representative of a billable hour. Each rate shall be a single blended billable rate to be utilized across all direct development resources performing work on approved billable tasks, identified in Exhibit A, Attachment II, Operations and Exhibit A, Attachment III, Change Requirements.

The Contractor shall be paid this blended hourly rate for SG per month for each hour of production that is directly billable to a DHCS-approved activity as indicated in Exhibit A, Attachment II, Operations and Exhibit A, Attachment III, Change Requirements. SG vacancies or time off which occur will not be reimbursed. The Contractor shall be responsible for reconciling the hours, billable and non-billable, to the payroll records. This reconciliation shall be included with the monthly invoice. Hours billed on the invoice that are not appropriately justified by the supporting documentation submitted with the invoice will be denied. DHCS will approve, modify or deny each SG invoice based on the terms of this Contract.

Under no circumstances will the Contractor be paid for vacant positions, any leaves of absence, including sick leave, vacation and administrative non-production hours such as training and staff meetings, or for work performed on activities not specifically authorized in the Contract, except as authorized by the Department.

During any Period of Extended Operations SG shall be continued at the same rate as in the immediately preceding twelve (12)-month Phase. Payment for the Period of Extended Operations shall be reimbursed at the bid rate for the preceding Phase, except that the preceding Phase rates shall be adjusted by any changes in the last year of the CCPI immediately preceding commencement of the Extended Operations Period.

B. Payment Phases and Estimated Production Hours

The Attachment 12-7 and 12-8 – Price Bid Sheet provides SG hours for each Contract Year and Contract Extension Year defined in the Exhibit. Billable hours shall be invoiced at the primary blended rate at the start of each new Contract Year/Phase in anticipation of remaining within the established annual hour range during the Contract Phase. The Contractor will be paid the primary blended rate for each billable hour that falls within the annual range. The Department may raise or lower the annual range of hours based on budgetary requirements, inventory or priority needs. The primary blended rate shall apply to all hours billed within the base annual range. Hours outside of the annual hour range may be subject to a new blended rate negotiated through the Change Order process, as specified in Exhibit E, Additional Provision, Change Orders.

C. Monthly Invoicing

The Contractor shall submit two monthly invoices for the Systems Group. One invoice shall be for twenty-five percent (25%) SG payment for actual utilization of available billable production hours and shall be paid upon Department verification of the hours. This invoice shall show all SG personnel by classification and their available production hours for that month. The second invoice shall be for seventy-five percent (75%) SG payment for

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completion, submission and written Department approval of the scheduled deliverables. If vacancies occur, they shall be identified in the invoice, but not billed.

The Contractor shall also report on the invoices, by individual, the number of SG staff and their available hours worked for that month. These hours are not separately payable. This information shall be used to ensure the required number of supervisors and change support staff were available during the month.

The seventy-five percent (75%) invoice for completion, submission and approval of the scheduled deliverables shall be presented for payment to the Department when all work on the deliverables scheduled for that billing period have been completed and submitted to the Department within the time frames specified in Exhibit A, Attachment III, Change Requirements. If the Department requires that deliverables be rescheduled, then the Contractor shall not be liable for deliverable due dates made under the previous schedule. All due dates shall be adjusted accordingly to reflect the Department's rescheduling of any deliverables. Before payment is made, the Department shall have reviewed and approved, in writing, the SDN deliverables.

The Contractor shall identify SG hours and dollars in cases where system modifications have various funding sources or enhanced funding. The Contractor shall seek Department approval of the calculation and documentation prior to submission of the SG invoices.

5. Cost Reimbursements

Operations constitute all contractual responsibilities required for the Contractor to administer and operate the CD-MMIS 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 of only 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.

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2) Parcel Services and Common Carriers

The Department shall reimburse only the actual charges paid for parcel services and common carriers for the delivery of 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 forms and related envelopes for mailing such forms, documents and other Department program printing requests, as directed by the Department, are reimbursable.

4) Data Center Access

The Contractor shall establish an agreement with the Office of Technology Services (OTECH) for computer access to records contained in the Fiscal Intermediary Access of Medi-Cal Eligibility (FAME) and utilize its telecommunications network. The Department shall reimburse only the actual charges incurred by the Contractor for access to these records, as billed by OTECH. No other direct or indirect costs will be reimbursed.

5) Special Training Sessions

At the direction of the Contracting Officer, the Contractor shall be required to conduct special training sessions, as discussed in Exhibit A, Attachment II, Staff Training Requirements. The Department shall 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) Facilities Improvement and Modifications

The Contractor is required to provide adequate facilities to State and 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 and/or partitions, and to 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.

7) 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 providing connectivity to the ASO; data lines; and the purchase, lease, software, 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.

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8) Cost Reimbursed Audits (as applicable) and Research

Any required annual audits shall 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.

9) 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 system changes. The Contractor shall be reimbursed according to the Cost Reimbursement provisions of the Contract.

10) 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 shall cover the Contractor's Security policies and procedures. The second risk assessment shall cover the Contractor's Privacy Policies and Procedures.

11) 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 that were not anticipated at the time the RFP was released and for costs that are necessary to allow the Contractor to carry out its contractual requirements as outlined in Exhibit A, Scope of Work. This category is **not** intended for costs associated with items that are otherwise covered by precedent-to-payment invoices and/or the Combined Claim and TAR Document Count. 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.

12) Cost Reimbursement Invoice

Each Cost Reimbursement category shall be invoiced separately as a subset of a single Cost Reimbursement invoice on a monthly basis. Sales tax, if applicable, shall be included in the appropriate category and not invoiced separately.

B. Cost Reimbursement Plan

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

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- 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 shall specify the allocation methodology used to distribute indirect costs to the printing function.
- 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 number of and classifications for 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 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 written 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 supply expenses, postage expenses, labor expenses and computer peripheral (e.g., monitor, printer, controller, modem) counts broken out by leased versus purchased.
- 10) Include a description of the method the Contractor shall use to maintain control of the location and transfer of Cost Reimbursement equipment, both at the Contractor's and the Department's sites.

6. 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 shall allow the Contractor to forward the

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

Under no circumstances shall 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 shall the Department pay Cost Reimbursement for overhead for Department space. The Department space included in the Takeover and Operations fixed price bids shall 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's claims processing facilities shall not be allocated to the print shop or the Record Retention Center.

7. Turnover

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

A. Turnover Invoicing

Fifty-five percent (55%) of the Turnover bid price shall be paid in nine equal installments, with nine percent 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, Attachment IV, 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, Attachment IV, Turnover and Runout Requirements have been met.

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 shall be withheld until the deliverable is approved.

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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 the 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.

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.

8. 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 Scope of Work Exhibit A, Attachments II, III, IV, V 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 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 in Exhibit A, Attachment V, Turnover and Runout Requirements, Runout Requirements section, including but not limited to file and record transfers.
- 2) The final seventh 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 month of Contract Closeout. Cost Reimbursement and Hourly Reimbursement payments will continue through Runout Processing.

The remaining forty-five percent (45%) and withholds will be due, payable and made when all requirements as specified in Exhibit A, Attachment v, 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.

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

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.

9. 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 which are to be supplied to the Department, the Contractor shall submit each invoice and its supporting documentation in electronic media format to the individual designated by the Contracting Officer. During Takeover, the Contractor shall work with the Department and the ASO 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.

10. Administrative Change Orders

The payment method for Change Orders shall 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 shall 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

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

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