TEXAS
Health and Human Services

Cecile E. Young, Executive Commissioner

Request for Offers (RFO)
For
Claims Processing and Adjudication and Financial Services
Solicitation No. HHS0005172

Date of Release: November 19, 2021
Responses Due: January 18, 2022 by 10:30 A.M. Central Time (CT)

NIGP Class/Item Codes

948-43 Health Information Services

948-47 Health Care Center Services

953-27 Claims Processing

958-56 Health Care Management Services, Including Managed Care Services

958-70 *Outsourcing Services for Management Operation, Purchasing, etc.

961-16 Claims Processing Services

(*) Automated Information Systems (AIS)

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ARTICLE I. EXECUTIVE SUMMARY, DEFINITIONS, AND AUTHORITY

1.1 EXECUTIVE SUMMARY

The State of Texas, by and through the Texas Health and Human Services Commission (HHSC), issues this Request for Offers (RFO) to solicit an Outsourced Services for Fee-For-Service (FFS) claims processing and adjudication services and financial services vendor from qualified entities to support the Title XIX Texas Medical Assistance Program (Medicaid) and other State and federally funded programs in accordance with the Scope of Work ("SOW") and other requirements contained in this Solicitation.

HHSC is seeking a Managed Care Organization (MCO) or an Administrative Services Organization (ASO) to provide these Services.

For purposes of this Solicitation, Outsourced Services are Services performed by an entity that utilizes its proprietary or licensed software and infrastructure to provide business or data management processes to customers. Outsourced Services do NOT include software or infrastructure owned by HHSC. As a result, defined dashboards provide view capabilities to the data, but do not include "in process" views into the Contractor's system or software.

Respondents are advised that this Solicitation does not anticipate or include time or funding for a software design, development, and implementation (DDI) phase. The Contract timelines assume minimal time and effort to configure the Contractor's solution and establishing full operational readiness of the Contractor's solution.

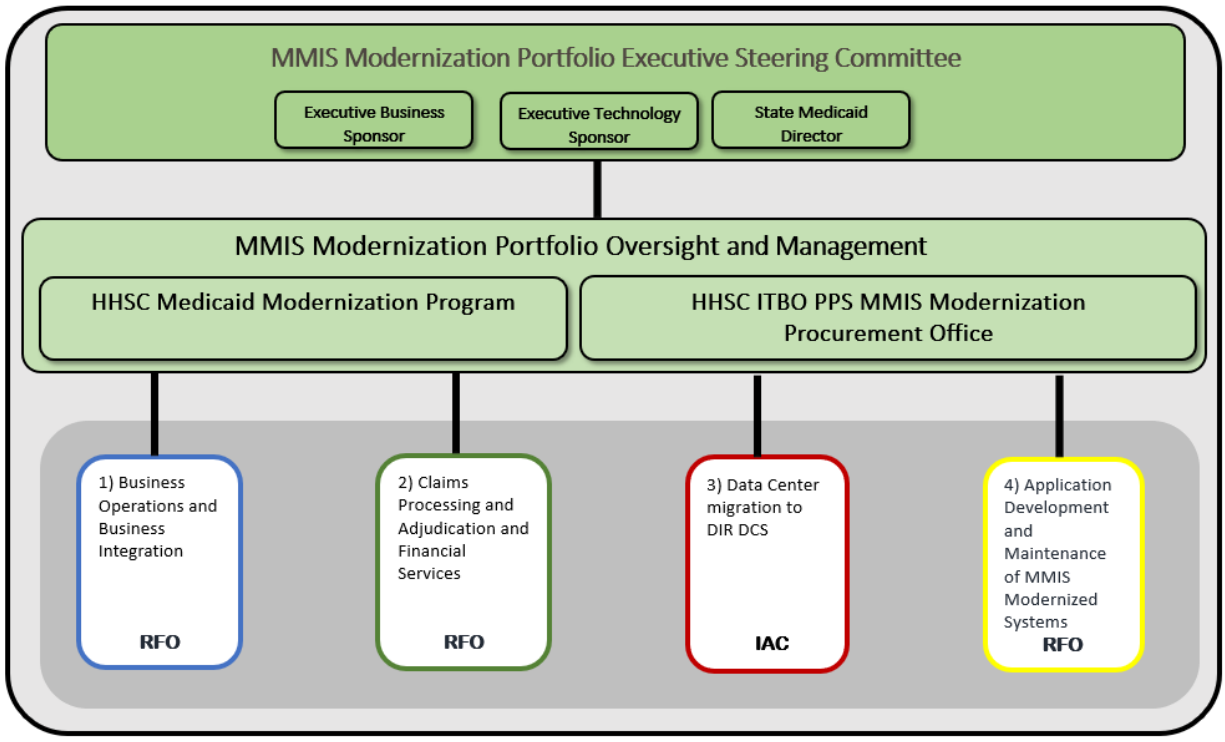
Currently, HHSC Medicaid Management Information System (MMIS) is a massive, fully integrated, highly complex monolithic ecosystem composed of applications, processes, call center, mainframe computers, and datacenter infrastructure used in support of the Texas Medicaid delivery system.

In 2015, the Centers for Medicare and Medicaid Services (CMS) directed states to modernize their MMIS. CMS promoted an approach to MMIS modernization with emphasis on multi-vendor, interoperable, modular design, and a departure from the inflexible monolithic customized systems. CMS allowed states the flexibility to define their MMIS modernization strategies to improve maturity as outlined in the CMS Medicaid Information Technology Architecture (MITA) Framework, as well as supporting timely, cost-effective projects. CMS' perspective is that a modular approach to the Medicaid Information Technology (IT) enterprise provides the most efficient and cost-effective long-term solution for meeting states' business needs. States will be able to leverage the modular approach to optimize project design for agility, interoperability, and other desirable attributes as well as associated acquisition approaches to avoid prolonged development efforts and vendor lock-in (i.e., inability to use another vendor without substantial cost due to technology services). The modular approach supports all Medicaid service delivery models, including managed care, FFS, and the use of an Administrative Services Organization (ASO).

HHSC desires to modernize specific components and functionality of the current MMIS modules/applications to achieve the Medicaid program's desired outcomes, drive business innovation, replace inefficient system-driven processes, and transition away from expensive, aging

datacenter systems and infrastructure. It is expected that the new service model will require minimal customization and will aid HHSC in its transition to national standard code sets.

At the time of this Solicitation's issuance, HHSC anticipates the Medicaid Modernization Services and Support portfolio will encompass separate procurements of three (3) Services and the use of an existing interagency agreement, as shown in the diagram below. The interagency agreement addresses the transition of modernized applications from the current vendor's managed datacenter to a State-owned datacenter managed by the Texas Department of Information Resources (DIR).



The three (3) separate solicitations that HHSC anticipates issuing are to procure the following service components:

a. Business Operations and Business Integration

The Services to be provided by the Business Operations and Business Integration service provider include the business integration effort and staff managing projects to ensure effective functioning of the Medicaid ecosystem when divided across multiple vendors.

b. Claims Processing and Adjudication and Financial Services

The Services to be provided by the Claims Processing and Adjudication and Financial Services service provider include the outsourcing of Fee-for-Service (FFS) claims processing through an Outsourced Services vendor solution.

c. Application Maintenance and Development of MMIS Modernized Systems

The Services to be provided in the Application Maintenance and Development component include the support of recently updated applications which will be residing in the State-owned data center, including Provider Management, Electronic Visit Verification aggregator, the

Transformed Medicaid Statistical Information System (T-MSIS) for federal reporting, and additional systems.

HHSC IT System Integration team will be the System Integrator across the MES.

At the time of this Solicitation's issuance, HHSC anticipates the first three listed Services will be procured through separate solicitations posted to the Electronic State Business Daily (ESBD) accessed at http://www.txsmartbuy.com/esbd. HHSC at its sole discretion may invoke an Independent Verification and Validation (IV&V) service. If invoked, IV&V Services are expected to be procured using a Deliverables-Based Information Technology Services (DBITS) Contract established by the Texas Department of Information Resources (DIR).

Respondents that intend to submit responses for more than one of the MMIS Modules may not be eligible for award for all modules (see Section 4.1.3.6, Final Award Determination).

Procurement and Contracting Services (PCS), a division of HHSC (HHSC PCS), will administer the procurement process for this Solicitation, which includes RFO publication, handling of communications from Vendors, as well as managing the receipt of responses for review and evaluation.

Information regarding HHSC and its programs is available online and can currently be accessed at https://hhs.texas.gov.

1.2 DEFINITIONS

Refer to **Exhibit B, HHS Uniform Terms and Conditions (UTC) – Vendor Version 3.2 – Vendor**; **Exhibit P, Information Technology Infrastructure Library (ITIL) Severity Levels**; **Exhibit R1, Pricing Workbook Instructions**; **Exhibit R5, Staffing Classification Sheets**; and **Section 7.2.4.1.2.3, Determination of the Variable Texas Medicaid Services (Acute care, excludes LTC) Services Fees** for additional definitions.

As used in this Solicitation, unless a different definition is specified or the context clearly indicates otherwise, the following terms and conditions have the meanings assigned below:

"8-Quarter Rule" refers to the CMS timely filing limitation which allows federal funds to pay for expenses within two (2) years (eight (8) calendar quarters) of the original expense.

"Addendum" means a written clarification or revision to this Solicitation issued by HHSC and posted to ESBD.

"Advancement Criteria" means the published criteria for a Respondent to advance to the next phase of evaluation, if multiple evaluation methods are utilized.

"Affordable Care Act" or "ACA" or "PPACA" is the name for the comprehensive health care reform law and its amendments. The law addresses health insurance coverage, health care costs, and preventive care. The law was enacted in two parts: The Patient Protection and Affordable Care Act (ACA), which was signed into law on March 23, 2010 and was amended by the Health Care and Education Reconciliation Act on March 30, 2010.

"Administrative Services Organization" or "ASO" means an organization that provides outsourced solutions to meet the administrative needs of the Client.

"Award Consideration (AC) Documents" means documents Respondent must submit with the Solicitation Response to be considered for negotiations or award.

"Business Day" is any day (24-hour period) in which normal business operations are conducted (excludes State holidays and weekends).

"Calendar Day" is each day shown on the calendar beginning at 12:00 midnight, including Saturdays, Sundays, and holidays.

"Centers for Medicare & Medicaid Services" or "CMS" is the agency that is part of the U.S. Department of Health and Human Services, which oversees many federal healthcare programs, including Medicaid and those that involve health information technology.

"Clean Claim" means a claim that can be processed without obtaining additional information from the provider of the service or from a third party. It includes a claim with errors originating in the HHSC claims system. It does not include a claim from a provider who is under investigation for fraud or abuse, or a claim under review for medical necessity.

"Client" is a person eligible to receive benefits through any HHSC benefit program identified within this Solicitation.

"CMS Conditions and Standards" means the conditions and standards required by CMS that must be met by state Medicaid Information Technology systems to qualify for enhanced federal funding for Medicaid eligibility, enrollment, and delivery systems. Originally a set of seven conditions and standards as documented in the CMS Enhanced Funding Requirements: Seven Conditions and Standards; Medicaid IT Supplement (MITS-11-01-v1.0) dated April 2011, the list was expanded to twelve conditions and standards based on the CMS State Medicaid Directors' letter, number SMD #16-009, titled "Re: Mechanized Claims Processing and Information Retrieval Systems - APD Requirements", dated June 27, 2016.

"Code of Federal Regulations" or "CFR" means the codified general and permanent rules and regulations published in the Federal Register by the executive departments and agencies of the federal government of the United States.

"Competitive Range" has the same meaning as the definition under Title 1 of the Texas Administrative Code Part 15, Chapter 391, Subchapter A, Rule §391.107(3).

"Complete Recovery" is defined as being back in full operational production mode following a Disaster, with respect to all aspects of the system.

"Confidential Information" has the meaning assigned in **Exhibit H, Data Use Agreement (DUA)**

"Contract" has the same meaning as the definition in **Exhibit B, HHS Uniform Terms and Conditions (UTC) – Vendor Version 3.2**.

"Contract Term" is the period of time beginning with the Effective Date of the Contract and ending when the Contract expires in accordance with its terms, or when it has been terminated.

"Contractor" has the same meaning as the definition in **Exhibit B, HHS Uniform Terms and Conditions (UTC) – Vendor Version 3.2**.

"Demonstration" refers to a secondary evaluation method following the evaluation of the written responses and is utilized for the purpose of distinguishing between Respondents by scoring them

on a Demonstration of use cases typically aimed at verifying the functionality of a Respondent's software. This method is detailed in **4.1.3.4, Advancement Criteria**.

"Disaster" means an occurrence of any kind that adversely affects, in whole or in part, the error-free and continuous operation of the system, and/or affects the performance, functionality, efficiency, accessibility, reliability, or security of the system. Disasters may include natural disasters, human error, crime, intentional torts, hackers, terrorism, computer virus, malfunctioning hardware, electrical supply, and/or other similar events.

"ESBD" means the Electronic State Business Daily, the electronic marketplace where the State of Texas bid opportunities over $25,000 are posted. The ESBD may currently be accessed at http://www.txsmartbuy.com/esbd .

"Effective Date" has the same meaning as the definition in **Exhibit B - HHS Uniform Terms and Conditions (UTC) – Vendor Version 3.2.**

"Electronic Protected Health Information" or "ePHI" means any Protected Health Information (PHI) that is created, stored, transmitted, or received in any electronic format or media.

"Electronic Visit Verification (EVV)" is a systematic method to capture and verify data with respect to personal care services or home healthcare services, including type of service performed; individual receiving the service; date of service; location of service delivery; individual providing the service; and time the service begins and ends.

"EVV Aggregator" is a centralized system that collects, validates, and stores statewide EVV visit data transmitted by the EVV system(s) and performs a match of EVV visit transaction data to claims submitted by providers. EVV systems submit EVV visit transactions in a defined custom file format. The EVV Aggregator performs edits and validations on the files, sends responses to the EVV systems and stores EVV visit transaction data where it is used in reporting and available for view through the EVV Portal.

"EVV Program Provider" is an entity contracted with the HHSC FFS program or a MCO that delivers Services subject to HHSC EVV requirements. EVV Program Providers include, but are not limited to:

a. Provider Agencies;
b. Financial Management Services Agencies (FMSA);
c. Consumer Directed Services (CDS) Employers;
d. Long-Term Support Services (LTSS) Providers;
e. Local Intellectual and Developmental Disability Authorities (LIDDAs); and
f. Local Mental Health Authorities (LMHA).

"EVV Proprietary System Operator" is an EVV Program Provider that elects to use an EVV proprietary system to meet HHSC EVV business rules and completes the EVV proprietary system request form to initiate the proprietary system onboarding process.

"EVV Vendor" is an entity contracted with HHSC that provides an EVV Vendor system in accordance with HHSC approved business and technical requirements.

"Evaluator" means a HHSC staff person whose job is to evaluate the quality, or value of the Solicitation Responses.

"Fee-For-Service" or "FFS" means a delivery system where healthcare providers are paid for each service provided to a patient.

"Final Score" is the score from the written solicitation evaluation in **Section 4.1.3.2, Written Solicitation Response Evaluation**.

"Fiscal Agent" refers to Contractors that process or pay provider claims on behalf of State Medicaid agencies.

"Frew Lawsuit" – Frew, et al. v. Young, et al. (commonly referred to as Frew) was filed in 1993 and was brought on behalf of children under age 21 enrolled in Medicaid and eligible for Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefits. The class action lawsuit alleged that the Texas EPSDT program did not meet the requirements of the Federal Medicaid act. In Texas, EPSDT is called Texas Health Steps. The lawsuit was settled by a consent decree in 1996. The decree requires numerous state obligations and is monitored by the court. In 2007, the parties agreed to eleven corrective action orders to bring the State into compliance with the consent decree and to increase access to EPSDT benefits.

"Health and Human Services Commission" or "HHSC" has the same meaning as the definition in **Exhibit B, HHS Uniform Terms and Conditions (UTC) – Vendor Version 3.2**.

"HIPAA" or "Health Insurance Portability and Accountability Act" means the federal statute that protects health insurance coverage for workers and their families when they change or lose their jobs (via Title I) and requires the establishment of national standards for electronic healthcare transactions and national identifiers for providers, health insurance plans, and employers (via Title II, the Administrative Simplification provision).

"HITECH" means the Health Information Technology for Economic and Clinical Health Act of 2009. HITECH is legislation that was created to stimulate the adoption and meaningful use of electronic health records (EHR) and health information technology.

"HUB" means Historically Underutilized Business, as defined by Chapter 2161 of the Texas Government Code.

"HUB Subcontracting Plan" or "HSP" means written documentation regarding the use of Subcontractors, which is required to be submitted with all responses to state agency contracts with an expected value of $100,000 or more where the state agency has determined subcontracting opportunities are probable. The HSP subsequently becomes a provision of the awarded Contract and shall be monitored for compliance by the state agency during the term of the Contract.

"Incident" means an unplanned interruption or failure of a service, or reduction in the quality of a service, as well as, the failure of a configuration item that has not yet affected service; but has the potential to cause a service interruption.

"Instance" means a technology solution that shares the same set of attributes, but each Instance may differ in terms of what is contained in those attributes.

"Key Performance Measures" or "KPM" means measurable value that demonstrates how effectively the Contractor is achieving key business objectives.

"Key Performance Milestones" are the specific activities that the Contractor must complete by the associated due date during the Transition phase. Transition costs are paid based on the successful and timely completion of each Key Performance Milestone.

"Managed Care Organization" or "MCO" means an entity that contracts with the State to provide health benefits and additional Services and accepts a set capitation payment per member, per month, for such Services.

"Medicaid Enterprise Systems" or "MES"- means the State's systems which enable efficient operations of Medicaid and non-Medicaid programs by supporting beneficiary eligibility, enrollment, care management, and other beneficiary-facing tools. These systems also serve provider enrollment and payment, benefits managements, data analytics and reporting, fraud and abuse detection, and provider electronic health record incentive payments.

"Medicaid Information Technology Architecture" or "MITA" is a national framework to support improved systems development and health care management for the Medicaid enterprise. MITA has a number of goals, including development of seamless and integrated systems that communicate effectively through interoperability and common standards and processes (see the Quick Reference Links document in the Procurement Library for a link to the current MITA Self-Assessment).

"Operational Start Date" means the date "Operations" start.

"Operations" means the Contract activities that begin immediately after transition activities are completed and approved by HHSC and continue throughout any Contract extensions and Turnover activities.

"Personal Identifiable Information" or "PII" means any representation of information that permits the identity of an individual to whom the information applies to be reasonably inferred by either direct or indirect means.

"Procurement Library" means the repository of additional information that is made available to Respondents subject to the terms and conditions of this Solicitation. Unless explicitly incorporated by reference in this Solicitation, documents in the Procurement Library do not become part of the Contract.

"Program" means collectively HHSC healthcare programs, that will be utilizing the Services provided by any resulting Contract of this Solicitation to fulfill their programmatic objectives.

"Protected Health Information" or "PHI" means all "individually identifiable health information" held or transmitted by a covered entity or its business associate, in any form or media, whether electronic, paper, or oral. See also, ePHI definition above.

"Provider" is a health care facility, physician, or organization that agrees to provide Services or medical equipment and medical supplies for HHSC programs identified within this Solicitation.

"Respondent" means the entity responding to this Solicitation.

"Services" has the same meaning as the definition in **Exhibit B, HHS Uniform Terms and Conditions (UTC) – Vendor Version 3.2**.

"Solicitation" means this RFO including all exhibits, attachments, forms, and Addenda, if any.

"Solicitation Consideration (SC) Documents" means documents that must be submitted by Respondent with the Solicitation Response in order to be considered for evaluation and cannot be resubmitted or have errors remedied after the submission due date and time in the Schedule of Events has passed.

"Solicitation Response" has the same meaning as the definition in **Exhibit B, HHS Uniform Terms and Conditions (UTC) – Vendor Version 3.2**.

"State" means the State of Texas and its instrumentalities, including HHSC, the System Agency, and any other state agency, its officers, employees, or authorized agents.

"System Agency" has the same meaning as the definition in **Exhibit B, HHS Uniform Terms and Conditions (UTC) – Vendor Version 3.2**.

"System Integrator" means the primary point of contact for all MES service providers and the business stakeholder's information technology (IT) questions or concerns regarding product backlogs, releases, IT teams coordination, deliverables management, ad-hoc data queries, hours usage, and IT-related contracts. The HHSC IT System Integration team will represent the technical interests of HHSC as the System Integrator, ensuring that proposed system changes align with technology guidelines, and that any additional HHSC IT teams are engaged, as necessary.

"THSteps" is the Texas Early Periodic Screening Diagnosis and Treatment (EPSDT) program (see the Quick Reference Links document in the Procurement Library for links to program information).

"Total Score" means the Final Score plus any additional points for Demonstrations, as outlined by this Solicitation.

"Trading Partner" is a person or entity that sends, receives, and exchanges information in an ongoing business relationship.

"VPTS" means Vendor Performance Tracking System, as defined under Section 2262.055 of the Texas Government Code and Title 34 of the Texas Administrative Code Part 1, Chapter 20, Subchapter B, Division 2, Rule §20.115 and Subchapter F, Division 2, Rule §20.509.

1.3 AUTHORITY

HHSC is soliciting the Services listed herein under Texas Government Code Sections 2157.003, 2157.006(a)(2), and 2157.068(e-2) and Title 34, Part 1, Chapter 20, Subchapter H, Rule §20.391 of the Texas Administrative Code.

ARTICLE II. SCOPE OF WORK

2.1 DESCRIPTION OF SCOPE OF WORK

The SOW includes the Services, requirements, Deliverables, and KPMs (with associated liquidated damages) to be performed by the Outsourced Services FFS claims processing and adjudication services and financial services Contractor during the Contract Term.

For additional specifications and clarification and information on the SOW, refer to the Addenda, Exhibits, and other documents expressly designated by HHSC as part of this Solicitation.

For purposes of the pricing workbook based on the funding streams **Exhibits R1 – R5** HHSC primary Programs (see the Quick Reference Links document in the Procurement Library for links to Program information) related to the SOW are as follows:

a. Texas Medicaid (acute care, long term care, vendor drug (clinician administered),
b. Medical Transportation Program (MTP),

c. Long-Term Care (LTC) programs (institutional, community-base, and non-entitlement services),
d. Family Planning program (FPP),
e. Healthy Texas Women (HTW) program,
f. Children with Special Health Care Needs (CSHCN) Services program, and
g. Texas Health Steps (THSteps).

Additional Programs covered by this SOW include the following:

a. Kidney Health Care (KHC),
b. Breast and Cervical Cancer Services (BCCS),
c. County Indigent Health Care program (CIHCP),
d. Long-Term Support Services (LTSS), and
e. Early Childhood Intervention (ECI) program.

2.1.1 Contract Phases

The Contractor shall provide Services, as described in this SOW, within three (3) phases: (1) Transition, (2) Operations, and (3) Turnover, as explained in more detail in the following subsections.

2.1.1.1 Transition

Transition refers to the activities performed by the Contractor after the Contract Effective Date to prepare systems and resources for Operations. Transition activities include the merging and transferring of data. Transition requires intense focus on knowledge transfer (i.e., sharing or dissemination of knowledge) of all claims and financial functions identified within this SOW, to ensure that all HHSC-designated personnel acquire sufficient understanding of the Services under the new claims processing and adjudication and financial services solution's functionality to achieve a successful and seamless transition (see Operational Readiness Review Plan requirements in **Sections 2.1.3.1, Project Management Requirements**; **2.1.3.4, Deliverables Requirements**; and **2.1.3.6, Transition Requirements**).

Transition includes everything from logistical arrangements and security protocols for Contractor's staff, to the development of conversion and transition plans with an accompanying project plan, and an ongoing strategy for Operations. Additional transition activities include but are not limited to: migrating data from the existing State systems; creating and providing all "train-the-trainer" manuals and training; and providing end user documentation.

2.1.1.2 Operations

Operations does not commence until after (1) HHSC determines that the Contractor has successfully completed all Transition activities, and (2) HHSC provides written notice to the Contractor to proceed with the commencement of Operations services. Operations services include all Contract requirements for ongoing functions to process and pay FFS claims and conduct all financial activities.

2.1.1.3 Turnover

Turnover begins twelve (12) months prior to the end of the Contract Term. Turnover includes the administrative and Operations activities performed by the Contractor to turn over Operations to either HHSC or an HHSC-designated successor service provider to ensure that stakeholders do not experience any adverse impact during the transition of Services to either HHSC or an HHSC-designated successor service provider (see **Table 44 – Turnover Requirements**).

2.1.2 Medicaid Information Technology Architecture (MITA)

The Centers for Medicare & Medicaid Services (CMS) require Medicaid Enterprise System (MES) service providers to meet all applicable CMS Conditions and Standards, and states must strive to continually improve the MMIS's MITA maturity level. As part of the Texas MMIS modernization, the State's goal is to gain measurable improvements in supporting Medicaid business processes and information and demonstrate the progress to CMS during the Contract Term.

The CMS Conditions and Standards for modularity and interoperability require acquisition of loosely coupled solutions with open, documented interfaces. MITA includes a well-documented set of open interfaces that allows for a vendor's independent integration of solutions into an overall state's MES.

2.1.3 Contractor Requirements

Contractor requirements for this Solicitation have been separated into functional groupings in the following sub-sections. Each functional grouping is followed by KPM and liquidated damages specific to that functional group.

Functional Groups include:

a. Project Management Requirements
b. Deliverables Requirements
c. Communication Requirements
d. Transition Requirements
e. Document Management Requirements
f. Clinical Review Requirements
g. Claims Processing Requirements
h. Data Management Requirements
i. Reporting Requirements
j. System Requirements
k. Disaster Recovery (DR) and Business Continuity Requirements
l. Interface Requirements
m. Testing Requirements
n. Training Requirements
o. Financial Services Requirements
p. Litigation Requirements
q. Security Requirements
r. Certification Requirements
s. Turnover Requirements

2.1.3.1 Project Management Requirements

The Contractor shall perform, manage, and control all tasks and activities according to an industry-recognized Project Management Institute (PMI®) System Development Life Cycle (SDLC) methodology.

The project management requirements listed in **Table 1, Project Management Requirements** below describe the tasks and activities that must be performed by the Contractor during the Contract Term.

Table 1 - Project Management Requirements

Project Management	
Req ID	**Detailed Requirements**
CPM-1	Identify the specific location (city, state, country), describe the type of work to be performed, and the percent of the total hours for the type of work for any work performed at a location other than the primary Project site as proposed in the Solicitation Response.
CPM-2	Provide toll-free or call-back telephone and web-based conferencing capabilities (or an alternative solution approved by HHSC) to support Contract activities.
CPM-3	Designate a primary point of contact no later than forty-five (45) Calendar Days after the Contract Effective Date, to respond to HHSC staff on any issues or questions related to each supported State and federal program. The Contractor designated contact(s) must attend meetings on HHSC defined schedules to report progress against milestones and to discuss upcoming activities and issues.
CPM-4	Work collaboratively with any HHSC designated MES service providers and IV&V service providers.
CPM-5	Utilize only project management tool(s) for the management of Operations, which are capable of capturing and generating the information required by HHSC: notes, including dates, dependencies, action items, next steps, and decisions made with corresponding due dates. The functionality included in the tool(s) must ensure standardization and traceability of work products during the Contract Term. Obtain HHSC approval for exceptions to these requirements before implementation.
CPM-6	Complete a risk assessment no later than fourteen (14) Calendar Days prior to a modification project start date for any proposed modifications to the Services within the scope of the Contract during the Contract Term.
CPM-7	In accordance with the HHSC approved Change Management Plan (see CDEL-5), submit any proposed changes to the SOW, including changes to staffing or the implementation schedule, as well as any impact to pricing, to HHSC for approval.
CPM-8	Provide a preliminary estimate of the scheduling needed to complete each proposed modification to Services, including the anticipated level of effort by HHSC staff resources, planned Deliverables, and impact on other modification or maintenance projects and priorities. Submit the results of the preliminary estimate within HHSC specified timeline or timelines as defined in the HHSC approved Change Management Plan.

Project Management	
Req ID	**Detailed Requirements**
CPM-9	Conduct a project initiation kickoff meeting with key stakeholders and the HHSC project team ten (10) Calendar Days prior to the start of any enhancement or modification project.
CPM-10	Utilize the document and deliverable review and acceptance process agreed upon by HHSC that incorporates the following: a. Review cycles, which will be conducted and scaled to the size and complexity of the Deliverables; b. Deliverables must reflect coordination with the MES service providers that will follow agreed upon change control processes; and c. Informal reviews and walkthroughs of draft and final Deliverables are encouraged.
CPM-11	Provide documents and Deliverables identified in **Table 6, Deliverables Requirements**, that at a minimum, meet the following quality standards: a. Provide accurate and comprehensive content, reflecting the specific requirements for the Deliverable; b. Ensure appropriate technical level for the audience; c. Utilize correct grammar and spelling; d. Utilize appropriate version control; e. Ensure diagrams are clear, concise, and add value; f. Follow industry-related standards; and g. Appropriately define terms and reference associated information.
CPM-12	Work within HHSC approved communications tracking and retrieval system to memorialize all Deliverables and correspondence between HHSC and Contractor staff, including type of communication, reason for communication, and outcome.
CPM-13	Conduct weekly meetings to discuss project tasks, project activities (e.g., Deliverables, critical path, milestones, KPM), issues, risks, progress of current projects, solution changes, resource changes, and other areas specific to the Contract.
CPM-14	Report progress against the HHSC approved project work schedule (PWS) for each task through written status reports and at the weekly integrated project governance meetings. Reporting must include: a. Status of any outstanding Deliverable, with percentage of completion and time ahead or behind schedule for each task; b. Identification of any staffing issues or changes; c. An updated status on all issues being monitored; d. An updated status on all risks being monitored; and e. Status regarding the progress of root cause analysis and corrective action planning (if applicable).
CPM-15	Participate in weekly integrated project governance meetings with HHSC during Transition and for all projects during the Contract Term.
CPM-16	Coordinate, schedule, facilitate, and create agendas and meeting minutes for all Contractor hosted meetings. a. Submit all meeting agendas and meeting minutes for HHSC approval prior to distribution;

Project Management	
Req ID	**Detailed Requirements**
	b. Draft agendas are required to be e-mailed to HHSC at least one (1) Business Day prior to the meeting; c. Draft meeting minutes are due on or before the fifth (5th) Business Day after the meeting; d. Retain and upload all minutes in the documentation tracking system, according to HHSC approved timelines and record retention guidelines; and e. The minutes must be in a content and format as defined by HHSC and at a minimum, include the list of attendees, decision summaries and statement of action items, when applicable. Minutes must represent an accurate summary of the meeting discussion.
CPM-17	Work with HHSC and with all MES service providers, as required by HHSC, to develop the integrated project management plan (PMP) (including the relevant plans) being developed by the Business Operations and Business Integration service provider. The PMP must meet the scheduled delivery date.
CPM-18	Work with HHSC and the Business Operations and Business Integration service provider to provide schedule information to be included in the integrated master schedule (IMS), facilitate delivery of the IMS by the delivery date in HHSC approved PWS. Elements necessary for the IMS include: a. Start and end dates of major tasks; b. Key project milestones; c. Integration points; d. Cross services provider dependencies; and e. Sufficient information to support HHSC reporting requirements within this Solicitation.
CPM-19	Submit a monthly status report no later than the twentieth (20th) of each month. The monthly status report must contain, at a minimum, the following: a. Planned tasks and activities for the following month; b. Status of any outstanding Deliverable, with percentage of completion and time ahead or behind schedule for each task; c. Identification of any staffing issues or changes; d. An updated status on all issues being monitored; e. An updated status on all risks being monitored; f. Provide metrics necessary to support HHSC financial reporting activities as defined by HHSC; g. Provide testing status and metrics; h. Status regarding the progress of root cause analysis and corrective action planning (if applicable); and i. An updated status on all KPM.

Project Management	
Req ID	**Detailed Requirements**
CPM-20	Submit a monthly labor report, as soon as possible, but no later than the twenty-fifth (25th) day of the month after the month in which the labor was incurred, to HHSC, including the total effort delivered in support of Contract Deliverables, and detail on the actual level of effort consisting of hours and hourly labor rates expended compared to budgeted level of effort by project. The reporting will include original forecast hours and hourly labor rates, as well as actual hours and hourly labor rates for the month of submission. For purposes of this requirement, hourly labor rates will be reported as hours by role, multiplied by the applicable Contractor rate for each role that is forecasted or utilized on the Contract deliverables. This report must also include the actual level of effort expended on Contract year-to-date compared to the budgeted level of effort year-to-date.
CPM-21	Update all Project documentation (e.g., user and training documentation) as necessary during the Contract Term.
CPM-22	Contribute to HHSC integration collaboration site, technical and non-technical project artifacts, for the Contractor's solution components including requirements, use cases, user stories, storyboards, supplemental specifications, test cases, test scripts, test results, and user and training documentation at HHSC direction.
CPM-23	Produce and deliver for HHSC approval the annual work plan related to Texas Medicaid calendar fee review activities no later than September 30th of each State Fiscal Year (SFY). Provide the fee review calendars for other State healthcare (non-Medicaid) programs as needed no later than thirty (30) Calendar Days after the approval of the Medicaid annual work plan.
CPM-24	Coordinate with HHSC to develop and submit an Annual Business Plan to HHSC for approval no later than September 1st of each SFY.
CPM-25	Develop and submit a six (6)-month progress report of the Annual Business Plan no later than March 31st of each (SFY).
CPM-26	Participate in ad hoc and permanent work groups when necessary or needed consisting of, but not limited to, the following: Providers, HHSC, and other stakeholders as directed by HHSC.
CPM-27	Report, within twenty-four (24) hours of discovery, any potential Contract compliance deficiencies and operational issues to HHSC that impact service delivery to Clients, Providers, and/or HHSC approved Trading Partners.
CPM-28	Submit root cause analyses, corrective action plans (CAP), and plans for resolving operational deficiencies, discrepancies, and issues no later than seven (7) Calendar Days of request, or as otherwise directed by HHSC.
CPM-29	Maintain the MMIS functions within the SOW, according to HHSC approved processes and procedures required to pass periodic reviews as may be conducted by CMS, State, federal, or independent auditors. The Contractor shall provide a mitigation plan for all areas of non-compliance. Issues found to be non-compliant shall be corrected within forty (40) Calendar Days of the date of report submission to HHSC.
CPM-30	Provide to HHSC within the HHSC approved timeframe the data used in execution of the Quality Management Plan.

Project Management	
Req ID	**Detailed Requirements**
CPM-31	Respond to all complaints and inquiries submitted by HHSC by the due date requested.
CPM-32	Provide a Contract solution that has full integration of the MITA initiative to support the HHSC Programs.
CPM-33	Contractor's staff must have extensive industry standard knowledge of the MITA framework such that the Contractor can determine MITA maturity impacts.
CPM-34	Provide a requirements management tool that has the ability to manage requirements traceability by the MITA business area, MITA business process, and CMS or HHSC-defined checklists.
CPM-35	Comply with all sections of the Americans with Disabilities Act (ADA), Web Content Accessibility Guidelines (WCAG) 2.0 (or most current version), and Section 508 of the Rehabilitation Act.
CPM-36	Provide a solution that is compliant with the Affordable Care Act (ACA) Section 1104 Administrative Simplification, and Section 1561 Health IT Enrollment Standards and Protocols, Health Insurance Portability Accountability Act of 1996 (HIPAA, Public Law 104-1919) and Administrative Simplification (Subset of Title II) requirements in effect as of the date of release for the Solicitation and with any changes that subsequently occur, unless otherwise noted.
CPM-37	Provide Services, work products, and Deliverables that are compliant with pertinent State and federal statutes, HHSC IT policies, rules, and standards for required system hardware, software and development tools and processes, and operational procedures. Contractor shall comply with all laws, regulations, requirements, and guidelines applicable to the Services provided under the Contract as these laws, regulations, requirements, and guidelines currently exist and as they are amended during the Contract Term.
CPM-38	Disclose no information in the possession of the Contractor about any individual without prior written consent from HHSC, except as provided by the Contract.
CPM-39	Participate with HHSC and HHSC approved Trading Partners in the development and implementation of CAPs and assessments as required by court order.
CPM-40	Cooperate with and assist HHSC in responding to all open records, law enforcement, federal and State audit, and review requests. The Contractor shall provide audit support (e.g., random sample generation, data extracts, hard-copy documents), and provide any requested data or information within HHSC approved timeframes.
CPM-41	Evaluate all projects under the Contract for operational, procedural, and policy changes for impacts to each Program. Report potential impacts and recommendations during the project planning process. Coordinate implementation efforts with all associated programs.
CPM-42	Coordinate Contract deliverable and milestone walkthroughs with stakeholders and Trading Partners and participate in other MMIS service provider walkthroughs as required by HHSC.

Project Management	
Req ID	**Detailed Requirements**
CPM-43	Demonstrate complete functionality as the Contract solution is configured, using a fully functioning end-to-end transaction process.
CPM-44	Provide and facilitate an HHSC on-site review of Contractor's operational site and data center as part of the Operational Readiness Review Plan. A current Federal Risk and Authorization Management Program (FedRAMP) auditor's report is acceptable as an alternative for on-site review of the data center for Cloud ISP service providers. Upon written request, the Contractor shall reimburse HHSC for travel costs (e.g., meals, transportation, lodging) associated with up to three (3) HHSC staff.
CPM-45	Maintain online access to historical versions of policies, procedures, and business rules. All versions must be available for audit and administrative purposes.
CPM-46	Maintain a cross-reference of each Contractor's solution process and procedure with the corresponding HHSC policy or requirement and make the information available to HHSC as requested.
CPM-47	Refer all known Instances of possible or suspected fraud, waste, or abuse directly to HHSC for investigation and determination. Notify HHSC in writing no later than five (5) Business Days following initial detection of suspected fraud, waste, or abuse and provide supporting documentation.
CPM-48	Develop and maintain procedures for making referrals for suspected fraud, waste, or abuse directly to HHSC. The procedures must be submitted to the HHSC for approval prior to implementation. The procedures must include: a. Educating Contractor staff at all levels, on ways to recognize possible fraud, waste, and abuse; b. Providing the ability for Contractor staff, at all levels, to freely and directly refer all Instances of possible or suspected fraud, waste, or abuse to HHSC without interference, or required approval from the Contractor's management; and c. Educating Contractor staff on how to make a direct referral to the HHSC.
CPM-49	Post notice of HHSC hotline and other HHSC mediums available to employees for reporting fraud, waste, or abuse in HHSC Programs in the Contractor's common work and break areas (e.g., conference rooms, reception area, restrooms, elevators, break rooms, hallways, etc.).
CPM-50	Identify and propose revisions to communications, trainings, and publications related to business process changes. Coordinate with and obtain approval from HHSC for proposed business process changes no less than ninety (90) Calendar Days prior to implementation.
CPM-51	Obtain HHSC approval for any non-HHSC initiated change prior to the Contractor making any change that impacts HHSC "Instance" of the Contractor's solution.
CPM-52	Participate in a post project implementation review meeting upon request by HHSC by the date specified following the implementation of each project. The Contractor shall ensure that Contractor staff that have knowledge of the applicable project participate in post project implementation review meetings for each respective project.

Project Management	
Req ID	**Detailed Requirements**
CPM-53	Coordinate with HHSC to prepare and submit a Post Project Implementation Actual Report five (5) Business Days prior to the post project implementation review meeting. The report must include the estimated hours as compared to the actual hours attributable to the project as well as any other supporting documentation and must be in HHSC approved format.
CPM-54	Work with HHSC and HHSC approved Trading Partners to resolve, within HHSC-defined timeframes, Provider complaints regarding the Contractor's solution.
CPM-55	Provide a warranty that the Contractor's solution will meet and maintain the CMS MMIS certification requirements, SOW requirements, and HHSC approved functionality. The Contractor shall modify or correct all deficiencies developed during the Contract Term.
CPM-56	Submit all Contractor-initiated or HHSC-initiated service requests to the HHSC approved service request tool used to track, monitor, and report on service requests.
CPM-57	Retain and maintain all e-mails in accordance with the HHSC-designated records retention policies. This includes all e-mails turned over by previous service providers and all e-mail of Subcontractors.
CPM-58	Comply with all State and federal entities performing inspections, audits, and reviews and provide assistance as requested, including access to or copies of necessary records and information.
CPM-59	Staff and operate a toll-free telephone line from 7:00 A.M. to 7:00 P.M., CT, Monday through Friday (excluding State-approved holidays), unless otherwise approved by HHSC, to respond to inquiries from HHSC and other MES service providers.
CPM-60	Track information regarding the calls on the Contractor's toll-free telephone line (e.g., name and number, date, nature of the call, documented detailed response given, and staff member responding) and make such information available to HHSC upon request in a format approved by HHSC.
CPM-61	Respond to inquiries from the Business Operations and Business Integration service provider call center staff and other MES service providers no later than one (1) hour after receipt of the inquiry to coordinate a HHSC approved resolution for claims processing-related questions and issues.
CPM-62	Develop a method for maintaining performance compliance with KPM.
CPM-63	Meet KPM and integrate tools for monitoring the Contractor's solution and component performance.
CPM-64	Create all reports and supply a dashboard to support KPM.
CPM-65	Work collaboratively with HHSC to gather, analyze, and report findings to the United States Office for Civil Rights (OCR) for any HIPAA or HITECH Incident involving Contractor that affects a population of five hundred (500) or more Clients. Sufficient technical evaluation will be completed by the Contractor to verify the number of Clients potentially affected.
CPM-66	The Contractor is responsible for all Contractor and HHSC costs of mitigation for any HIPAA or HITECH Incident affecting five hundred (500) or more Clients that results from actions attributed to Contractor's performance of the Contract.

Project Management	
Req ID	**Detailed Requirements**
CPM-67	Contractor will be responsible for OCR assessed sanctions, if any, for any HIPAA or HITECH Incident involving Contractor that affects a population of five hundred (500) Clients or more determined by the US OCR and be responsible for mitigation costs.
CPM-68	Retain and upload all agendas in the documentation tracking system according to HHSC approved timelines and record retention guidelines.
CPM-69	Prepare agendas and distribute within HHSC designated timeframes, not to exceed five (5) Business Days prior to a meeting.

2.1.3.2 Project Management Key Performance Measures

The requirements listed in **Table 2, Project Management Key Performance Measures** below describe the level of performance and associated liquidated damages required by the Contractor for project management.

Table 2 - Project Management Key Performance Measures

Project Management Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CPM-70	Complete all key project milestones by the deadline specified in the HHSC approved IMS for which the Contractor is responsible, including any additional activities needed to satisfy operational readiness requirements.	$1,000 per Calendar Day for each day past the milestone due date on the approved Project schedule.
CPM-71	Produce meeting minutes and distribute within HHSC designated timeframes, not to exceed five (5) Business Days of a meeting, for HHSC approval.	$100 per occurrence of meeting minutes being delivered later than five (5) Business Days of the scheduled meeting.
CPM-72	Submit one hundred percent (100%) of invoices without errors and submit to HHSC for approval monthly by the tenth (10^{th}) Business Day of the month.	$100 per occurrence of each invoice containing billing errors.
CPM-73	Provide real-time performance monitoring dashboard availability ninety-nine percent (99%) of the time, twenty-four (24) hours a day, seven (7) days a week, excluding HHSC approved planned downtime (i.e., system unavailable for use). Availability is calculated monthly as follows: Availability percentage = unplanned downtime (Total downtime minus approved downtime) divided by total time (24x7).	HHSC will assess as specified below, per hour for each hour, or portion thereof, if the performance monitoring dashboard fails to meet the ninety-nine percent (99%) availability performance standard. a. $500/hour if zero (0) to twenty-four (24) hours beyond the availability performance standard.

Project Management Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
		b. $1,000/hour if twenty-five (25) to forty-eight (48) hours beyond the availability performance standard. c. $1,500/hour if greater than forty-eight (48) hours beyond the availability performance standard.
CPM-74	Provide an acceptable documented risk mitigation plan to HHSC no later than five (5) Business Days following the risk identification for one hundred percent (100%) of high or critical project risks. HHSC, after consulting with Contractor, will determine the level of criticality of each project risk.	$1,000 per Business Day beyond the due date for each high or critical project risk mitigation plan.
CPM-75	Work with all other MES service providers and provide timely support in integrating solutions within the MES. Timely shall be defined as: a. Scheduling of a meeting no later than five (5) Business Days after receipt of the request by HHSC; b. Review and provide feedback on all applicable documentation no later than five (5) Business Days of receipt; c. Scheduling of testing no later than five (5) Business Days of request; or d. Ensuring the appropriate Contractor staff are participating in integration activities.	$1,500 per request in which any performance standard, as defined in the CPM-75 Key Performance Measure is not timely.
CPM-76	Correctly convert (map and make usable) by the scheduled completion date in the IMS, all HHSC data identified by the Contractor as necessary for testing and Operational activities.	$500 per day beyond the scheduled completion date in the IMS.
CPM-77	Request and receive written approval by HHSC prior to releasing any public announcement concerning the Contract, including, but not limited to, notices, information pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for Contractor.	$5,000 per public notice issued by Contractor without pre-approval by HHSC.

Project Management Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CPM-78	Meet implementation acceptance dates no later than the acceptance date in the HHSC approved work schedule.	HHSC shall assess liquidated damages as noted below for each Business Day beyond the acceptance date in the Work Schedule until the required scope for the implementation is operational in accordance with its applicable specifications and receives acceptance from HHSC: a. $1,000 per Business Day for Business Days one (1) through ten (10); b. $2,000 per Business Day for Business Days eleven (11) through fifteen (15); c. $3,000 per Business Day for Business Days sixteen (16) through twenty (20); and d. $4,000 per Business Day for each Business Day thereafter.

2.1.3.3 Staffing Requirements

The Contractor shall provide all staff resources necessary to perform the Services described in this SOW, unless specifically stated as the responsibility of HHSC or another entity. This section does not identify all required staff. This section identifies the Contractor's Key Personnel and certain other staff where specific requirements must be met. The requirements below include providing qualified, knowledgeable, trained, professional staff to install, configure, manage, and maintain the Contractor's solution.

Table 3, Key Personnel Descriptions and Qualifications below includes a comprehensive list of Key Personnel and the minimum qualifications required.

Table 3 - Key Personnel Descriptions and Qualifications

Key Personnel Descriptions and Qualifications		
Role	**Description**	**Qualifications**
Project Manager	Represents the Contractor and oversees the day-to-day activities of the Project. This individual shall serve as HHSC primary point of contact (POC) for matters relating to the Project and	The Project Manager must meet the following qualifications: a. A minimum of seven (7) years' project management experience managing projects of size and scope similar to the Contract, preferably in

Key Personnel Descriptions and Qualifications		
Role	**Description**	**Qualifications**
	collaborating with other MES service providers, and stakeholders.	Medicaid or the healthcare industry. Relevant experience must have occurred within the three (3) years immediately preceding the issuance date of this Solicitation. b. Project management experience must include each phase of the system development life cycle. c. Project management certification through the PMI is preferred.
Contract Manager	Serves as the single POC for HHSC for matters concerning the Contractor's performance under the Contract. This person shall have the authority to make decisions that are binding to the Contractor, shall be responsible for timely completion of the Project, and shall be responsible for meeting all contractual obligations.	The Contract Manager must have a minimum of five (5) years' contract management experience managing contracts for related Services with similar budgets, preferably in Medicaid or the healthcare industry and for a project similar in size and scope to the Contract.
Integration Lead	Serves as the primary POC for HHSC on all Contractor solutions for integration, modification, and maintenance activities. The Integration Lead is responsible for scheduling and reporting all maintenance and modification activities, coordinating use of modification task personnel resources, facilitating implementation of modifications, maintaining all interfaces, and maintaining the ability for all appropriate users to access the Contractor's solution.	The Integration Lead must meet the following qualifications: a. Minimum of five (5) years leading system and integration projects, including implementation of projects similar in size and scope to the Contract. b. Experience must involve directing multi-discipline technical teams producing integration solutions.
Privacy Compliance Manager	Serves as the primary POC for HHSC staff for the development, implementation, and maintenance of the policies and procedures of a covered entity as required by HIPAA and all applicable State and federal laws, rules, regulations, and guidelines relating to privacy matters.	Knowledge of State and federal privacy laws including, but not limited to, HIPAA privacy, security, and breach response requirements, and pertinent management experience including the ability to effectively communicate orally and in writing in a professional manner. The Privacy Compliance Manager must have at least two (2) years' experience overseeing privacy policies and procedures.

Key Personnel Descriptions and Qualifications		
Role	**Description**	**Qualifications**
Information Security Manager	Serves as the primary POC for HHSC staff for information security matters including potential electronic or system information compromise.	Knowledge of National Institute of Standards and Technology (NIST) security requirements, FedRAMP requirements, HIPAA security requirements, and pertinent management experience including the ability to effectively communicate orally and in writing in a professional manner. The Information Security Manager must have at least four (4) years' experience overseeing information security policies, procedures, and training.
Conversion/Test Lead	Serves as the primary POC for HHSC for the coordination of all conversion and testing activities.	The Conversion/Testing Lead must meet the following qualifications: a. Minimum of two (2) years' experience converting and normalizing large volumes of claim data. b. Minimum of three (3) years' experience leading testing activities for a project similar in size and scope to this Project. c. In-depth understanding of the testing lifecycle and all artifacts required to successfully validate the solution.
Certification Lead	Serves as the primary POC for HHSC and liaison for certification and collaboration with other MES service providers and stakeholders.	The Certification Lead must meet the following qualifications: a. Minimum of three (3) years' experience certifying systems against industry standards for projects similar in size and scope to this project. b. In-depth understanding of the most current CMS certification lifecycle required to successfully certify the system.
Turnover Project Lead	Primary POC for HHSC for Turnover. The Turnover Project Lead is responsible for oversight and coordination of all Turnover activities.	Certified project management professional with at least two (2) years' experience as a Project Manager and two (2) years working as a Project Manager on this Contract.

During the Contract Term, Contractor must provide staffing services that include, but are not limited to, the requirements specified in **Table 4, Staffing Requirements.**

Table 4 - Staffing Requirements

Staffing Requirements	
Req ID	**Detailed Requirements**
CSTF-1	Provide Key Personnel (with the exception of the Turnover Project Lead) no later than two (2) Calendar Days following the Contract Effective Date. These Key Personnel must be available during all configuration and certification activities. Key Personnel must not hold more than one (1) key role unless otherwise approved by HHSC.
CSTF-2	Submit two (2) external written references for each of the Key Personnel being proposed for the Project. Each reference must depict relevant and current experience for work completed no more than seven (7) years prior to the issuance date of the Solicitation.
CSTF-3	Key Personnel or their HHSC approved designee shall be available Monday through Friday from 7:00 A.M. CT to 6:00 P.M. CT (excluding State holidays).
CSTF-4	Key Personnel are required to attend all meetings in person in Austin, Texas, as requested, at no cost to HHSC, with five (5) Business Days' notice. HHSC may, in its sole discretion, designate online meetings in place of any face-to-face meeting.
CSTF-5	Provide HHSC with written notification ten (10) Business Days prior to making any changes in Key Personnel and obtain HHSC written approval before making such changes.
CSTF-6	Key Personnel replacements must meet the minimum qualifications for the position and must be in place no later than thirty (30) Calendar Days from the separation date of the vacating resource. The Contractor must provide HHSC a detailed resume for a proposed Key Personnel replacement. Replacements are subject to HHSC approval prior to any assignment.
CSTF-7	Key Personnel positions may not be vacant for more than ten (10) Business Days without a qualified substitute. The definition of a qualified substitute is an individual meeting the requirements of the Key Personnel position they are temporarily filling. A qualified substitute must be in place no more than ten (10) Business Days after the separation date of the vacating resource or as negotiated and approved by HHSC. The Contractor may not fill vacant Key Personnel positions with other existing Key Personnel without approval by HHSC.

Staffing Requirements	
Req ID	**Detailed Requirements**
CSTF-8	Key Personnel must be full-time personnel that are knowledgeable, experienced, and qualified to perform the responsibilities of the position under the Contract. Contractor staff are subject to the following requirements: a. HHSC will approve Key Personnel assigned to the Contract; and b. HHSC reserves the right to request removal of any Contractor staff or Subcontractor staff, if applicable, assigned to the Project, and the Contractor must comply with any such request immediately.
CSTF-9	Provide designated Reporting/Data Specialists to assist HHSC and HHSC approved Trading Partners with the development and analysis of data requests.
CSTF-10	The Turnover Project Lead must be designated at least fifteen (15) months prior to the initiation of Turnover activities.
CSTF-11	Commit an adequate level of technical and human resources sufficient to complete the Project within the required time frame and to meet the Project quality requirements outlined in this SOW. The level of technical and human resources which the Contractor agrees to commit to the project at the time of proposal must be maintained during the Contract Term at a level to complete the SOW.
CSTF-12	The Contractor's Transition project management team must be based in Austin, Texas.
CSTF-13	Provide the Contractor's Transition project management team based in Austin, Texas, no later than ten (10) Calendar Days after the Contract Effective Date.
CSTF-14	Any Contractor staff working remotely, must be available to work in HHSC primary Project location at HHSC request for functions necessary to support the Contract.
CSTF-15	Provide qualified, knowledgeable, and professional staff who will interact with the public, HHSC, and HHSC approved Trading Partners. HHSC reserves the right to require in-person meeting attendance by specific personnel with advance notice by HHSC.
CSTF-16	Supply a Personnel Background Check Attestation (written documentation) of a background check for Contractor personnel who might reasonably be expected to access sensitive and confidential Client data contained in any system accessed during Contract Term. Contractor must describe its process for performing background checks for non-US citizens or Lawful Permanent Resident Card holders.
CSTF-17	Provide qualified, professional staff knowledgeable of the Electronic Visit Verification (EVV) Program and systems to participate in EVV internal and external meetings including workgroups, trainings, HHSC meetings related to EVV, and Texas Provider association meetings as requested by HHSC.
CSTF-18	Provide an organizational chart with Key Personnel identified to HHSC for approval no later than thirty (30) Calendar Days of the Contract Effective Date

Staffing Requirements	
Req ID	**Detailed Requirements**
	and no later than ten (10) Business Days of any change to Key Personnel or re-organization of functional groups during the Contract Term.
CSTF-19	Provide Contractor staff and information as requested by HHSC to assist with CMS requirements for the MITA State Self-Assessment and MITA Roadmap activities. Information must be provided in a format, content, and within timeframes approved by HHSC. Refer to the MITA State Self-Assessment information in the Procurement Library.
CSTF-20	Provide staff resources and information to assist with HHSC activities to support the "To-Be" (see the Quick Reference Links document in the Procurement Library for a link to the current MITA Self-Assessment) vision of the CMS Standards and Conditions and the MITA framework as directed by HHSC.

2.1.3.3.1 Staffing Key Performance Measures

The requirements listed in **Table 5, Staffing Key Performance Measures** below describe the level of performance and associated liquidated damages required for staffing that must be performed by the Contractor during the Contract Term.

Table 5 – Staffing Key Performance Measures

Staffing Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CSTF-21	Provide an HHSC approved qualified substitute for any vacancy in Key Personnel positions no later than ten (10) Business Days of staff separation date, unless an extension is approved by HHSC.	$1,000 per Business Day per occurrence following the deadline for filling a vacancy for a Key Personnel position.
CSTF-22	Contractor Key Personnel positions (with the exception of the Turnover Project Lead) must be staffed, located in Austin, and trained to provide Contract Services no later than two (2) Calendar Days following the Contract Effective Date or as negotiated and approved by HHSC.	$10,000 per Business Day, after two (2) Calendar Days from the Contract Effective Date or as agreed to and approved by HHSC, that Contractor Key Personnel positions are not staffed, located in Austin, and trained to provide services.
CSTF-23	Fill a vacant Key Personnel position with a permanent replacement no later than 30 Calendar Days from the vacancy date (a position is considered vacant even with the substitute replacement serving in that role).	$500 per Business Day after thirty (30) Calendar Days a Key Personnel position is vacant without a permanent replacement.

2.1.3.4 Deliverables Requirements

This section includes requirements outlining the expectations for each Project Deliverable. Requirements in this section outline:

a. Obtaining HHSC for approval before starting work on the Deliverable,
b. Requirements to meet with HHSC staff, as necessary, while developing the proposed formats for Deliverables, and
c. Due dates.

Deliverables include the plans and documentation necessary to prepare for, implement, manage, and maintain the requirements of the Contract during the Contract Term.

The requirements for Deliverables listed in **Table 6, Deliverables Requirements** below describes the tasks and activities that must be performed by the Contractor during the Contract Term.

Table 6 – Deliverables Requirements

Deliverables Requirements	
Req ID	**Detailed Requirements**
CDEL-1	Develop, execute, maintain, and deliver for HHSC approval, a Security Plan (SP) to document the current level of security controls within the Contractor's solution that protects the confidentiality, integrity, and availability (CIA) of the solution and its information. HHSC must approve all revisions of the SP. The SP must address the following topics: a. Adherence to HHSC requirements outlined in the "Security and Privacy Controls Requirements" document, included in **Exhibit N, HHS Information Security and Privacy Requirements** b. Compliance with CMS; c. Acceptable Risk Safeguards (ARS) to assess CIA and NIST SP 800-53 Rev 4 at a "moderate" control level; d. Physical security; e. Network segmentation, access controls, and forensics; f. Application security and data sensitivity classification, including Protected Health Information (PHI) and Personally Identifiable Information (PII); g. End-point protections such as multiple redundant firewalls and host-based intrusion detection systems; h. Identification and prevention of the use of prohibited functions, ports, protocols, and services; i. Network, firewall, server, and other security-related configurations and changes; j. Intrusion detection and prevention; k. Network scanning tools; l. Host hardening; m. Internet filtering; n. Remote access;

Deliverables Requirements	
Req ID	**Detailed Requirements**
	o. Encryption of data at rest and in transit; p. User authentication and directory services; q. Interfaces and exchange of data with external entities; r. System penetration testing; s. Management of operating system and security patches; t. Anti-Virus and malware detection and e-mail gateways; u. Assessment and testing of system and code modifications; v. Allowable internal and external communication protocols; w. Compliance with the FedRAMP Certification, FedRAMP Risk Assessment that indicates compliance or documented NIST 800-53 rev 4 at a "moderate" system risk assessment designation for Contractor hosted solutions; and x. Compliance with Statement on Standards for Attestation Engagements (SSAE-18) SOC 2 Type 2. The SP must be submitted for HHSC approval no more than twenty-one (21) Calendar Days after the Contract Effective Date. The SP is a living document, and the Contractor will update the SP no less than annually on October 1st, when new vulnerabilities are identified and mitigated, and when additional functionality and/or components are implemented. The SP must be approved by HHSC before any HHSC data is transferred or entered in the Contractor's solution.
CDEL-2	Develop and maintain a PMP to provide a comprehensive baseline of the goals of the Project, how the Contractor will achieve those goals, the personnel and entities that need to be involved, how the Contractor will report and measure reaching the Project's goals, and how the Contractor will communicate to HHSC regarding the Project. The PMP must incorporate all relevant Project plans including, but not limited to, the following: a. Communication Plan; b. Change Management Plan; c. Staffing Management Plan; d. Quality Management Plan; e. Risk Management Plan; and f. Issue Management Plan. The PMP is a living document that evolves as the Project progresses and the Contractor must update the PMP with the latest relevant information. The PMP may be broken into separate documents, but all documents will be considered sections of the PMP. The PMP (including all relevant plans) must be provided for HHSC approval no later than forty-five (45) Calendar Days following the Contract Effective Date and within five (5) Business Days of updating PMP with latest relevant information.

Deliverables Requirements	
Req ID	**Detailed Requirements**
CDEL-3	Develop and maintain a Communication Plan as part of the PMP. The Communication Plan must provide a description of the types of communication that will occur on the Project and how they will be managed. The Communication Plan must include the following and ensure the approach addresses communication across multiple service providers and HHSC: a. Types and means of communication details; b. Communication channels; c. Communication flow within the Contractor's organizational structure; d. Escalation processes; e. Guidelines for meetings; f. Dissemination of knowledge; and g. Means of ensuring communication effectiveness.
CDEL-4	Coordinate with HHSC to develop a Change Management Plan for inclusion in the Business Operations and Business Integration service provider's Integrated Change Management Plan. The Change Management Plan must include written, trackable, and diagrammatic representation, describe the processes and procedures to be used to initiate, evaluate, review, and resolve any change requests that occur both before and after the Contractor's solution is implemented. The Contractor must follow the best practices guidelines for change management as described in ISO/IEC 20000 [1 to 11] standards for Information Technology Service Management which is contained within **Exhibit P, HHS Information Technology Infrastructure Library (ITIL) Severity**.
CDEL-5	Submit and maintain a Staffing Management Plan as part of the PMP approved by HHSC.
CDEL-6	Develop, submit, maintain, and adhere to a comprehensive Quality Management Plan as part of the PMP approved by HHSC. The Quality Management Plan scope must include the process steps and quality tools that will be used (e.g., templates, standards, and checklists), all areas of the Contract and HHSC approved methodologies, a detailed description of the software development life cycle to be used by the Contractor, and controls for measuring quality. The Quality Management Plan must be maintained during the Contract Term.
CDEL-7	The Risk Management Plan portion of the PMP must describe, at a minimum, the following: a. Proactive identification and analysis of risks before they become issues, including methods, tools, and techniques; b. Development of risk avoidance, transfer, mitigation, or management strategies; c. Approach to monitoring, communicating, reporting of risk status, including procedures for documenting, resolving, and reporting issues and risks identified by the Contractor, HHSC, or other MES service providers;

Deliverables Requirements	
Req ID	**Detailed Requirements**
	d. Approach to root cause analysis; and e. Description of how risks will be quantified and qualified.
CDEL-8	The Issues Management Plan as part of the PMP must describe, at a minimum, the following: a. Approach to issue management; b. Issue management process steps including: 1. Approach to prioritizing, tracking, escalating, communicating, and reporting issues; 2. Approach to documenting, reporting, and resolving issues identified by the Contractor, HHSC, or other MES service providers; c. Approach to impact analysis; d. Tools, and techniques for active and ongoing identification and monitoring of issues; e. Roles and responsibilities; and f. Describe how issues will be quantified and qualified.
CDEL-9	Develop and maintain a detailed Project Work Schedule (PWS) that is aligned with the SOW. The PWS must identify detailed tasks, realistic person hours for each task, the sequence of tasks and activities including duration necessary to meet Deliverable and PWS milestone dates, estimated baseline start and completion dates, actual start and completion dates, the critical path(s), resources (by name or by resource type if not known), dependencies, permanent tracking number for each task, completion percentages, and milestones. The dates and hours in the approved PWS form the project baseline. Once established, the baseline will only be modified with approval from HHSC.
CDEL-10	Develop, submit, and maintain a Data Conversion and Migration Plan. The Data Conversion and Migration Plan objectives must align with the operational readiness and pre-production testing and comply with the legacy system data expectations for content, format, definition, and cleansing of all data relating to claims, adjudication and finances. The Data Conversion and Migration Plan must include the following: a. Approach to conversion, cleansing, and migration; b. Approach to risk management for data conversion effort; c. Approach for testing migration or converted data; d. Approach to reporting the number of records successfully converted vs. errors or exceptions; e. Approach for cleansing data to prepare it for loading to the Contractor's solution; f. Approach to resolving data conversion errors and issues; g. Approach for supporting HHSC validation of converted data; h. Tasks, timelines, and responsible resources for all conversion and migration tasks; and

Deliverables Requirements	
Req ID	**Detailed Requirements**
	i. Entrance and exit criteria for each phase of the plan. The completed Data Conversion and Migration Plan must be submitted for HHSC approval no more than ninety (90) Calendar Days after Contract Effective Date.
CDEL-11	Provide, submit, and maintain a Master Test Plan that describes the Contractor's plan for all testing activities, processes, types, and levels. Testing must be as automated and self-documenting as possible (e.g., continuous unit testing). At a minimum, the Master Test Plan must address the following: a. Overall testing strategy; b. Approach to planning and preparing the test(s); c. Approach to conducting each test level; d. Approach for supporting User Acceptance Testing (UAT) (including HHSC tester access); e. Approach for testing nonfunctional requirements; f. Approach to test documentation (e.g., test cases, test scripts, test case matrices added as design progresses); g. Approach to quality control or quality assurance; h. Approach to bi-traceability to requirements and design; i. Tools, techniques, and methods; j. Reporting mechanisms, traceability, and metrics; k. Defects and defects resolution; l. Entrance and exit criteria for each test level, including alignment with industry standards; m. Configuration management for each test level; n. Testing roles and responsibilities; and o. Acceptance criteria shall include, but are not limited to, no high or critical defects in code released to production and production releases will not be promoted if more than five percent (5%) of requirements have an open defect. The Master Test Plan must be submitted no more than sixty (60) Calendar Days after the Contract Effective Date.
CDEL-12	Develop in collaboration with HHSC, for implementation and any subsequent operational change, a System Test Plan that describes the Contractor's System Testing approach and includes, at a minimum, the following: a. Test coverage; b. Walkthroughs and inspections; c. Test data considerations; d. Entrance criteria; e. Exit criteria; f. Configuration management;

Deliverables Requirements	
Req ID	**Detailed Requirements**
	g. Testing documentation; h. Process steps; i. Inputs to system testing; j. Outputs for system testing; k. Metrics; l. Pass/fail criteria; m. Suspension criteria and resumption requirements; n. Testing deliverables; o. Testing activities; p. Resources, roles, and responsibilities; q. Testing tools; r. Meetings and communication; and s. Acceptance criteria shall include, but are not limited to, no high or critical defects in code released to production and production releases will not be promoted if more than five percent (5%) of requirements have an open defect. The System Test Plan must be submitted for HHSC approval no more than ninety (90) Calendar Days after the Contract Effective date.
CDEL-13	Develop and submit a Training Plan that, at a minimum, addresses the following: a. Summary of training approach that focuses on the train-the-trainer methodology, objectives, and desired outcomes; b. Training needs analysis, including an assessment of the target audience and their knowledge and skills; c. Recommendations on type and delivery approach based on training needs analysis; d. Summary of proposed training materials and documentation in addition to hands-on training; e. Approach to maintaining training documentation and accompanying materials; f. Approach to providing training necessary to support new functionality and/or major software releases that materially change the user interaction; and g. Approach to processing for incorporating feedback to improve train-the-trainer effectiveness over the course of the Contract. The Training Plan must be submitted for HHSC approval no more than forty-five (45) Calendar Days after the Contract Effective Date and maintained during the Contract Term.
CDEL-14	Develop and submit to HHSC a Comprehensive Impact and Management Plan that describes the Contractor's approach to managing any modifications to HHSC Instance of the Contractor's solution. The Comprehensive Impact and Management Plan must include the following: a. Approach to conducting requirement sessions or walkthroughs;

Deliverables Requirements	
Req ID	**Detailed Requirements**
	b. Approach to conducting sprints or iterations; c. Scheduling of major and minor releases; d. Tasks, timelines, and responsible parties for enhancement/modification tasks; and e. Approach to enhancement integration and testing. The Comprehensive Impact and Management Plan must be submitted for HHSC approval no more than forty-five (45) Calendar Days after the Contract Effective Date and maintained through the Contract Term. Plan revisions must be approved by HHSC.
CDEL-15	Provide a comprehensive Business Continuity and Contingency Plan (BCCP), which must be approved by HHSC before any HHSC data is transferred or entered in the solution. The BCCP must adhere to industry best practices and standards and include, at a minimum, the following: a. Identification of the core business processes involved in the Contractor's solutions production environment. For each core business process include: 1. Identification of potential failures for the process; 2. Risk analysis; 3. Impact analysis; and 4. Definition of minimum acceptable levels of service or output; b. Definition of triggers for activating contingency plans; c. Procedures for activating any special teams for business continuity; d. A plan for recovery of business functions, units, processes, human resources, and technology infrastructure; and e. Communication protocols and process for restoring operations in a timely manner. The initial comprehensive BCCP must be submitted for HHSC approval no more than sixty (60) Calendar Days after Contract Effective Date. The Contractor must maintain and provide the updated plan prior to the beginning of each SFY of the Contract.
CDEL-16	Provide and maintain annually, a Disaster Recovery Plan. The Disaster Recovery Plan must address, at a minimum, the following: a. Retention and storage of backup files and software; b. Hardware backup for critical solution components; c. Facility backup; d. Backup for any telecommunications links and networks; e. Backup procedures and support to accommodate the loss of any online communications; f. A detailed file backup plan, procedures, and schedules, including rotation to an off-site storage facility;

Deliverables Requirements	
Req ID	**Detailed Requirements**
	g. The off-site storage facility must provide security of the data stored there, including protections against unauthorized access or disclosure of the information, fire, sabotage, and environmental considerations; h. An enumeration of the prioritized order of restoration for Contractor's solution; and i. Provide a short-term uninterruptible power supply to facilitate an orderly shutdown of the information system in the event of a primary power source loss. The Disaster Recovery Plan must be submitted for HHSC approval no more than sixty (60) Calendar Days after the Contract Effective Date and annually by the end of the SFY, or as otherwise required by HHSC.
CDEL-17	Provide and maintain a Defect Management Plan that describes the process of submitting, monitoring, and resolving Contractor solution defects. The Defect Management Plan must detail the following: a. Approach and tools utilized to assign, identify, prioritize, track, resolve, and test system defects; b. Approach to level of defect categorization (e.g., critical, high, medium, low) using an industry standard methodology; c. Defect categories; d. Approach to reporting and documenting defects; e. Describe how the Contractor will work collaboratively with other MES service providers in resolving defects, which may impact multiple service providers; f. Describe the defect management processes related to all test types and levels in the SOW (e.g., the relationship between defect resolution and the coordinated test case execution); and g. Describe the defect management processes after completion of Transition. The Defect Management Plan must be submitted for HHSC approval no more than forty-five (45) Calendar Days after the Contract Effective Date.
CDEL-18	Provide a Turnover Plan to HHSC no more than sixty (60) Calendar Days after the Operational Start Date and annually on October 1st (including option years that have been exercised), concurrently with any notice to terminate by Contractor, or as requested by HHSC. The Turnover Plan must include the following: a. Proposed approach to turnover; b. Tasks and subtasks for turnover; c. Schedule for turnover; d. Updated operational tasks and procedures during turnover; e. Description of Contractor coordination activities that will occur during the Turnover phase and implementation of the activities to ensure continued system and Services as deemed necessary by HHSC;

Deliverables Requirements	
Req ID	**Detailed Requirements**
	f. List of incomplete tasks, such as defects, modifications or enhancements, mass adjustments, and reference updates; g. A detailed description of the Services that would be required by another service provider to fully take over all business functions outlined in the Contract. The description shall also include an estimate of the number and type of staff resources required to perform the supporting Services; and h. The data and documentation shall be organized in a format required by HHSC (e.g., by Provider unique ID and Provider name).
CDEL-19	Develop a comprehensive Operations Procedure Manual which must provide guidelines for the operation and use of the Contractor's solution. At a minimum the Operations Procedure Manual shall contain policies, processes, and workflows for the Contractor's solution. The Operations Procedure Manual must be provided to HHSC prior to UAT as defined in the HHSC approved System Test Plan.
CDEL-20	Coordinate with HHSC to develop a comprehensive Operational Readiness Review Plan and timeline for all business operations and technology functions. The plan must describe an approach to ensure successful transition of the solution from the current service provider to the Contractor with periodic reviews with HHSC. The Operational Readiness Review Plan must include, at a minimum, the following: a. The overall integration approach; b. Approach to continuous integration of other service providers or data from other data providing entities; c. The proposed implementation schedule; d. The rollback strategy; e. Communication and Contractor support procedures; f. Contractor's and HHSC roles and responsibilities; g. Operational Readiness Checklist(s) that defines, in advance, the go/no-go decision, and all aspects of Contractor solution, and HHSC readiness; h. All critical tasks that are required for cutover; i. Post cutover monitoring; j. The onsite and offsite user support provided by the Contractor and HHSC during the initial solution implementation; k. Solution acceptance procedures; l. Tools and processes to ensure overall quality of the Contractor's solution; and m. Describe post implementation production deployment process and activities checklists that demonstrate the Contractor's understanding of the environment (people, processes, and technology) and responsibilities, risks and issues, and assumptions.

Deliverables Requirements	
Req ID	**Detailed Requirements**
	The completed Operational Readiness Review Plan and timeline must be submitted for HHSC approval no more than ninety (90) Calendar Days after the Contract Effective Date.
CDEL-21	Create and maintain an online electronic document for all interfaces in an Interface Control Document (ICD) which will include data layout documentation, data mapping crosswalk, inbound/outbound capability, and frequency of all interfaces. The ICD must: a. Follow HHSC approved ICD template; b. Include documentation of the HHSC Program owner, the name and phone number of the contact within the Contractor's organization, the distribution frequency of the interface, the interface layout, including field definitions and descriptions, the purpose for the interface, and a change log; c. Be updated upon implementation of any change that affects any ICD item; and d. Be accessible by HHSC approved staff and Trading Partners.
CDEL-22	Coordinate with HHSC to develop a comprehensive Privacy Plan which meets all applicable federal and State statutes, regulations, rules, and guidelines for handling of personal information. The completed Privacy Plan must be submitted for HHSC approval no more than thirty (30) Calendar Days after the Contract Effective Date and maintained and adhered to by Contractor during the Contract Term.
CDEL-23	Obtain HHSC approval when combining any Deliverable plan identified in **Table 6, Deliverables Requirements.**

2.1.3.4.1 Deliverables Key Performance Measures

The requirements listed in **Table 7, Deliverables Key Performance Measures** below describe the level of performance and associated liquidated damages required for Deliverables that must be performed by the Contractor during the Contract Term.

Table 7 – Deliverables Key Performance Measures

Deliverables Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CDEL-24	Provide no more than two (2) submissions of any Deliverable to gain HHSC approval.	$500 per submission, per Deliverable requiring more than two (2) submissions.

2.1.3.5 Communication Requirements

The Communications tasks and activities are designed to promote clear, comprehensive, and effective communication between Contractor, Trading Partners, Clients, Providers, and HHSC.

The requirements for Communications listed in **Table 8, Communication Requirements** below describe the tasks and activities that must be performed by the Contractor during the Contract Term.

Table 8 – Communication Requirements

Communication Requirements	
Req ID	**Detailed Requirements**
CCOM-1	Provide the ability to generate claim-based event notifications to Providers of required action (e.g., provide missing attachments) based on Providers' preferred method of communication. The frequency (e.g., once per adjudication cycle) and content of the notification must be aggregated into a single event and configurable by HHSC.
CCOM-2	Allow HHSC to edit and change any static text in the correspondence templates. All static text must be approved by HHSC.
CCOM-3	Develop issue- or event-specific letters to be approved by HHSC and distribute as directed by HHSC.
CCOM-4	Notify the Provider of cost sharing deducted from each claim (e.g., Explanation of Benefit (EOB), Claim Adjustment Reason Codes (CARCs), Remittance Advice Remark Codes (RARCs), remittance advice (RAs)).
CCOM-5	Notify the appropriate user community, as defined by HHSC, of planned system events (e.g., major system changes and system planned outages) via HHSC approved communication methods at least forty-five (45) Calendar Days in advance of implementing the change.
CCOM-6	Provide a process to receive and display messages, and alerts from other systems in real-time.
CCOM-7	Maintain all required web content on websites and portals per HHSC direction, including simple and static text updates.
CCOM-8	Accommodate customer preferences for communications by electronic inbox, written correspondence, e-mail, text, and phone.
CCOM-9	Provide comprehensive and accurate responses to all official correspondence, within the HHSC approved timeframes.
CCOM-10	All EVV communications must conform to HHSC approved EVV terminology including, but not limited to technology, educational services, materials, and Provider notices. A glossary of EVV terminology will be provided by HHSC and updated periodically.
CCOM-11	Maintain a method for tracking documentation that will record all activities associated with maintenance of all manuals produced for internal and external stakeholders.

Communication Requirements	
Req ID	**Detailed Requirements**
CCOM-12	Coordinate with HHSC and HHSC approved Trading Partners to produce and maintain accurate and comprehensive educational materials, including but not limited to, trainings, job aids, computer-based training, user guides, and publications according to HHSC approved content, format, and schedules. Update training materials when changes occur.
CCOM-13	Forward to the appropriate entity all correspondence and inquiries pertaining to issues outside the purview of the Contractor no more than two (2) Business Days after receipt of correspondence or inquiry or as directed by HHSC.

2.1.3.5.1 Communication Key Performance Measures

The requirements listed in **Table 9, Communication Key Performance Measures** below describe the level of performance and associated liquidated damages required by the Contractor for Communication.

Table 9 – Communication Key Performance Measures

Communication Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CCOM-14	Produce and distribute new publications or amended publications in final form by the date requested by HHSC.	$100 per Calendar Day each publication is not produced and distributed by HHSC requested due date.

2.1.3.6 Transition Requirements

Transition is defined as those activities that must be completed between the time of Contract Effective Date and Operations Start Date. The Contractor shall work with HHSC and the outgoing MES services provider to transition the claims processing and adjudication services and financial services included in the Contract on a schedule approved by HHSC.

HHSC places great emphasis on operational readiness and will be evaluating the Contractor's capabilities and performance during the Transition period. Periodic assessments will be performed before a formal operational readiness assessment is conducted. HHSC intends to include Providers in the operational readiness assessment. Provider participation could include providing sample claims and other documents to be processed by the Contractor.

The requirements for Transition listed in **Table 10, Transition Requirements** below describe the tasks and activities that must be performed by the Contractor during the Contract Term.

Table 10 – Transition Requirements

Transition Requirements	
Req ID	**Detailed Requirements**
CTRN-1	Present evidence of an active Third-Party Administrator (TPA) license, as required by Texas Insurance Code Chapter 4151, from the Texas Department of Insurance no more than ten (10) Business Days of the Contract Operational Start Date.
CTRN-2	Provide user documentation during the Transition activities of the Project and maintain during the Project. User documentation must be written and organized so that novice users can learn from reading the documentation how to access the on-line windows or screens, read reports, and perform all other user functions. The user documentation must be comprehensive, well-organized, and shall include at a minimum: a. Procedural step-by-step instructions for the Contractor's solution. (Instructions for sequential functions must follow the flow of actual activity); b. Manuals that help users understand the purpose and operation of the Contractor's solution component(s) for each business process/major program/functional area; c. Acronyms used in user instructions must be identified and must be consistent with windows, screens, reports, and the data element dictionary; d. Explanation of system navigation, application help functionality, and policies and procedures; e. On-line and with an on-line search capability with context-sensitive help; f. The ability to produce a PDF version upon request; g. Version control to retain historical versions of documentation, and revisions must be clearly identified; h. User manuals must contain a table of contents and an index; i. Definitions of code sets used in various sections of a user manual must be consistent; j. Descriptions of error messages for all fields incurring edits must be presented and the necessary steps to correct such errors must be provided; and k. Consistent abbreviations throughout the documentation. Each user manual must contain a section describing all reports generated, which must include the following: a. A narrative description of each report; b. The purpose of the report; c. Definition of all fields in the report, including detailed explanations of calculations used to create all data, and explanations of all subtotals and totals; d. Definitions of all user-defined, report-specific code descriptions and a copy of representative pages of each report; and e. Instructions for requesting reports or other outputs must be presented with examples of input documents and/or screens.

Transition Requirements	
Req ID	**Detailed Requirements**
CTRN-3	During the Transition period, perform a quality assurance assessment related to all Transition activities and report on the outcomes and improvements resulting from: a. Providing HHSC identified Deliverables (see Table 6, Deliverables Requirements); b. Identifying common patterns of errors from previously submitted Deliverables in the document creation and quality review steps; c. Reviewing and revising the quality review of peer review processes; d. Confirming staff resource allocation towards quality peer review processes; and e. Training impacted staff resources on revised quality assurance process.
CTRN-4	Develop and submit a Transition design session schedule, agendas, and meeting minutes for review by HHSC.
CTRN-5	Conduct collaborative Transition design sessions to address all configuration gaps identified during requirements validation per HHSC approved PWS.
CTRN-6	Document any gaps between the Contractor's solution and the business requirements in a requirements management tool. Gaps must show bi-directional traceability with applicable business requirement(s), design, test cases, test results, and certification artifacts.
CTRN-7	Recommend ways to resolve each functional or operational gap, as defined in requirements validation, that will produce the desired business outcomes.
CTRN-8	Provide designated HHSC staff access to fully functioning copies of the Contractor's solution during business requirements and rules validation of the solution.
CTRN-9	Provide training on the system for UAT testers. The Contractor shall provide updated user and system documentation to UAT testers to support the UAT effort.
CTRN-10	Provide operational readiness test results demonstrating that the solution meets all performance measures as defined in the SOW.
CTRN-11	Develop Operational Readiness Review Checklists (ORR) that demonstrate the actual solution's characteristics and the procedures to ensure that all service requirements are met, and user documentation accurately reflect the deployed functionality of the Contractor's solution.
CTRN-12	Conduct a walkthrough with HHSC to validate the operational readiness of the Contractor, the solution, and the other MES services. HHSC must formally sign off on the Operational Readiness Checklist prior to the Contractor proceeding to implementation of the solution.
CTRN-13	Demonstrate a fully functioning solution that has been initially configured based on the requirements described in the SOW and HHSC policy documents, manuals, and fee schedules.
CTRN-14	Demonstrate to HHSC that the system is operational and meets federal and State technical, security, and privacy requirements, as well as, the business and functional requirements.
CTRN-15	Monitor the initial operation of the solution to ensure that there are no immediate or ongoing adverse effects on HHSC Programs according to the performance measure identified in the SOW.

Transition Requirements	
Req ID	**Detailed Requirements**
CTRN-16	Convert five (5) years of Client, Provider, and claim data history, all applicable operational data, and encounter data necessary for Client health care service limitations (e.g., once in a lifetime, cumulative limits) from HHSC legacy systems. HHSC may require additional data to be converted on an exception basis to support ongoing business needs. The Contractor shall produce comparative reports for all converted data. Any data quality issues will be addressed by HHSC within each source system.
CTRN-17	Provide authorized HHSC or other designated staff access to validate any converted data needed to support continuity of Services and provide support for the data validation effort.
CTRN-18	Work with HHSC to identify the data elements that will be converted into the Contractor's solution. For legacy data elements that cannot be converted into the Contractor's solution, the Contractor shall work with HHSC to achieve desired business outcomes using the data elements in the Contractor's solution or whether the conversion programs should fill them with default or initial values.
CTRN-19	Perform one or more trial conversions as necessary, before final conversion of the data, and present the results to HHSC.
CTRN-20	Produce reports to demonstrate adequate checks and balances within the data conversion process. The reports will be defined by HHSC and the Contractor.
CTRN-21	Convert electronic documents identified by HHSC in a format approved, searchable, and retrievable by HHSC.
CTRN-22	Create mockup of production reports (see CRPT-1) using converted data and submit to HHSC for approval.

2.1.3.6.1 Transition Key Performance Measures

The requirements listed in **Table 11, Transition Key Performance Measures** below describe the level of performance and associated liquidated damages required by the Contractor for Communication.

Table 11 – Transition Key Performance Measures

Transition Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CTRN-24	Complete key Contractor transition tasks within HHSC approved timeframes, unless otherwise specified. Key Contractor transition tasks are: a. Establish Project Manager and Key Personnel (see Table 3 Key Personnel); b. Submit Detail Transition Schedule for HHSC approval;	$25,000 per Business Day for failure to meet the completion of each key transition tasks by the date specified in each of the individual requirements.

	c. Provide a valid TPA Licenses; d. Submit for HHSC approval and confirmation of new and revised Contract requirements and KPM; e. Complete a Contract requirement gap analysis for new and revised Contract requirements and KPM; f. Submit final process and calculation methodology documents for new and revised KPMs; g. Complete Operational Readiness Assessment for new and revised CRs and KPMs that are to be effective on or before the Operational Start Date; h. Submit an updated Accounting Policy Manual (see CFAC-8) no later than thirty (30) Business Days after Contract Effective Date of the Contract for HHSC review; and i. Implement an invoicing process to support new monthly billing process.	
CTRN-25	Operational Readiness Review must begin no less than forty-two (42) Calendar Days prior to the agreed-upon Operational Start Date.	$5,000 per Calendar Day following the specified deadline.

2.1.3.7 Document Management Requirements

The requirements in this section pertain to capturing, storing, and retrieving information on a daily basis. Document management activities provide benefits such as document security, access control, centralized storage, audit trails, and streamlined search and retrieval. HHSC currently utilizes an OnBase document storage process. All documentation developed or stored by the Contractor on behalf of HHSC becomes the property of the HHSC.

The requirements for Document management listed in **Table 12, Document Management Requirements** below describe the tasks and activities that must be performed by the Contractor during the Contract Term.

Table 12 – Document Management Requirements

Document Management Requirements	
Req ID	**Detailed Requirements**
CDOC-1	Integrate HHSC content management solution (OnBase) with the Contractor's solution.

Document Management Requirements	
Req ID	**Detailed Requirements**
CDOC-2	Provide and distribute all HHSC approved MMIS documentation used to support HHSC business functions within HHSC approved timelines and with content approved by HHSC. All documentation and updates must be clear, concise, accurate, and easily referenced. Use industry standards during the development and maintenance of all HHSC approved documentation. All new documentation or modifications to existing documentation must be reviewed and approved by HHSC prior to distribution.
CDOC-3	Conduct a quality assurance (QA) review to confirm all document change requests are complete prior to distribution to HHSC. Maintain and update all documentation in accordance with HHSC approved criteria and industry standards (see **Table 12, Document Management Requirements**.)
CDOC-4	Ensure that all components of correspondence, documentation, and Deliverables received are version-controlled, tracked, retrievable, and searchable within timeframes required by HHSC.
CDOC-5	Notify HHSC when updated reference materials (e.g., requirements matrices, manuals, user documentation, business rules catalog, and training materials) are available for HHSC review no more than three (3) Business Days after update. The Contractor shall provide 24x7 access to HHSC for all reference materials.
CDOC-6	Comply with federal (45 CFR §164.316), State, and program Records Management Policy and Retention Schedule(s) for all data and documentation, except where a different retention period is specified by HHSC.
CDOC-7	Provide to HHSC all electronic and/or original documents for all transactions processed in the media that it exists.
CDOC-8	Send documents and the necessary indexing metadata to HHSC managed document repository.

2.1.3.7.1 Document Management Key Performance Measures

The requirements listed in **Table 13, Document Management Key Performance Measures** below describe the level of performance and associated liquidated damages required for Document Management that must be performed by the Contractor during the Contract Term.

Table 13 – Document Management Key Performance Measures

Document Management Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CDOC-9	Document all business rules applicable to the functioning of the Contractor's solution and document any new or changed business rules no more than ten (10) Business Days after the implementation of a change.	$100 per Business Day beyond the ten (10) Business Days after the implementation of a change.

CDOC-10	Maintain up to date functional documentation, including both user documentation and the Operations Procedure Manual.	$100 per document, per day the documentation does not match the functionality of the Contractor's solution.
CDOC-11	Training documentation shall be updated no more than ten (10) Business Days after the implementation of a change.	$100 per day beyond the performance standard the ten (10) Business Day after the implementation of an applicable change.

2.1.3.8 Clinical Review (Prior Authorization) System Requirements

Prior authorization (PA) is required for selected non-emergency medical services, equipment, clinician-administered drugs and supplies, before the Services or supplies are provided. The PA process involves the clinical review of requested services to ensure the service meets the medical necessity criteria as defined in policy. The Business Operations and Business Integration service provider will provide the review function.

The PA system is currently HHSC-owned. The Respondent may propose the use of its PA system as part of this Solicitation and HHSC will determine whether the Contractor proposed system, or the State-owned system will be used. If the HHSC-owned system is utilized the Contractor will support interfaces to allow adjudication against the PA data as outlined in requirements in **Section 2.1.3.14, Interface Requirements**.

If the Contractor's PA system is used, access must be available to the Business Operations and Business Integration service provider for workflow processes (CPAS-10).

The HHSC Long-Term Care (LTC) Program utilizes a service authorization process to record Client eligibility, cost sharing information, and authorized Services. Service authorization information is determined in the HHSC LTC Service Authorization System (SAS) and is then sent to the Contractor for use in claims adjudication for LTC programs. All LTC claims are required to have a service authorization prior to payment.

If the Contractor's PA system is used, the requirements for the PA System listed in **Table 14, Prior Authorization System Requirements** below must be performed by the Contractor during the Contract Term.

Table 14 - Prior Authorization System Requirements

Prior Authorization System Requirements	
Req ID	**Detailed Requirements**
CPAS-1	Provide the ability to create, receive, maintain, and issue Client service/prior authorizations for HHSC approved service(s) with or without a specified Provider, per HHSC policy.

Prior Authorization System Requirements	
Req ID	**Detailed Requirements**
CPAS-2	Provide a service/prior authorization process that is flexible (e.g., across numerous programs, benefit plans, external systems interfaces, claim types, and Services).
CPAS-3	Provide the ability to identify, maintain, store, and report the status of all service/prior authorization requests (e.g., approved, denied, in process) as defined by HHSC.
CPAS-4	Provide authorized users the ability to identify and report the current status of all service/prior authorization requests individually or in summary format (e.g., approved, denied, in process) as defined by HHSC.
CPAS-5	Produce and transmit final PA determination detailed notification letters to Clients and Providers using Provider's preferred method of communication and HHSC approved program templates. Notification to the Client, including interim and final determinations, must always be provided by a notice letter. Information regarding the appeal process or fair hearings and timeframes for filing using an HHSC approved communication option must be included in the letter.
CPAS-6	Retain and retrieve all PA records consistent with HHS's Records Management Policy and Retention Schedule. The PA records, in any format, include but are not limited to: a. All current and stored document inventory; b. Internal and external correspondence of any kind; c. Claims and supporting documentation of any kind (including diagnostics, requests, reports, forms, tools, photographs, research, and claims information); d. All PA information and processes; e. Determinations of any kind; and f. All memorandum regarding the PA requests.
CPAS-7	Provide an electronic copy of each PA determination notice letter to the HHSC data warehouse in a searchable and retrievable format.
CPAS-8	Accept PA requests in any medium approved by HHSC, and process according to HHSC approved processing timelines.
CPAS-9	Apply the appropriate PA rules for each benefit plan according to HHSC approved policies.
CPAS-10	Provide Contractor PA system access to the Business Operations and Business Integration service provider's authorized staff for workflow processes.

2.1.3.9 Claims Processing Requirements

This section contains requirements for the Contractor to perform all processes involved in paying claims submitted or denying them after comparing claims to the benefit or coverage requirements specific to HHSC approved business rules. The claims processing requirements have been grouped in subsections by Adjudication, Business Rules (including Edits/Audits), Pricing and Payment, and Reprocessing/Adjustments.

The Third-Party Liability (TPL), business function is to ensure that Texas Medicaid and/or the Children with Special Health Care Needs (CSHCN) Services program are the payors of last resort. See, **Exhibit Q, MMIS Third Party Liability Processing (TPL)**

TPL activities occur before and after the payment of claims. If a TPL resource is known at the time of claims processing, claims that do not include a disposition from the TPL resource will be denied, and the Provider will be instructed to bill the other insurance carrier (cost avoidance). Post-payment recovery activities (pay-and-chase) center on billing TPL resources after the claim has been paid. Cost avoidance activities during FFS claim processing (e.g., edits, audits, business rules) will be based on data received from the Business Operations and Business Integration service provider. To ensure Client confidentiality, TPL is not a requirement in billing Family Planning Program services. The Business Operations and Business Integration service provider's TPL processes include:

a. Identification and verification of TPL sources and adding the data to the TPL System;
b. Sending the TPL source data to all Trading Partners (e.g., Claims Contractor, Pharmacy Contractor, MCOs,); and
c. Recoveries for FFS claims, FFS pharmacy claims, and MCO medical and pharmacy encounters.

The TPL function has three objectives:

a. Ensuring that the Texas Medicaid and/or CSHCN Services program are the payors of last resort;
b. Coordinating benefits with other payors; and
c. Recovering funds owed to the Texas Medicaid and/or CSHCN Services program.

2.1.3.9.1 Claims - Adjudication Requirements

The requirements for adjudication listed in **Table 15, Claims Adjudication Requirements** below describe the tasks and activities that must be performed by the Contractor during the Contract Term.

Table 15 – Claims Adjudication Requirements

Claims Adjudication Requirements	
Req ID	**Detailed Requirements**
CPRC-1	Accommodate high volume Providers (American National Standards Institute [ANSI] and Third-Party Billing Agents) and provide the ability to electronically accept claims in batches.
CPRC-2	Accept or reject electronically submitted claims no later than twenty-four (24) hours after receipt.
CPRC-3	Process and adjudicate all claims transactions and apply edits using configurable business rules as defined by HHSC. Business rules include, but are not limited to: a. Duplicate checking edits; b. History checking edit;

Claims Adjudication Requirements	
Req ID	**Detailed Requirements**
	c. Bundling edits; d. Payment error rate measurements (PERM) audit support; e. Edits based on trend analysis against claims history; f. National correct coding initiative – medically unlikely edits (NCCI / MUE); g. NCCI– procedure to procedure (PTP) edits; h. Edits for current procedural terminology (CPT4) to healthcare common procedure coding system (HCPCS) relationship; i. Maximum allowable units by revenue code/HCPCS relationship; j. Limit checks for Client accumulators, such as dollar and unit limits reached monthly, annually, and lifetime; k. Diagnosis codes to procedure code relationships; l. Service authorizations; m. Age vs procedure; n. Gender; o. Eligibility vs procedure; p. Provider type or specialty; q. NDC-to-HCPCS crosswalk; and r. Category of service.
CPRC-4	Adjudicate and finalize claims at a frequency (e.g., real-time, near-real-time processing, and batch processing where appropriate and/or necessary) as defined by HHSC.
CPRC-5	Follow established operational claim processes and procedures to ensure that all claims for Services are adjudicated based on the policies and business rules applicable on the date each service was rendered, unless explicitly directed otherwise by HHSC.
CPRC-6	Support electronic forms or other electronic attachments (e.g., required forms, trip reporting, medical records) needed to support proper claims processing and ensure the form is matched to the submitted claim. Additionally, accept attachments via standard HIPAA transaction formats or any standard healthcare delivery methods.
CPRC-7	Automatically identify missing claims attachments (e.g., required forms, trip reporting, medical records) and automatically search the document repository for relevant documentation (e.g., a document associated to the Client and service type for the attachment) and associate the document with the claim.
CPRC-8	Provide the ability to auto-deny an edit and process the claim in the absence of required information (i.e., missing attachment) and after multiple adjudication cycles over a timeframe defined by HHSC.
CPRC-9	Provide the ability to automatically or manually suspend claims based on configurable business rules (e.g., inactive eligibility, one day-specific eligibility, nursing home span, attachment) including the ability to cycle claims for adjudication automatically when criteria are met as defined by HHSC.
CPRC-10	Support the routing and assignment of suspended claims based on edits using HHSC-approved business rules.

Claims Adjudication Requirements	
Req ID	**Detailed Requirements**
CPRC-11	Allow, by authorized users, manual and system overrides (e.g., force, deny, clear edit, super-suspend), and bypass criteria for edits on an individual claim or batch of claims, including the source of the override as part of each individual claim. The application of overrides must be reflected in the audit trail.
CPRC-12	Store, on the header and/or each claim line, the claims payment methodology used to adjudicate the respective header and/or claim line. Provide the claims payment pricing for both the header and claim line level for each claim.
CPRC-13	Receive, maintain, and store all Medicare Part A, B, and D claims payment information as specified by HHSC.
CPRC-14	Accept and process Medicare crossover claims using Medicare coinsurance and deductible amounts on the coordination of benefits segment(s) using HHSC configurable rules (e.g., claim type, Provider type, benefit package, age, Medicare coinsurance, Medicare deductible, Medicaid allowed, with Medicaid as the payer of last resort).
CPRC-15	Identify and utilize in adjudication third-party and/or Medicare/Medicaid crossover coverage/payments at the header or line level to pay (e.g., pay in full, pay reduced amount, pay at zero, or pay coinsurance and deductible) or deny as defined by HHSC-approved business rules.
CPRC-16	Provide the capability to exempt select services or Clients from cost share based on federal or State law (e.g., emergency services, preventive services, family planning services, pregnancy related services, generic drugs, immunizations, THSteps) as defined by HHSC.
CPRC-17	Apply PA constraints (e.g., rate caps) when computing payment amounts using HHSC defined criteria.
CPRC-18	Adjudicate claims according to the service/prior authorization and Provider files sent by HHSC.
CPRC-19	Process all claims transactions using edits and business rules during adjudication to validate transactions against service authorization(s), track utilization (e.g., authorized vs. used) and apply edits if there are duplicate service authorizations or one or more service authorizations that conflict with each other as defined by HHSC.
CPRC-20	Provide the ability to receive, maintain, store, and link all claims transactions data included in a service authorization based on configurable business rules as defined by HHSC. Provide the ability to display this data through a dashboard accessible by HHSC.
CPRC-21	Validate that a Medical Transportation Program (MTP) authorization is present before adjudicating an MTP claim.
CPRC-22	Validate Client program eligibility with MTP before adjudicating an MTP claim, unless directed by HHSC to override the eligibility.

Claims Adjudication Requirements	
Req ID	**Detailed Requirements**
CPRC-23	Adjudicate MTP claims: a. When an MTP service authorization is present, and the Client is eligible for Medicaid when the authorization is validated; b. When an MTP service authorization is present, and the Client is eligible for the CSHCN Services program when the authorization is validated; c. When an MTP service authorization is present, and the Client is eligible for Transportation for Indigent Cancer Patients (TICP) when the authorization is validated; and d. When an MTP authorization is present, and no program eligibility is present when the authorization is validated.
CPRC-24	Bypass the following edits when processing MTP claims: a. Client eligibility validation; and b. Duplicate authorization validation.
CPRC-25	Submit a report for all finalized MTP claims with HHSC approved timeframe, content and format.
CPRC-26	Return an informational message to the MTP service provider when a Client does not have program eligibility on the date of service (DOS).
CPRC-27	Capture, track, maintain, store, and report claims processing and payment information based on configurable business rules as defined by HHSC (e.g., service category, Provider type, submission date, entry date, claim input media, adjudication date, and payment date) and federal requirements.
CPRC-28	Create, store, and maintain trauma indicators, including effective and end dates, International Classification of Diseases, Tenth Edition (ICD-10) external cause codes, or other indicators used for identifying potential TPL cases as defined by HHSC.
CPRC-29	Record other insurance information submitted on claims and forward the information to the Business Operations and Business Integration service provider for processing.
CPRC-30	Coordinate with the Business Operations and Business Integration services provider to create a process for informational claims. Informational claim tasks include: a. Process the informational claims, as defined by HHSC approved claims filing deadline calendar, no later than ninety-five (95) Calendar Days after the DOS; b. Receive and process Provider requests to convert an informational claim so that it can be considered for payment; c. Utilize HHSC approved letterhead, with content and format approved by HHSC, for all information claim correspondence; d. Waive the applicable filing deadline when the Provider requests the informational claim be converted for payment eighteen (18) months from the claim's DOS, with HHSC approval; and

Claims Adjudication Requirements	
Req ID	**Detailed Requirements**
	e. Archive the informational claims once the requirement for an eighteen (18)-month hold period expires.
CPRC-31	Utilize Client-on-review information to cost avoid workers' compensation cases.
CPRC-32	Maintain mappings between types of TPR coverage and program covered services for cost-avoidance edits. Analyze the results of cost-avoidance edits and submit recommended changes to HHSC for approval annually on September 1st, or as requested by HHSC.
CPRC-33	Require present on admission (POA) indicators on all inpatient claims for all facility Provider types.
CPRC-34	Accept Client liability (e.g., spenddown, nursing home, maximum out-of-pocket, cost-share coordination), information from relevant source(s) (e.g., eligibility, financial) and apply configurable business rules to deduct the liability from the appropriate claims.
CPRC-35	Receive, store, maintain, and display explanation of benefit (EOB) codes, adjustment reason codes, and exception codes. The Contractor will map these codes to their respective CAQH CORE standard codes for processing X12 transactions (e.g., 837, 835.) Support configuration for valid values for both code sets and support standard values for X12 837 and X12 835 files.
CPRC-36	Produce a HHSC-defined report on rules passed or failed for all transactions.
CPRC-37	Capture, store, maintain, update, display, and report all claim processing activity (e.g., adjudication status, suspended claims by status and location, claims origin, adjustments, pre-adjudication validation, payment status) as defined by HHSC.
CPRC-38	Provide the ability to view summary level claim information for a Client. HHSC approved users shall have the ability to view utilization by service type (e.g., dental, vision, therapy), the ability to view header and line level edits, including the ability to filter the claims (e.g., DOS, date of payment, claim status, Provider type, claim type, rendering Provider, pay-to Provider) as defined by HHSC.
CPRC-39	Capture, store, and maintain the status of each claim's transaction (e.g., as suspended, paid, denied, to be paid, to be denied) based on HHSC configurable business rules. Display status of claims in an online dashboard accessible by HHSC staff resources.
CPRC-40	Provide online access to at least the most recent thirty-six (36) months of LTC, non-claims data (i.e., service authorizations, Client eligibility, Provider eligibility, and contracts).
CPRC-41	Process and adjudicate State Supported Living Center (SSLC) and Bond Home claims received in an X12 837I format from HHSC. Upon final adjudication, send the claims data in agreed upon format to HHSC for payment processing.

Claims Adjudication Requirements	
Req ID	**Detailed Requirements**
CPRC-42	Accept and update SSLC and Bond Home claims final payment data from HHSC in agreed upon format and send final claims data to HHSC.
CPRC-43	Establish and maintain a process to coordinate statistical bucketing/assignments with HHSC staff.
CPRC-44	Maintain HHSC approved functionality to appropriately bucket/assign claims for STAT reporting.

2.1.3.9.2 Claims – Business Rule Requirements

The requirements for business rules listed in **Table 16, Business Rule Requirements** below describe the tasks and activities that must be performed by the Contractor during the Contract Term.

Table 16 - Business Rule Requirements

Business Rule Requirements	
Req ID	**Detailed Requirements**
CPRC-43	Support the capability to enforce or waive timely claims filing requirements using configurable business rules as defined by HHSC.
CPRC-44	Provide a base set of date driven claims edits, audits, and rules for HHSC use and maintain a version history of rules.
CPRC-45	Create, store, and maintain configurable edits and audits (e.g., Client groups, benefit plan, age, region, claim type, procedure, Provider type, and/or specialty, Provider taxonomy, tooth number, modifiers, benefit plan, or lock-in or lock-out) as defined by HHSC.
CPRC-46	Identify and deny or suspend duplicate or suspected duplicate claims across all claims transactions submitted by all enrolled Providers, organizations, and MCOs based on configurable business rules as defined by HHSC.
CPRC-47	Provide the ability to process claims with Medicaid-covered, non-covered, and non-healthcare services (e.g., durable medical equipment (DME), transportation, EPSDT, home modifications, waiver services) as defined by HHSC configurable business rules.
CPRC-48	Provide the ability to automatically or manually configure an edit to process claims or adjustments for a specific event (e.g., retroactive rate adjustment) or group of claims (e.g., edit, batch, Provider type, Client, and claim type) as defined by HHSC.
CPRC-49	Provide the ability to edit new claims against prior history of adjudicated and in-process claims (e.g., once in a lifetime service limits, cumulative limits, and duplicates) using HHSC defined configurable business rules.
CPRC-50	Provide a configurable crosswalk (e.g., procedure codes, diagnosis codes, and benefit plans) to define valid/invalid code combinations as defined by HHSC.
CPRC-51	Provide the ability to configure business rules to be date-specific (e.g., date added, date modified, start date, end date, and Effective Date) as defined by HHSC.
CPRC-52	Provide a configurable edit hierarchy for all claims transactions and apply the hierarchy during claims adjudication.

Business Rule Requirements	
Req ID	**Detailed Requirements**
CPRC-53	Provide the ability to receive, store, and update multiple Provider per diem rates based on Client level of care and/or the Provider's qualifications based on configurable business rules as defined by HHSC.
CPRC-54	Edit medical claims against adjudicated pharmacy claims transactions from the pharmacy system to ensure that the service or product (e.g., DME) has not already been paid on a pharmacy claim using configurable business rules as defined by HHSC.
CPRC-55	Provide business rules to allow carve out benefits and procedures (e.g., services allowed to be billed outside of an MCO plan as FFS transactions) to benefit plans as defined by HHSC.
CPRC-56	Perform Client lock-in activities based on HHSC policy (e.g., benefit plans, category of service, diagnosis, and procedure codes) as defined by HHSC.
CPRC-57	Provide the capability for the business rules engine to allow changes to be made to valid values and the ability to rollback to prior versions of rules without impacting production rules engine availability and operations.
CPRC-58	Provide within the Contractor’s solution, mechanisms to identify which rules are executed for each specific business process.
CPRC-59	Establish controls to ensure that claims from non-CIHCP Providers are not paid under the CIHCP program.
CPRC-60	Ensure all claims are processed using HHSC approved claims business rules in effect on the DOS.
CPRC-61	Require the National Drug Code (NDC), HCPCS code, HCPCS billing units, and NDC billing units on all outpatient Provider-administered drug claims for all applicable programs.
CPRC-62	Post all payment categories (e.g., TPL, deductibles, copayments, and co-insurance) to the detail and/or claim level.
CPRC-63	Initiate, or in response to a CSHCN Services program request, develop, update, and implement edits and audits, procedure code and diagnosis groupings for the CSHCN Services program. Obtain CSHCN Services program approval for all edit and audit changes prior to implementation in accordance with the HHSC approved Change Management Plan.
CPRC-64	Establish the allowed amount of the claim prior to Client copay and/or cost share amount.
CPRC-65	Capture, store, maintain, and report deductibles, copay, and coinsurance paid by Client and benefit plan and/or program type.
CPRC-66	Provide the ability to track copays applied and/or credited for each assessment period.
CPRC-67	Provide the capability to calculate and view cost share information (e.g., maximum out of pocket, cost share, and LTC patient liability) and generate notification as specified by HHSC.
CPRC-68	Track cost sharing applied and/or adjusted, voided, or credited for each assessment period and create a new assessment period as defined by HHSC.

Business Rule Requirements	
Req ID	**Detailed Requirements**
CPRC-69	Coordinate with the HHSC Programs to set and maintain an annual maximum payout limit for Providers and other HHSC-designated entities (e.g., programs) providing specific Services and provide the ability to cease payments once the established annual limit, as defined by HHSC, has been reached.
CPRC-70	Place claims in suspended status for program or waiver funding limitations and allow authorized users the ability to release claims for payment upon review.
CPRC-71	Reimburse on a pro-rated basis once the threshold amount is reached for program or waiver claims, until the maximum expenditure allowance is reached. Once the maximum expenditure allowance is met, then pay no further claims.
CPRC-72	Provide automated processing logic to price out-of-state claims (e.g., local rate, percent of charges, or suspend for manual pricing) based on configurable business rules defined by HHSC.
CPRC-73	Allow payment to FFS Providers for Services rendered to Clients in pre-enrollment periods or other periods of transition (e.g., presumptive eligibility) based on configurable business rules defined by HHSC.
CPRC-74	Coordinate any required changes to adjudication guidelines for any newly created or updated business rules within agreed upon timelines for HHSC review and approval.
CPRC - 75	Coordinate with the Business Operations and Business Integration service provider to develop and maintain operational processes to support high cost DME policy.

2.1.3.9.3 Claims – Pricing and Payment Requirements

The requirements for pricing and payment listed in **Table 17, Pricing and Payment Requirements** below describe the tasks and activities that must be performed by the Contractor during the Contract Term.

Table 17 – Pricing and Payment Requirements

Pricing and Payment Requirements	
Req ID	**Detailed Requirements**
CPRC-76	Make payments to only enrolled Providers per HHSC-approved processes and procedures.
CPRC-77	Provide a configurable hierarchy of pricing and reimbursement methodologies as determined by HHSC.
CPRC-78	Maintain the pricing for a claim after all third-party insurance edits and pricing processes are executed.
CPRC-79	Provide the capability to configure claim copays and/or cost-share assessments (e.g., benefit plan, age, claim type, service, Provider, race, Integrated Health Services (IHS) utilization, nursing home residents, household limits by time period and cost-share coordination) as defined by HHSC.
CPRC-80	Price all claims according to benefit plans, Provider contracts, pricing data, and reimbursement methodologies, and applicable on the DOS on the claim.

Pricing and Payment Requirements	
Req ID	**Detailed Requirements**
CPRC-81	Provide the capability for the HHSC to utilize multiple criteria to price Services at different rates (e.g., geographic region, benefit plan).
CPRC-82	Provide the ability to create and modify rate types (e.g., rate increases and decreases, payment methodologies, beginning and end dates, and DOS) based on HHSC defined business rules. All changes must have an effective date.
CPRC-83	Provide a grouping functionality that supports header and line level grouping methodologies (e.g., APR-DRG, APC) as defined by HHSC.
CPRC-84	Utilize configurable data elements and business rules that support the requirements of 42 CFR Part 447, Payments for Services.
CPRC-85	Retain pricing and reimbursement methodologies and their details (e.g., effective and end date, parameters, indicators, gender, age, units, and benefit plan) and the audit history of all changes for the determined retention period as defined by HHSC.
CPRC-86	Provide the capability to price global services (e.g., bariatric surgery, surgical services, surgery, pre- and post-op, prenatal) based on a primary procedure code. The Contractor's solution must allow for pricing incremental services related to the primary procedure code (e.g., lab services, pre- or post-op to the primary service) or Services and procedures deemed related and concurrent to the primary procedure code.
CPRC-87	Calculate accurately, based on HHSC configurable business rules, allowable reimbursement criteria for each service according to date specific rules and limitations applicable to each claim type, including service, pricing modifiers (multiple), benefit plan, category of service, and Provider type or specialty in accordance with established Program policy.
CPRC-88	Provide pricing methodologies as defined by HHSC and compliant with 42 CFR Part 447 to include, but not be limited to: a. Provider contracted rates; b. CPT/HCPCS/CDT and modifier codes; c. Fee schedule for the corresponding date; d. Resource based relative value scale (RBRVS) claims; e. Manual pricing; f. Place of service; g. Specialty type; h. Pay by report; i. Age range; j. Category of service; k. CDT procedure code fee schedule; l. Revenue codes; m. APR-DRG (Diagnosis-Related Group); n. Ambulatory patient group (APG); o. Per diem at Provider specific rates;

Pricing and Payment Requirements	
Req ID	**Detailed Requirements**
	p. Add-on pricing amounts to any pricing structures based on other claim attributes (e.g., service facility, Provider type or specialty, and place of service); q. Variable percentage of billed charge; r. Variable percentage based on Provider type (e.g., Federally qualified health centers (FQHC), rural health clinics (RHC)); s. Per member per month (PMPM) with line level detail; t. Outpatient prospective payment system; u. Bundled and unbundled pricing; v. Global service pricing; w. Calculation required for resource-based relative value system fee schedule for radiology, anesthesia, and general medical services; x. Tiered pricing into which a variety of Services are grouped depending on the treatment type and intensity of care required; y. Invoicing pricing (e.g., plus/minus percentage, procedure code); z. Geographic designation; aa. Lab pricing; bb. Special pricing based on time (e.g., anesthesia); cc. Medicare crossover claims; dd. Cost to charge percentage; ee. Maximum of inpatient charges; and ff. Radiology codes with multiple components.
CPRC-89	Capture, store, maintain, and send the data required to allow invoicing the manufacturers for the drug rebate, including any adjustments or credits to the claim as defined by HHSC.
CPRC-90	Provide automated pricing logic to convert time measurement units into the correct dollar value for payment (e.g., anesthesia).
CPRC-91	Provide a cutback ability for Services limited as defined by HHSC configurable business rules (e.g., pre-certification/service authorization, dollar amount, additional ancillary services).
CPRC-92	Make payments for all CIHCP claims to the Department of State Health Services (DSHS) County Indigent Health Care program in accordance with DSHS-approved processes and procedures.
CPRC-93	Designate claims as "Funds Gone" when HHSC Family Planning program funding is exhausted, or no accounts receivables (AR) exist.
CPRC-94	Apply funds to open accounts receivable balances prior to issuing a payment to a Provider, by matching open AR based on a Provider's NPI, Atypical provider identifier number, tax identification number, or same legal entity.
CPRC-95	Create weekly payment records for electronic submission to HHSC Fiscal Division, for the Family Planning program or other HHSC-defined program claims, and provide payment voucher, date, and backup documentation to HHSC each week, in a format specified by HHSC.

Pricing and Payment Requirements	
Req ID	**Detailed Requirements**
CPRC-96	Identify each claim with the account and revenue codes required for tracking to HHSC accounting system as requested by HHSC.
CPRC-97	Reimburse Providers' inpatient claims identified as Client transfers based on HHSC pricing methodology.
CPRC-98	Reimburse Providers' short stay inpatient claims based on the HHSC pricing methodology.
CPRC-99	Reimburse Providers' pro-rated eligibility inpatient claims (e.g., overlapping benefit plans, changes in benefit plan) based on the HHSC pricing methodology.
CPRC-100	Provide the capability to support outlier and interim billing as defined by HHSC.
CPRC-101	Calculate and apply Client liability at the header or line level (e.g., FPL, aid category, benefit plan, monthly out-of-pocket maximum allowance, or other factors) as defined by HHSC.
CPRC-102	Set a manual pricing indicator flag at either header or line items on a claim that is manually priced by the Contractor. The solution shall capture and store the reason for the manual pricing and identify the user.
CPRC-103	Apply automatic payment adjustments (e.g., incentives and penalties, fixed rates, percentage of approved payments) and apply appropriate incentive pricing as defined by HHSC.
CPRC-104	Provide the capability to configure payment adjustments (e.g., incentives and penalties, fixed rates, percentage, benefit plan) and schedule or automatically execute in real-time the adjustment of claims as defined by HHSC.
CPRC-105	Allow Provider-specific administrative payments associated with a specific Client, but issued to a Provider due to: a. Dire financial need caused by an erroneous change in a Client's service authorization; b. Client safety (to ensure proper Client care); c. Either a data or a service authorization (mutually exclusive) issue or error that prevents normal claim payment; or d. When Medicaid eligibility is lost after Services have been rendered.
CPRC-106	Update institutional reimbursement rates whenever the Provider-specific cost audit and settlement indicates the need for an adjustment, as directed by the HHSC.
CPRC-107	Receive, review, and process recoupment and repayment of claims identified by HHSC, referencing the source and reason for each recoupment activity.

2.1.3.9.4 Claims – Reprocessing/Adjustments Requirements

The requirements for reprocessing/adjustments listed in **Table 18, Reprocessing/Adjustments Requirements** below describe the tasks and activities that must be performed by the Contractor during the Contract Term.

Table 18 – Reprocessing/Adjustments Requirements

Reprocessing/Adjustments Requirements	
Req ID	**Detailed Requirements**
CPRC-108	Provide the ability to automatically or manually reprocess claims (e.g., paid, denied, suspended) based on HHSC configurable business rules (e.g., new or updated eligibility, TPL, benefit plan changes, aid category changes, rate updates, date of death, Client liability, new or updated service authorization, and edit resolution).
CPRC-109	Identify, rollback/recover, reprocess, and report on all claims transactions processed in error (e.g., system malfunction, sending or receiving error, or Contractor's error) as defined by HHSC.
CPRC-110	Provide the ability to process claims adjustments and voids; maintain the original claim and link all adjustments and voids to allow users to easily view the claim processing history as defined by HHSC.
CPRC-111	Provide the ability to allow for a configurable edit disposition (i.e., retain all, none, or selected prior edit dispositions) on a claim adjustment (e.g., mass adjustment, or individual claim adjustment) to finalized claims.
CPRC-112	Provide, as part of the adjustment request, the ability to record a detailed description of the reason for performing adjustments (e.g., mass adjustments, individual adjustments, or history only adjustments). Link the detailed description to all affected claims and allow HHSC-authorized user inquiry.
CPRC-113	Provide the ability to generate adjustment notifications (e.g., mass adjustment, gross adjustment, history adjustment, or individual adjustment) for user requested adjustments to the HHSC-authorized user based on HHSC defined configurable business rules.
CPRC-114	Provide the ability for the adjustment (e.g., mass adjustment, individual adjustment, history only adjustment) process to maintain claim specific recoupments as specified by HHSC configurable business rules.
CPRC-115	Process ninety-eight percent (98%) of claims that are a result of Administrative Appeals no later than ten (10) Business Days after the date the ticket is created and submitted to the Contractor, or as directed by HHSC. Process one hundred percent (100%) of claims from Administrative Appeals no later than forty-five (45) Calendar Days after the date the ticket is created and submitted to the Contractor or as directed by HHSC.
CPRC-116	Initiate adjustments on specified claims as directed by HHSC in accordance with State law, when a Provider has been convicted of filing fraudulent claims.
CPRC-117	Identify and reprocess CSHCN Services program's claims for Clients that have received retroactive Medicaid eligibility using HHSC approved processes and procedures.
CPRC-118	Create AR and reprocess claims for Clients with retroactive eligibility for the HHSC Family Planning and/or Healthy Texas Women program(s) using HHSC approved processes and procedures.

Reprocessing/Adjustments Requirements	
Req ID	**Detailed Requirements**
CPRC-119	Automatically process and pay "Funds Gone" claims if additional funds or accounts receivable become available for the same year, or period as defined by HHSC, in which the Services were provided.
CPRC-120	Process all retroactive adjustments supplied by HHSC. Apply weekly retroactive adjustments for all LTC Services. Maintain sufficient system capacity to process all HHSC retroactive adjustments weekly.
CPRC-121	Systematically reprocess finalized claims based on changes to payment related information, including, but not limited to, Client's other insurance, eligibility, Provider or Client data changes.
CPRC-122	Execute and perform mass updates and mass adjustments processing, including suspended claims, within timeframes approved or directed by HHSC.

2.1.3.9.5 Claims Processing Key Performance Measures

The requirements listed in **Table 19, Claims Processing Key Performance Measures** below describe the level of performance and associated liquidated damages required for claims processing that must be performed by the Contractor during the Contract Term.

Table 19 – Claims Processing Key Performance Measures

Claims Processing Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CPRC-123	Adjudicate ninety-eight percent (98%) of all Clean Claims, as defined by CMS, (paper and electronic) no more than thirty (30) Calendar Days after the date of receipt by the Contractor. This Key Performance Measure will be measured monthly and excludes LTC claims.	$5,000 for each percentage point, or portion thereof, for failing to adjudicate ninety-eight (98%) of Clean Claims (paper and electronic) no more than thirty (30) Calendar Days of the date of receipt by the Contractor.
CPRC-124	Adjudicate ninety-nine percent (99%) of all Clean Claims (paper and electronic) no more than ninety (90) Calendar Days of the date of receipt. This Key Performance Measure will be measured monthly and excludes LTC claims.	$5,000 for each percentage point, or portion thereof, for failing to adjudicate ninety-nine percent (99%) of all Clean Claims (paper and electronic) no more than ninety (90) Calendar Days of the date of receipt.

CPRC-125	Adjudicate one hundred percent (100%) of claims (paper and electronic) no more than three hundred sixty-five (365) Calendar Days of the date of receipt. This Key Performance Measure will be measured monthly and excludes LTC claims.	$5,000.00 for each percentage point, or portion thereof, for failing to adjudicate one hundred percent (100%) of all Clean Claims (paper and electronic) no more than three hundred sixty-five (365) Calendar Days of the date of receipt.
CPRC-126	Process ninety-nine and eight tenths of one percent (99.8%) of LTC electronic claims no later than three (3) Calendar Days; and one hundred percent (100%) of LTC electronic claims no later than five (5) Calendar Days after receipt of the claim. The percentage is calculated on a monthly basis.	$5,000 for failing to meet the 3-day standard or $15,000 for failing to meet the five (5)-day standard.
CPRC-127	Maintain a minimum of ninety-eight percent (98%) accuracy rate for processing claims, which is measured monthly against HHSC approved criteria for all programs excluding LTC.	$5,000 for each percentage point, or portion thereof, for failing to meet the monthly ninety-eight percent (98%) standard.
CPRC-128	Process LTC claims according to HHSC approved business rules such that incorrectly processed claims will not exceed five hundred (500) claims per single defect.	For each occurrence of a defect within the Contractor's control that impacts claims accuracy amounts, HHSC may assess: a. $10,000 for each defect that affects more than five hundred (500) claims, b. $20,000 for each defect that affects more than ten thousand (10,000) claims. LDs shall be assessed on a per defect basis and therefore in a given month there could be more than one LD applied if more than one defect impacting claims accuracy is discovered by HHSC or the Contractor in a given month.
CPRC-129	Adjudicate a minimum of ninety-nine and nine tenths of a percent (99.9%) of all claims submitted via electronic data interchange (EDI) and web portal that do not require manual intervention no more than five (5) minutes of receipt.	$2,000 per month if a ten percent (10%) random sample of adjudicated claims in that month fail to meet minimum requirement.

CPRC-130	Process emergency payment requests no more than one (1) Business Day after receipt of the request.	$2,000 per Business Day for each day past one (1) Business Day of receipt of request.
CPRC-131	Reprocess and finalize ninety-eight percent (98%) of claims that were incorrectly paid or denied no more than thirty (30) Calendar Days after reported discovery or as directed by the HHSC. This Key Performance Measure excludes LTC claims.	$5,000 for each percentage point, or portion thereof, for failing to reprocess at least ninety-eight percent (98%) of incorrectly paid or denied claims no more than thirty (30) Calendar Days of the date of discovery.
CPRC-132	Reprocess and finalize one hundred percent (100%) of claims that were incorrectly paid or denied no more than fifty (50) Calendar Days after discovery or as directed by HHSC. This Key Performance Measure excludes LTC claims.	$5,000.00 for each percentage point, or portion thereof, for failing to reprocess at least one hundred percent (100%) of incorrectly paid or denied claims no more than fifty (50) Calendar Days of the date of discovery.

2.1.3.10 Data Management Requirements

Data management principles include: data policy; data ownership, and responsibilities for ensuring legislative compliance; data documentation and metadata compilation; data quality, standardization and harmonization; data lifecycle control; data stewardship; data access and dissemination; and data audit.

Data management/reference requirements listed in **Table 20, Data Management Requirements** below, describe the functionality, features, and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 20 – Data Management Requirements

Data Management Requirements	
Req ID	**Detailed Requirements**
CDAM-1	Data management strategy shall include the following concepts: a. Data integrity (data cannot be modified undetectably); b. Data availability (access is not inappropriately blocked or denied); c. Data authenticity (validation of transactions); d. Data security (encryption and HHSC approved security protocols; and processes); and e. Non-repudiation of data (parties to a transaction cannot deny their participation in the transaction).
CDAM-2	Maintain and update all HHSC-approved data sets, reference files (e.g., rates, reimbursement data, national code set), data elements, and functions required for all Programs within an HHSC approved timeline.

Data Management Requirements	
Req ID	**Detailed Requirements**
CDAM-3	Receive, store, and utilize the EVV bill codes to identify EVV-required Services, claims matching effective dates, and other key details regarding EVV claims matching as defined by HHSC.
CDAM-4	Update all HHSC reimbursement rates and Services by program specific guidelines, or as directed by HHSC, within an HHSC approved timeline.
CDAM-5	Identify, procure, and maintain licenses for all reference data (e.g., payment methodologies, claims editing, translator(s)) and electronic copies (e.g., implementation guides, reimbursement methodologies, National Correct Coding Initiative policy manual) necessary to support the acceptance, editing, pricing, adjudication, and payment of healthcare and non-healthcare claims for use by all functions under the same contract as defined by HHSC. These licenses must allow the reference data to be shared with other modules within the same contract (e.g., care management, Medicaid/CHIP Data Analytics platform, Provider services, TPL, customer care, fraud, waste, and abuse) to support the administration of the Programs.
CDAM-6	Store and maintain reference file tables for all reimbursement methodologies as defined by HHSC to include, but not be limited to, the following: a. Provider contracted rates; b. CPT, HCPCS, CDT and modifier codes; c. Fee schedule for the corresponding date; d. RBRVS claims; e. Manual pricing; f. Place of service; g. Specialty type; h. Pay by report; i. Age range; j. Category of service; k. CDT procedure code fee schedule; l. Revenue codes; m. APR-DRG (Diagnosis-Related Group); n. APG; o. Per diem at Provider-specific rates; p. Add-on pricing amounts to any pricing structures based on other claim attributes (e.g., service facility, Provider type or specialty, place of service); q. Provider-specific encounter rate; r. Variable percentage of billed charge; s. Variable percentage based on Provider type (FQHC, RHC, IHSP); t. PMPM with line level detail; u. Outpatient prospective payment system (OPPS); v. Bundled and unbundled pricing; w. Global service pricing; x. Calculation required for resource-based relative value system fee schedule for radiology, anesthesia, and general medical services;

Data Management Requirements	
Req ID	**Detailed Requirements**
	y. Tiered pricing into which a variety of Services are grouped depending on the treatment type and intensity of care required; z. Invoicing pricing (e.g., plus/minus percentage, procedure code); aa. Geographic designation; bb. Lab pricing; cc. Special pricing based on time (e.g., anesthesia); dd. Medicare crossover claims; ee. Cost to charge percentage; ff. Maximum of inpatient charges; and gg. Radiology codes with multiple components.
CDAM-7	Perform quality verification to the static fee schedules and the online fee lookup portal as directed by HHSC on procedure code fee information by comparing data to active reference files.
CDAM-8	Monitor current and future releases and coordinate the HHSC defined adoption and implementation of all national code sets and reimbursement methodologies.
CDAM-9	Develop and submit, for HHSC approval, timelines for reference file update projects that delineate planned activities as directed by HHSC.
CDAM-10	Receive, store, and maintain the crosswalk of effective and end dated code set relationships for all historical and current HHSC-defined code sets by: a. Date of service (e.g., Healthcare Common Procedure Coding System (HCPCS); b. RBRVS; c. APR-DRG; d. OPPS; e. Medicare severity diagnosis related groups (MS-DRGs); f. CPT; g. International statistical classification of diseases and related health problems, version 10 (ICD-10-CM and ICD-10-PCS); h. Diagnostic and statistical manual of mental disorders (DSM–5); i. CDT; j. Provider preventable conditions; k. Modifiers; l. Revenue codes; m. HHSC-specific code sets; n. National Council for Prescription Drug Programs (NCPDP); o. NDC; p. Berenson-Eggers type of service (BETOS); and q. Major diagnostic categories (MDC).
CDAM-11	Utilize and maintain the most current HHSC-approved version of clinical codes (e.g., ICD-10, HCPCS, CPT, ICD surgical procedure codes, NDCs).

Data Management Requirements	
Req ID	**Detailed Requirements**
CDAM-12	Receive, store, maintain, display, and use current and support all future versions of the Council for Affordable Quality Healthcare (CAQH) Committee on Operating Rules (CORE) standards: Claim Adjustment Group codes (CAGC), Claim Adjustment Reason code (CARC), and Remittance Advice Remark code (RARC).
CDAM-13	Store, maintain, and utilize a list of all NCCI edits with effective and end dates, including identifying additions, changes, and deletions of codes and NCCI edits as defined by HHSC.
CDAM-14	Provide technical support for NCCI activities. These activities include monitoring claim transaction sharing between the Contractor and any HHSC-designated Subcontractor, troubleshooting network connectivity issues, and support of claim outcome research activities as they relate to NCCI results.
CDAM-15	Provide the capability to accept and utilize multiple eligibility valid values as defined by HHSC.
CDAM-16	Provide the ability to make mass assignments and updates (e.g., service authorization required, medical review required, limits, diagnosis codes) to procedure code(s)/modifier(s) applied to benefit plans as defined by HHSC.
CDAM-17	Accept and maintain eligibility and enrollment data (e.g., managed care, TPL, waiver, care programs, primary care Provider, Medicare, spend-down, buy-in) received via interfaces as defined by HHSC.
CDAM-18	Provide the ability to receive and maintain cross referenced multiple Client identifiers and aliases as needed in the Contractor's solution.
CDAM-19	Update, store, and maintain indicators for benefit plans (e.g., procedure include/exclude indicators, modifiers, clinical or utilization and special needs status) as defined by HHSC.
CDAM-20	Create, maintain, and update reference tables with varying federal financial participation (FFP) rates (e.g., procedure or combinations of procedures, modifier or combinations of modifiers, diagnoses, category of service, benefit plan, waivers, Provider type, Provider specialty, Client demographics) as defined by HHSC.
CDAM-21	Maintain data currency using date sensitive parameters (e.g., effective date, beginning and end date, change date) for each occurrence of all reference data (e.g., benefit plan, procedure, reimbursement methodology) as defined by HHSC.
CDAM-22	Provide the ability to allow categories of service to be defined by parameters based on HHSC-defined policy including: a. Grouping various combinations of individual and ranges of codes into categories of service, including international classification of diseases diagnoses and procedures, HCPCS, procedure modifiers, revenue codes, bill types, places of service, Provider taxonomy, or specialty; b. Allow one or more categories of service to be assigned to a benefit plan as either included or excluded for the benefit plan; and c. Allow sub-groupings and individual or ranges of codes within a category of service to be included or excluded.

Data Management Requirements	
Req ID	**Detailed Requirements**
CDAM-23	Allow configurable service limitations and parameters (e.g., specifying limitations, including units, dollars, occurrences, and per day maximums) to categories of service and specific sub-grouping(s) and individual or ranges of codes within a category of service or benefit plan, specifying cost sharing parameters such as copay, coinsurance, and deductible, by unit, occurrence, day, length of stay, or other parameters as defined by HHSC.
CDAM-24	Store and maintain reimbursement criteria for each service according to date specific rules and limitations applicable to each (e.g., service, pricing modifiers (multiple), multiple surgeries, cutbacks, benefit plan, category of service, and Provider taxonomy) as defined by the HHSC.
CDAM-25	Provide an electronic searchable data dictionary for Contractor's solution, using industry best practices to be approved by HHSC. At a minimum, the data dictionary shall contain for each field: a. Field name in human readable format; b. Field description; c. Database field name; d. Database table; e. Field type and length; f. Valid values and their corresponding descriptions; and g. Instructions on how to create queries.
CDAM-26	Provide the ability to identify, utilize, and report all reference codes by the following: a. Effective date; b. End date; c. Date and time stamp, when last changed; d. Who made last change; e. Short description; and f. Long description.
CDAM-27	Maintain and provide all narrative descriptions of codes and abbreviations for reporting.
CDAM-28	Provide database entity search capability, including the ability to search by the following: a. entity type; b. Entity name; c. Entity address elements; d. Entity phone number(s); e. Unique identifier for entity type; f. Any alternate identifiers including EIN, SSN, TIN; and g. Other demographic elements.
CDAM-29	Validate and standardize addresses according to United States Postal Service (USPS) verification, validation, and standardization rules.

Data Management Requirements	
Req ID	**Detailed Requirements**
CDAM-30	Maintain all data sets defined by the Contractor's X12 implementation guides to support storage of all transactions required under HIPAA Administrative Simplification Rule (45 CFR Part 162) (e.g., gender, reason code) for the Contract Term.
CDAM-31	Provide the flexibility to quickly accept new and incremental data items from module components required by the ongoing component, product, or service integration.
CDAM-32	Ensure data management addresses data semantics, data harmonization, and shared-data ownership.
CDAM-33	Maintain online access to all reference tables with an option to search and display by reference data type and code.
CDAM-34	Validate and/or verify that all data items that contain self-checking digits (e.g., NPI) pass a specified check-digit test.
CDAM-35	Update HHSC Family Planning and/or Healthy Texas Women programs' reimbursement rates and Services, no more than five (5) Business Days after the change, or as requested by programs.
CDAM-36	Grant and maintain access authorization to HHSC-authorized users to relevant systems and tools that are necessary to access and maintain accurate HHSC Family Planning program Provider information and budget data.
CDAM-37	Participate in HHSC activities around policy changes to ensure reference tables are up to date and all changes are identified.
CDAM-38	Provide HHSC with all the reference data elements for scheduled comprehensive or focused policy reviews no more than fifteen (15) Business Days after request or as directed by HHSC.
CDAM-39	Maintain data integrity across all Contractor supported systems in accordance with HHSC directives. Provide timely and consistent feedback to HHSC and MES service providers on error rates, issues, and problems with data quality.
CDAM-40	Notify HHSC immediately upon identification of any corrupt or lost data or software. Develop a root cause analysis and a corrective action plan (CAP) no more than twenty-four (24) hours after identification of corrupt or lost data or software for HHSC approval. Restore and recover lost or corrupted data or software in accordance with the CAP.
CDAM-41	Participate and present, as needed, in the data stewardship workgroup(s) of the HHS data governance council.
CDAM-42	Maintain HHSC-approved quality control processes and standards to ensure the integrity of the reference files/tables (e.g., claims priced correctly, edits and audits post according to specifications). Notify HHSC no more than one (1) Business Day after identification of any discrepancies found with reference file/table updates.

Data Management Requirements	
Req ID	**Detailed Requirements**
CDAM-43	Update and submit metadata, data quality reporting results, and status of remediation efforts, in timeframes determined by HHSC data governance council, its functional data stewardship workgroups, or IT governance processes as directed by HHSC.
CDAM-44	Provide continued support for HHSC business logic, technical and business metadata for data loads from source systems.
CDAM-45	Provide all data within the scope of the Contract to HHSC in a non-proprietary secure relational database.
CDAM-46	Retain all information and documents related to the *Frew* lawsuit from when the lawsuit was filed in 1993 through the present. Potentially relevant information and documents must not be destroyed, as long as the lawsuit is still pending in accordance with the *Frew* lawsuit litigation hold. Relevant means any information or document possessed if it relates to the Texas Health Steps program, including claims, policy, and/or benefits, the allegations in the lawsuit, Medicaid services or benefits provided to persons under age 21, Texas Health Steps providers, actions taken to comply with the consent decree or the corrective action orders, Texas Health Steps claims and eligibility information, *Frew* strategic initiatives, and communications relating to the lawsuit and its effect upon program decisions.

2.1.3.10.1 Data Management Key Performance Measures

The requirements listed in **Table 21, Data Management Key Performance Measures** below describe the level of performance and associated liquidated damages required for Data Management that must be performed by the Contractor during the Contract Term.

Table 21 – Data Management Key Performance Measures

Data Management Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CDAM-48	Maintain a data dictionary, that is accessible electronically and searchable, that shall be updated no later than ten (10) Business Days after any change.	$100 per Business Day in which the data dictionary does not match current functionality of the Contractor's solution.
CDAM-49	Maintain ninety-nine and nine tenths of a percent (99.9%) accuracy rate for all reference file updates.	$500 per Calendar Day reference file data does not match HHSC approved updates.

2.1.3.11 Reporting Requirements

Reporting Requirements listed in **Table 22, Reporting Requirements** below, describe the functionality, features and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 22 – Reporting Requirements

Reporting Requirements	
Req ID	**Detailed Requirements**
CRPT-1	Create, maintain, and deliver a suite of HHSC/Contractor-defined on-line standardized reports in a format and content approved by HHSC, that allow users to choose from pre-built defined parameters (e.g., time period, Provider number, procedure code, date of service) to generate customized reports. Generate reports on the HHSC-defined schedule, and provide electronic, searchable access to stored reports. Reports must be maintained for the Contract Term.
CRPT-3	Develop new reports within HHSC approved timeframes, as directed by HHSC.
CRPT-4	Modify established reports to meet the changing business and information needs of HHSC utilizing the change control process, as appropriate.
CRPT-5	Provide support for modifications to established operational and contract management reports.
CRPT-6	Maintain the report distribution list and schedule to reflect updated HHSC decisions on format and distribution to HHSC approved Trading Partners and HHSC-authorized users.
CRPT-7	Generate the claims inventory and operations reports by program after each claims processing cycle and provide HHSC with electronic access to the claims inventory and operations reports.
CRPT-8	Generate the claims transaction log reflecting disposition of all claims and associated control numbers and make available to HHSC upon request.
CRPT-9	Manage and report all claims paid on an exception basis, as directed by HHSC.
CRPT-10	Monitor and report the use of override codes during the claims resolution process to identify potential abuse based on HHSC-approved guidelines.
CRPT-11	Deliver a monthly report with information regarding claims processing accuracy in a format approved by HHSC. This report will include historical information with monthly claims processing totals and the summary total of all claims discovered to be processed incorrectly in a given month, irrespective of the date of discovery.
CRPT-12	Create and submit to HHSC a CSHCN Services program summary voucher and a detail voucher, using HHSC approved format.
CRPT-13	Provide a detailed report on claim-specific and non-claim specific activity to CSHCN Services program, using HHSC approved format.
CRPT-14	Track, reconcile, and report statistics using HHSC-approved application(s) for all HHSC-initiated administrative payments.
CRPT-15	Submit all required plans and reports to HHSC and receive approval from HHSC prior to implementation of the plans and reports. Approval includes the content, format, and timeframes specified by HHSC.

Reporting Requirements	
Req ID	**Detailed Requirements**
CRPT-16	Provide a SFY quarterly performance report detailing the claims impact of NCCI edits to include CMS required components including, but not limited to, the following: a. An executive summary; b. Status report of cumulative and monthly savings; c. Financial overview savings; d. Provider impact summary; e. Provider inquiry statistics; and f. Recommendations for improvement. Reports must be submitted to HHSC with content, format, and timeframe approved by HHSC.
CRPT-17	Prepare and provide all necessary data and assistance to HHSC in completing the Form CMS-64 report.

2.1.3.11.1 Reporting Key Performance Measures

The requirements listed in **Table 23, Reporting Key Performance Measures** below describe the level of performance and associated liquidated damages required for reporting that must be performed by the Contractor during the Contract Term.

Table 23 – Reporting Key Performance Measures

Reporting Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CRPT-18	All standardized reports shall be available online or delivered to HHSC-authorized users by the scheduled time one hundred percent (100%) of the time as defined and mutually agreed upon during detailed report design.	$500 per Business Day for each Business Day that each report is: a. Late; b. Not distributed as required; or c. Not in the approved format.
CRPT-19	Produce all reports for HHSC programs and HHSC approved Trading Partners within timelines, with content and format approved by HHSC. Measurement will be based on system generated start and end date and time.	$500 per Business Day for each Business Day that each report is: a. Late; b. Incomplete; c. Not in the approved format; or d. Has been identified by HHSC as inaccurate.

2.1.3.12 System Requirements

System requirements encompass the tasks and activities performed by the Contractor to provide claims and transaction processing and reporting cycle

services for all HHSC services, provide internal controls, and perform routine backup of systems, tables, and files.

System requirements listed in **Table 24, System Requirements** below, describe the functionality, features, and capabilities that must be part of the Contractor's services during the Contract Term.

Table 24 – System Requirements

System Requirements	
Req ID	**Detailed Requirements**
CSYS-1	Provide operational support, maintenance, and ongoing configuration of the Contractor's solution during the Contract Term. This includes providing Trading Partner support and Operations support as described in the SOW, as well as, providing maintenance and enhancements to the provided Contractor's solution to meet the business needs of HHSC. HHSC defines maintenance as follows: a. Making system updates as necessary to perform new business rules; b. Correcting deficiencies (defects) found in the solution based on detailed requirements described in the SOW and published test results; c. Correcting deficiencies (defects) found in the solution based on a failure to meet the requirements in completed enhancement, configuration, or maintenance requests; d. Conducting research requested by HHSC or required to support HHSC. For example: 1. Solution behavior and results; 2. New healthcare initiatives; 3. Best practices research across HHSC and industry; and 4. Impacts of new State and federal legislation; e. Performing mass adjustments or mass changes as requested by HHSC or required to support the Programs (for example, errors in pricing, eligibility, cost share, and financial code assignments, TPL discovery, and Provider reimbursement changes); f. Performing regular maintenance as required to support the Programs. Examples of maintenance, include but are not limited to: 1. Database management; 2. Interface, report, and correspondence changes; and 3. Making corrections or changes to maintain the integrity of the system or the data within it (e.g., backing out changes, correcting duplicate records, cleansing corrupt data, adding security measures, adding redundancy); g. Using appropriate testing, configuration, and change control procedures; and h. Updating user, and training documentation and application help functionality to reflect changes that have been made to the solution.
CSYS-2	Provide a clinical claim's editor (grouper) with the capability to price inpatient hospital services according to DRG methodologies defined by HHSC.

System Requirements	
Req ID	**Detailed Requirements**
CSYS-3	Provide a system that can be adapted to changes in business practices and policies within the agreed timeframes. The Contractor is required to cover the cost of such systems modifications during the Contract Term.
CSYS-4	Identify, track, and report on claims flagged for investigation due to suspect or confirmed TPL discrepancies.
CSYS-5	Provide operational support and maintenance of the web portal to include a usage statistics dashboard (e.g., user count, transactions, average processing time, uploads, downloads, secure messages) as defined by HHSC.
CSYS-6	Manage and maintain EDI transaction sets and permissions (e.g., eligibility inquiry and response only, 837 submission and response only) for covered entities (as defined by CMS) and/or Trading Partners as defined by HHSC.
CSYS-7	Create and maintain (e.g., current and historical versions) HHSC-specific EDI X12 companion guides in a format and timeframe defined by HHSC.
CSYS-8	Provide a validation feature that performs configurable real-time front-end editing prior to claim submission, prevent further processing for claims that fail the front-end edits (e.g., active Provider enrollment, valid revenue codes, procedure codes, and diagnosis codes) as defined by HHSC.
CSYS-9	Maintain appropriate controls and audit trails to validate the most current Client eligibility data is used during each claims processing cycle.
CSYS-10	Maintain compatibility of all the Contractor's solution and communication processes as defined by HHSC.
CSYS-11	Provide licenses as required to allow users access to perform all necessary business functions.
CSYS-12	Develop and maintain auditing and general controls to ensure that all data processing records and interfaces are accounted for in meeting all Contract requirements.
CSYS-13	Provide and maintain all technology, equipment, and software necessary for Contractor staff to support and complete the SOW, including enabling access to HHSC and HHSC-authorized systems and data (see **Exhibit O, Proposed Access Control MMIS Modernization**).
CSYS-14	Suppress generation of documents containing Client identification for confidential Services.
CSYS-15	Maintain an online audit trail to view all changes in the Contractor's solution, including errors during update processes, to include the process in error, date and time of the change, and project ID. Provide the data to HHSC for reporting purposes, upon request.
CSYS-16	Perform batch control, including logging and reporting.
CSYS-17	Provide a verifiable process of checks and balances that ensure accurate internal and external functional processing. Provide demonstrative results and notify HHSC of any deficiencies found, no later than one (1) Business Day of HHSC's request or HHSC agreed timeframe.

System Requirements	
Req ID	**Detailed Requirements**
CSYS-18	Submit an annual maintenance schedule of planned downtime of Contractor's solution by September 1st of each SFY for HHSC review and approval. All changes must be submitted to HHSC for approval.
CSYS-19	Notify the appropriate user community, as defined by HHSC, of unplanned system events (e.g., system outages) via HHSC approved communication methods for all the systems for which the Contractor is responsible.
CSYS-20	Submit all requests for unscheduled and emergency maintenance to HHSC for approval and consideration to waive the forty-five (45)-Business Day communication notification period.
CSYS-21	Provide a web page that displays notification when the system is unavailable due to scheduled maintenance or unscheduled outages.
CSYS-22	Collaborate with the Business Operations and Business Integration services provider to automatically report system availability. The frequency of each service provider component verification will be defined by HHSC.
CSYS-23	Maintain sufficient, secure, climate-controlled, storage for all record types stored, as defined by HHSC.
CSYS-24	Provide industry standard messaging format to ensure interoperability.
CSYS-25	Provide a solution that utilizes business process orchestration in an event-driven environment that maximizes process automation.
CSYS-26	Perform business processes which automate and orchestrate in event-driven environment appropriate workflows, business rules, data flow, and metadata across HHSC and MES service providers.
CSYS-27	Provide electronic notification for all updates and fixes deployed to the Contractor's solution that could impact HHSC delivery of Services to Clients or Providers.
CSYS-28	Provide HHSC-authorized users with online access to Contractor tools to facilitate oversight functions.
CSYS-29	Provide and maintain the context sensitive electronic help file (situational clarification and support associated with process specific steps), to support user activities for all data screens for the Contractor solution.
CSYS-30	Provide a user-friendly graphical user interface (GUI) for process definition, execution, monitoring, and management. Support a role-based interface for process definition that leads the user through the steps of defining the workflow associated with a business process, including processes that are managed by HHSC staff only, and that captures all the information needed by the workflow engine to execute that process.
CSYS-31	Identify claims applicable for drug rebate processing (e.g., Medicare crossover, physician administered drugs), store a drug rebate indicator, and transmit the required data in a format specified by HHSC to the appropriate system.
CSYS-32	Resolve all Incidents and problems impacting HHSC Instance of the Contractor's solution, using HHSC approved ITIL guidelines (see **Exhibit P, HHSC Information Infrastructure Library (ITIL) Severity Levels**) based on the severity levels defined by HHSC.

System Requirements	
Req ID	**Detailed Requirements**
CSYS-33	Notify HHSC at least sixty (60) Calendar Days prior to the installation or implementation of any changes that affect the Contractor's solution utilized by Clients or Providers, HHSC-authorized users and Trading Partners to deliver Services.
CSYS-34	Perform a walk-through of Project Deliverables, as defined in HHSC-approved Change Management Plan, for each modification to the Contractor's solution. HHSC must be notified of any substantive changes prior to implementing the change.
CSYS-35	Deploy any modification that impacts HHSC Instance of the Contractor's solution only after receiving approval from HHSC, verify the implementation results through monitoring of the production process and correct and document any problems found within HHSC approved timeframes, and provide confirmation that the solution has been deployed to production and the Contractor has completed three (3) Calendar Days of Operations without significant operational issues defined as no critical or high defects.
CSYS-36	Provide system access and user activity reports no later than one (1) Business Day after request or upon a timeframe agreed to by HHSC.
CSYS-37	Notify HHSC in writing of all deficiencies or processing errors affecting delivery of HHSC services within HHSC approved timeframes.
CSYS-38	Immediately notify the source system contact of errors in transactions, including whether the errors have precluded loading and/or using the transaction data.
CSYS-39	Meet future MITA requirements as required by State or federal laws, rules, and guidelines.
CSYS-41	Provide the ability to print a properly formatted representation of the entire screen (including sections not displayed without scrolling) and associated data, for any Contractor-provided solution.
CSYS-42	Provide help desk services that provide Level 0 (customer self-service), Level 1 (basic support), Level 2 (moderate support) that includes as appropriate, escalation to HHSC and Level 3 (technical/integration) support related to the functionality of the Contractor's solution. Level 1 Help Desk is the first point of contact and is responsible for logging the issue and, if possible, assisting the user.
CSYS-43	Provide an online solution for Providers to complete submission of claim transactions with efficient keying of claims without requiring additional keystrokes such as slashes, dashes or double entry (e.g., allow Providers to submit individual and/or batch claims file, allow Providers to submit through direct data entry, allow Providers to submit adjustments, voids, replacements, and corrections to existing claims, as well as, resubmissions of denied claims, allow Providers to submit service authorization requests, allow Providers to submit required participant attachments, forms, and requests for information, including the ability to submit supporting claims documentation, allow Providers to review upfront validation of claims data at the point of entry by the billers, and allow for necessary correction) and allow for any additional types of submissions as defined by HHSC.
CSYS-44	Provide a solution to forward MCO claims submitted through the online portal solution to the HHSC-EDI clearinghouse in an 837 format.

System Requirements	
Req ID	**Detailed Requirements**
CSYS-45	Provide a secure web portal with comprehensive functionality (e.g., contacting HHSC or a payee, view summary and detail information, remittance advices, warrant summaries, complete and submit an EDI Trading Partner application, frequently asked questions) as defined by HHSC. The portal shall have at a minimum: a. the ability for a secondary navigation scheme (e.g., breadcrumb trail) for navigation on the web portal as defined by HHSC; b. The ability for Clients to receive EOB and respond, as defined by HHSC; c. The ability to view, retrieve, download, and print remittance advice (e.g., X12 835, PDF) as defined by HHSC; and d. The capability to receive, store, maintain (e.g., version history), upload, and print documents, as defined by HHSC.
CSYS-46	Provide translator and integrated mapping software (e.g., flexible mapping functionality supporting all required formats and transactions, allowing for structure and information to be extracted directly from database tables, providing the ability to receive, assemble, validate, encrypt, respond, and transport batches of data to and from covered entities and other Trading Partners; accept, code, decode, balance, and transmit all current and future HIPAA healthcare transactions (e.g., 837, 835, 270, 271, 276, 277 (including unsolicited), 278, 820, 834, 997, 999, 991, 824, TA-1) and provide support for automatically re-submitting the transaction (when a transmission error occurs) as defined by HHSC.
CSYS-47	Provide technical 24x7 support per HHSC service level requirements within the Contract to resolve problems with claims processing, portals and all related interfaces.
CSYS-48	Provide ongoing operation support to HHSC approved Trading Partners to promote successful submission of data. Work one-on-one with HHSC approved Trading Partners to resolve data submission issues.
CSYS-49	Support and assist HHSC in mapping all business processes and subprocesses to the workflow application and in transitioning from manual to automated process execution.
CSYS-50	Submit all claims with EVV services to the HHSC-EVV Aggregator for EVV claims matching determination prior to processing through claims adjudication.
CSYS-51	Deny the FFS claims if the HHSC-EVV Aggregator responds with a mis-match code, even if all other edits in the claims adjudication process are passed.
CSYS-52	Provide initial and ongoing Contractor EVV technical coordination and support to MCOs, EVV Program Providers, FMSAs, EVV Vendors, approved proprietary system operators (PSO) and HHSC with content, format, and delivery method defined by HHSC.
CSYS-53	Support EVV program expansion efforts as defined by HHSC.
CSYS-54	Remediate all deficiencies at no additional cost to HHSC.

2.1.3.12.1 System Key Performance Measures

The requirements listed in **Table 25, System Key Performance Measures** below describe the level of performance and associated liquidated damages required for Processing that must be performed by the Contractor during the Contract Term.

Table 25 – System Key Performance Measures

System Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CSYS-55	Request approval from HHSC prior to scheduling non-emergency system downtime or maintenance during hours of operation no later than five (5) Business Days prior to downtime.	$1,000 per occurrence if the request is not made by the specified deadline.
CSYS-56	Complete and implement all critical priority service request (SR), (e.g., enhancements, deficiencies, maintenance, research, configuration and mass adjustments) by HHSC approved implementation date. HHSC will establish the priority and the required implementation date for each SR based on the business need (e.g., federal law, State law, or regulation).	$1,500 per Calendar Day per SR, that is not complete and implemented following the required implementation date.
CSYS-57	Complete and implement all high priority SR (enhancements, deficiencies, maintenance, research, configuration, and mass adjustments) by the HHSC approved implementation date. HHSC will establish the Priority and the required implementation date for each SR based on the business need (e.g., federal law, State law, or regulation).	$1,000 per Calendar Day per SR that are not complete and implemented by the HHSC approved implementation date.
CSYS-58	Provide solution availability ninety-nine and five tenths of a percent (99.5%) of the time, twenty-four (24) hours a day, seven (7) days a week, excluding HHSC approved planned downtime. Availability is calculated monthly as follows: Availability percentage = unplanned downtime (Total downtime minus approved downtime) divided by Total time (24x7).	HHSC will assess, as specified below, per hour for each hour, or portion thereof, if any of Contractor's solution fails to meet the ninety-nine and five tenths of a percent (99.5%) availability performance Standard. a. $1,000/hour zero (0) to twenty (24) hours b. $2,000/hour twenty-five (25) to forty-eight (48) hours

		c. $3,000/hour if more than forty-eight (48) hours
CSYS-59	Complete and implement all medium priority SR's (enhancements, deficiencies, maintenance, research, configuration and mass adjustments) by the HHSC approved implementation date. HHSC will establish the priority and the required implementation date for each SR based on the business need (e.g., federal law, State law, or regulation).	$500 per Calendar Day if SR's have not received acceptance from HHSC by the approved implementation date.
CSYS-60	Maintain failure rates for routing errors or data integrity errors for any transaction in Contractor's solution to be less than one thousandth of a percent (.001%).	$5,000 per month if error rate exceeds one thousandth of a percent (.001%) for the entire measure month for all transactions.
CSYS-61	Make accessible, in the Contractor's solution, within three (3) seconds, at least ninety-nine percent (99%) of the time, all data received from real-time interfaces, excluding batch interface updates. Performance is measured by a predefined sample measuring the timestamp data was received to the timestamp the data is available to query in the database or presented to the user via a user interface.	$2,000 per month if user accessibility based on the sample is greater than three seconds for more than one percent (1%) of the sample.
CSYS-62	Provide a user interface response time of less than two (2) seconds per discrete transaction. Response time is measured from the time the data packets leave the HHSC network to the time a response is received from the Contractor's software application.	$1,000 per month if the monthly average user interface response time is greater than two (2) seconds.
CSYS-63	Maintain a response not exceeding three (3) seconds per action time for adding, updating, or deleting data from operational components. Performance is measured by a predefined sample measuring individually the adding, editing, and deleting of data. Measure from action to completion of process.	$1,000 per month if the monthly average response time is greater than three (3) seconds per action.

CSYS-64	Restore availability within four (4) hours from the start of any unscheduled downtime of the Contractor's solution, using procedures approved in the BCCP and the Disaster Recovery Plan.	HHSC shall assess the liquidated damages as specified below for failure to restore availability within four (4) hours from the start of any unscheduled downtime of the Contractor's schedule. a. $5,000/24-hour period starting from the four (4) hours to seventy-two (72) hours beyond the four (4) hours. b. $6,000/24-hour period seventy-three (73) to one hundred sixty-eight (168) hours. c. $7,000/24-hour period if more than one hundred sixty-eight (168) hours.
CSYS-65	Notify HHSC of any Level 1 deficiencies, as defined by **Exhibit - P HHSC Information Technology Infrastructure (ITIL) SEVERITY LEVELS**, within one (1) hour of the initial deficiency or within thirty (30) minutes of becoming aware of the issue.	HHSC shall assess the liquidated damages as specified below for failure to meet the Performance Standard timeframe: a. $5,000/24-hour one (1) hour of the initial deficiency or within thirty (30) minutes of becoming aware of the issue to seventy-two (72) hours. b. $6,000/24-hour period seventy-three (73) to one hundred sixty-eight (168) hours. c. $7,000/24-hour period if more than one hundred sixty-eight (168) hours.
CSYS-66	Provide the Contractor plan for resolution within four (4) hours of the notification of the Level 1 deficiency to HHSC and resolve the deficiency within twenty-four (24) hours of the notification of the deficiency to HHSC.	HHSC shall assess the liquidated damages as specified below: a. $5,000/24-hour period past the four hours of notification and resolution with twenty-four (24) hours to seventy-two (72) hours. b. $6,000/24-hour period seventy-three (73) to one

		hundred sixty-eight (168) hours. c. $7,000/24-hour period if more than one hundred sixty-eight (168) hours.
CSYS-67	Notify HHSC of any Level 2 deficiencies, as defined by **Exhibit - P HHSC Information Technology Infrastructure (ITIL) SEVERITY LEVELS**, within one (1) hour of becoming aware of the issue.	HHSC shall assess the liquidated damages as specified below: a. $2,000/24-hour period from one (1) hour of becoming aware of the issue to seventy-two (72) hours. b. $3,000/24-hour period seventy-three (73) through one hundred sixty-eight (168) hours. d. $4,000/24-hour period equal to or greater than one hundred sixty-nine (169) hours.
CSYS-68	Provide the Contractor plan for resolution no later than four (4) hours of the notification of the Level 2 deficiency to HHSC and resolve the deficiency no later than thirty-six (36) hours of the notification of the deficiency to HHSC.	HHSC shall assess the liquidated damages as specified below: a. $2,000/24-hour period following the thirty-six (36) hours of notification to resolve the deficiency to seventy-two (72) hours. b. $3,000/24-hour period seventy-three (73) through one hundred sixty-eight (168) hours. c. $4,000/24-hour period equal to or greater than one hundred sixty-nine (169) hours.
CSYS-69	Notify HHSC of any Level 3 or Level 4 deficiency, as defined by **Exhibit - P HHSC Information Technology Infrastructure (ITIL) SEVERITY LEVELS**, no less than twenty-four (24) hours of becoming aware of the issue.	$1,000 per Instance HHSC is not notified of a Level 3 or Level 4 deficiency within twenty-four (24) hours of the Contractor becoming aware of the issue.
CSYS-70	Receive, acknowledge, accept, or reject ninety-nine percent (99%) of all batch and real-time EDI transactions in accordance with the applicable	$2,000 per month if a random sample of qualifying transactions in that month does

	HIPAA Implementation Guide and HHSC-defined business rules.	not meet the performance standard.
CSYS-71	Obtain the annual DRG grouper and quarterly OPPS grouper from the software contractor, modify it to HHSC calibrations, and install the grouper by its effective date or no later than thirty (30) Calendar Days of receipt.	$1,500 per day past the required implementation date.

2.1.3.13 Disaster Recovery and Business Continuity Requirements

The requirements below will help HHSC determine if the Contractor is prepared to take all the steps necessary to fully recover HHSC data from the effects of a Disaster and to achieve Complete Recovery from such Disaster within HHSC specified timeframes.

DR and Business Continuity Requirements listed in **Table 26, Disaster Recovery (DR) and Business Continuity Requirements** below, describe the functionality, features and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 26 – Disaster Recovery (DR) and Business Continuity Requirements

Disaster Recovery (DR) and Business Continuity Requirements	
Req ID	**Detailed Requirements**
CDRBC-1	Propose for HHSC approval backup and recovery procedures that will ensure a methodology for scheduled backups (daily, weekly, monthly) or backups on demand for such items, including but not limited to, all computer software, operating programs, database tables, files, systems, operations, and user documentation.
CDRBC-2	Provide backup processing and/or data replication capabilities at a remote site, located at least one hundred (100) miles from Contractor's primary site, such that normal MMIS processing can continue in the event of a Disaster or major Incident at the primary site.
CDRBC-3	Support the DR activities that will provide timely failover and create relevant documented policies and procedures to implement a Complete Recovery.
CDRBC-4	Develop and maintain operational procedures in coordination with other MES service providers to restore system availability to be used in the case of an Incident requiring implementation of BCCP and/or DR plans.
CDRBC-5	Classify extended unscheduled system downtime of the HHSC Instance of the Contractor solution as a Disaster, only after obtaining HHSC approval.
CDRBC-6	Notify HHSC no later than one (1) hour following a Contractor-declared Disaster.
CDRBC-7	Upon Disaster declaration, resume full functionality and operational business functions within the specified recovery time objective (RTO).
CDRBC-8	Achieve a Complete Recovery from a Disaster or other Incident within the specified RTO of one (1) hour and recovery point objective (RPO) of four (4) hours. The RTO must include application validation and testing by HHSC.

Disaster Recovery (DR) and Business Continuity Requirements	
Req ID	**Detailed Requirements**
CDRBC-9	Plan and coordinate with HHSC and HHSC service providers to perform annual DR exercises, to include Disaster simulation and recovery tabletop demonstrations to demonstrate DR capabilities. The DR exercise must, at a minimum, test the recovered environments, accessibility, data integrity and functionality. For annual DR exercises: a. HHSC must approve the scope of each DR exercise; b. A post DR exercise lessons learned meeting must be completed no later than thirty (30) Calendar Days after completion of the DR exercise; and c. In the event of a failed DR exercise, as defined in HHSC approved exercise scope, the Contractor must reschedule and conduct another DR exercise no later than ninety (90) Calendar Days after the failed exercise.
CDRBC-10	Coordinate with and demonstrate to HHSC BCCP on the HHSC approved schedule in conjunction with the annual DR exercise and report any identified deficiencies with appropriate corrective actions.

2.1.3.13.1 Disaster Recovery (DR) and Business Continuity Key Performance Measures

The requirements listed in **Table 27, Disaster Recovery (DR) and Business Continuity Key Performance Measures** below describe the level of performance and associated liquidated damages required by the Contractor for DR and Business Continuity.

Table 27 – Disaster Recovery (DR) and Business Continuity Key Performance Measures

Disaster Recovery (DR) and Business Continuity Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CDRBC-11	Provide an alternate business site if Contractor's primary business site becomes unsafe or inoperable. The alternate business site must be fully operational no later than one (1) Business Day of the primary business site becoming unsafe or inoperable.	a. If the alternate site is unavailable, unsafe, or not operable following the one (1) Business day required to be fully operational, HHSC may assess $10,000 per the first two (2) Calendar Day that is not fully operational; b. If the alternate site is unavailable, unsafe, or not operable between three (3) and five (5) days, HHSC may assess $25,000 per Calendar Day for those three (3) days it is not operational; and c. If the alternate site is unavailable, unsafe, or not operable more than five (5) days after the site is required to be fully operational, HHSC may assess $50,000 per

		Calendar Day until the site is fully operational

2.1.3.14 Interface Requirements

Interface Requirements listed in **Table 28, Interface Requirements** below, describe the functionality, features, and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 28 – Interface Requirements

Interface Requirements	
Req ID	**Detailed Requirements**
CINT-1	Maintain a process to execute import/export functions to transfer new data from the production database, as directed by HHSC.
CINT-2	Support extract, transform, and load (ETL) processes from real-time web services or batch processes.
CINT-3	Maintain HHSC approved interoperability among systems.
CINT-4	Work with other MES service providers and HHSC to establish required interfaces.
CINT-5	Process, maintain, deliver, and securely support all data interchanges within the SOW for all supported environments according to the HHSC approved ICD for all systems supported by the Contractor.
CINT-6	Maintain a process to ensure that interfaces include THSteps screening and treatment information from MMIS, as appropriate.
CINT-7	Receive and process Client eligibility data for all Programs within the timeframes approved by HHSC.
CINT-8	Monitor and maintain all edits for the daily eligibility data load process used in claims processing. Make recommendations to HHSC for changes, or to suppress edits that are not useful, and suggest new edits that could streamline the eligibility data load process. Submit such recommendations to HHSC for approval within timeframes, with content, and format approved by HHSC.
CINT-9	Produce and deliver Client error reports to HHSC daily, for each failed eligibility transaction (i.e., HHSC Eligibility Systems interface and CSHCN Services program file interface) in accordance with HHSC approved guidelines.
CINT-10	Notify the CSHCN Services program, no more than four (4) business hours after discovery, when a CSHCN Services program's eligibility transmission did not complete Contractor's update process.
CINT-11	Ensure that all data exchanges including inbound and outbound interfaces comply with industry standards (e.g., National Information Exchange Model (NIEM), National Institute of Standards and Technology (NIST), HIPAA-compliance standards, Health Level 7 (HL7), Fast Healthcare Interoperability Resources (FHIR)).
CINT-12	Support the exchange of data between the Contractor's solution and the systems with which it interfaces, including external entities, to facilitate business functions

Interface Requirements	
Req ID	**Detailed Requirements**
	that meet the requirements of HHSC policy, and federal and State laws, rules, and regulations.
CINT-13	Provide the ability to send and receive real-time discrete transactions between the Contractor's solution and HHSC integration platform to reduce the need for bulk data transfers.
CINT-14	Provide the ability to view unedited daily outbound interface files for up to sixty (60) Calendar Days from the file creation.
CINT-15	Provide the ability to view unedited outbound monthly and quarterly interface files for up to one (1) year (i.e., 365 Calendar Days) from the file creation.
CINT-16	Support retrieval and presentation of data associated with geographic indicators by state, by county, by zip code, by peer group, or other geographical indicators specified by HHSC.
CINT-17	Share and federate data with other data sharing MES service providers and Trading Partners.
CINT-18	Provide the ability to receive or retrieve documents electronically from other systems.
CINT-19	Generate and process monthly LTC claims reconciliation files as defined in the ICD.
CINT-20	Provide electronic reports to HHSC daily, containing the status of all files processed (i.e., accepted or rejected and reason for rejection).
CINT-21	Submit pricing information for paid claims, including cost avoided amounts, to HHSC data warehouse.
CINT-22	Submit Explanation of Benefits information for claims denied as a result of missing Other Insurance information, to HHSC data warehouse.
CINT-23	Submit all Other Insurance segments/information to HHSC data warehouse.
CINT-24	Receive and process EDI transactions from covered entities and relative to this SOW (e.g., health plans, health care clearinghouses, billing companies, Trading Partners, and health care Providers) in the format as mandated by HIPAA (e.g., X12N and NCPDP post adjudication) addressing subsequent versions via the HHSC approved change control process with exceptions approved by HHSC. Process using HHSC approved business rules within timeframes specified by HHSC.
CINT-25	Collaborate with all MES service providers and solutions to accurately collect, process, and distribute applicable HIPAA EDI transactions.
CINT-26	Send data to the HHSC data warehouse to fulfill CMS Interoperability Rule (see the Quick Reference Links document in the Procurement Library for links to CMS Interoperability Rules) requirements in a format and timeframe specified by HHSC.

2.1.3.14.1 Interface Key Performance Measures

The requirements listed in **Table 29, Interface Key Performance Measures** below describe the level of performance and associated

liquidated damages required for Interfaces that must be performed by the Contractor during the Contract Term.

Table 29 – Interface Key Performance Measures

Interface Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CINT-27	Process and deliver ninety-nine (99%) of the priority one (1) interfaces within timeframes based on HHSC approved ICD, measured over each calendar month.	$5,000 for each percentage point, or portion thereof, below the ninety-nine percent (99%) standard per each calendar month.
CINT-28	Correct all interface file delivery and content problems within five (5) Business Days of problem identification, or another timeframe as mutually agreed within the five (5) Business Days of problem identification.	$5,000 per day for failure to meet the KPM timeliness standard.
CINT-29	Provide one hundred percent (100 %) interface processing in accordance with the applicable specifications of all EDI transactions.	$1,000 per day in which the Key Performance Measure is not met.
CINT-30	Notify the Provider of all electronic claims rejected or accepted (i.e., SNIP, pre-process, and receive 999 and 277-CA) within two (2) seconds for an EDI 837 transaction that contains one thousand (1,000) or fewer claims.	$2,000 per month if a ten percent (10%) random sample of qualifying transactions in that month exceed the two (2) second response time.
CINT-31	Process and deliver ninety-nine and five tenths of a percent (99.5%) of all interfaces based on HHSC approved ICD.	$500 per Business Day that each data delivery is: a. Late; b. Not distributed as required; c. Not in the approved format; or d. Has been identified by HHSC as inaccurate.
CINT-32	Process one hundred percent (100%) of inbound files and interfaces within four (4) clock hours of the receipt of the file.	$500 for each inbound file not processed in four (4) clock hours of receipt and for each additional four (4) clock hours period after the initial four (4) hours that the file is still not processed.

2.1.3.15 Testing Requirements

The requirements below describe the procedures to be used to perform and complete all testing of the Contractor's solution to attain all required system functionality and HHSC approval prior to initial deployment and any subsequent

change. Testing requirements include testing for compatibility, operational, and system functionality with HHSC and HHSC approved Trading Partners.

Testing Requirements listed in **Table 30, Testing Requirements** below, describe the functionality, features and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 30 – Testing Requirements

Testing Requirements	
Req ID	**Detailed Requirements**
CTST-1	Plan and execute testing for all inbound and outbound interfaces, ensure accurate and secure data transmission between the Contractor's solution components, and coordinate with external entities as appropriate.
CTST-2	Test all current and future HIPAA transaction processing according to federal transaction guidelines as defined by HHSC (e.g., compliance testing; application, Operations, and interface testing; business to business testing).
CTST-3	Assist HHSC with onboarding of managed care organizations (MCOs) who are new to the EVV program. Assistance includes, but is not limited to, technical orientation of the EVV operating model relating to claim submission and payment, conducting Trading Partner testing, and granting system access. (see **Exhibit M, EVV Modernization Story Board**)
CTST-4	Participate in Trading Partner testing and operational readiness activities when implementing each new EVV system.
CTST-5	Provide testing environments, including but not limited to, system integration testing, UAT and load and stress testing (LaST) in accordance with HHSC approved test plan.
CTST-6	Provide a testing environment available to HHSC authorized users and approved Trading Partners for UAT training and other purposes, as defined by HHSC.
CTST-7	Identify and request a representative sample of Providers, Client's, and claims records for use in testing based on individual program business requirements and coordinate the testing with other MES service providers. The samples must allow users to perform "what if testing" and compare the before and after outcomes.
CTST-8	Provide HHSC with online access to test database tables and files which allows HHSC to independently prepare test data, run tests, and review test results.
CTST-9	Assist in preparing test data, conducting tests, and reviewing test results, as required by HHSC.
CTST-10	Conduct UAT for all system modifications (e.g., configuration, development, defects, maintenance, enhancement and mass adjustment activities and requests).
CTST-11	Work with HHSC designated testing resources to review UAT test results and provide the necessary operational and functional information to create verification procedures and user acceptance test cases.
CTST-12	a. Perform testing and present the results for each of the following test levels: 1. Performance test results; 2. System test results;

Testing Requirements	
Req ID	**Detailed Requirements**
	3. Parallel test results; 4. Regression test results; and 5. Integration test results. b. Test results shall be traced to the use case/user story and design documentation being tested. c. Perform integration and regression testing which meet or exceed national industry standards, such as NIST or Software Engineering Institute for all changes before changes are promoted to the production environment.
CTST-13	Make system test results available for HHSC review and submit, as necessary, to other MES service providers or HHSC approved Trading Partners for evaluation.
CTST-14	Coordinate with HHSC and other MES service providers to conduct integration testing.
CTST-15	Identify and resolve interdependencies that restrict or impede required testing of the Contractor's solution, other MES service providers, or MMIS service provider components from performing required testing.
CTST-16	Test all operational and system functionality (e.g., patches, upgrades, and releases) in a timely manner and in coordination with other MES service providers, prior to implementing changes into the production environment.
CTST-17	Cooperate with HHSC or HHSC-authorized service providers, and provide environments, data, and technical support for independent testing. HHSC reserves the right to conduct independent testing of the solution at any time.

2.1.3.15.1 Testing Key Performance Measures

The requirements listed in **Table 31, Testing Key Performance Measures** below describe the level of performance and associated liquidated damages required for Testing that must be performed by the Contractor during the Contract Term.

Table 31 – Testing Key Performance Measures

Testing Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CTST-18	Contractor must demonstrate requirement compliance for one hundred percent (100%) of the requirements defined for each modification implementation testing by providing documentation such as system, integration, or parallel test results or demonstration of the specifications including Interfaces/APIs when requested. Compliance must be met by the HHSC approved implementation date.	$5,000 per modification implementation in which Contractor is not able to demonstrate that one hundred percent (100%) of the requirements have been met by HHSC approved scheduled implementation date.

CTST-19	Release code to production by the scheduled production date, only when there are no high or critical defects.	$1,000 per day per release in which the scheduled production date for the release is delayed because the release code contains high or critical defects.

2.1.3.16 Training Requirements

Requirements in this section include training documentation and "train-the-trainer" training for other MES service providers. The Business Operations and Business Integration services provider will provide in-person training to Providers.

Training Requirements listed in **Table 32, Training Requirements** below, describe the functionality, features, and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 32 – Training Requirements

Training Requirements	
Req ID	**Detailed Requirements**
CTRG-1	Provide initial training on the use of the Contractor's solution to HHSC-authorized users and HHSC approved Trading Partners prior to Operational Start Date. Ongoing training must be provided in accordance with the HHSC- approved Training Plan.
CTRG-2	Respond to requests for training needs no later than three (3) Business Days after HHSC makes request.
CTRG-3	Develop and submit a training evaluation form for approval by HHSC. Provide the HHSC approved training evaluation form to training participants and solicit participant feedback. Analyze and evaluate participant feedback. Provide copies of participants' evaluations to HHSC and provide evidence-based recommendations for improvements for future trainings.
CTRG-4	Conduct annual assessments of training needs for HHSC-authorized users and Trading Partners related to the use of automated systems, functionality, procedures, processes, interfaces, data structures, quality management activities, reports, and other training needs to understand the business processes required for all Operations of the Contractor's solution.
CTRG-5	Provide technical training to HHSC staff resources and designated MES service providers for monitoring the Contractor's solution using available tools and dashboards.
CTRG-6	Collaborate with HHSC to finalize a training schedule. A training schedule must be submitted to HHSC at least annually for approval.
CTRG-7	Utilize a variety of delivery methods to best meet the training objectives. Examples include online self-paced training presentations, in-person classroom setting, written material, and demonstrations.

Training Requirements	
Req ID	**Detailed Requirements**
CTRG-8	Provide training to HHSC authorized staff and other MES service providers on the overall data management strategy and investigating data or process issues related to Contractor's solution integration.
CTRG-9	Develop and maintain electronic training guides and materials to support "train-the-trainer" instruction.
CTRG-10	Provide training and support to HHSC-authorized staff and MES service providers. This may include traceability tools, document repositories, and testing tools.
CTRG-11	Provide MITA framework training for Contractor staff with responsibility for business analysis or systems analysis.

2.1.3.16.1 Training Key Performance Measures

The requirements listed in **Table 33, Training Key Performance Measures** below describe the level of performance and associated liquidated damages required for Training that must be performed by the Contractor during the Contract Term.

Table 33 – Training Key Performance Measures

Training Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CTRG-12	Train one hundred percent (100%) of identified system/component users on the system relative to their use initially and on updated functionality prior to the initial production deployment and each major release into the production environment.	$1,000 per qualifying initial production deployment or major release into production wherein Contractor has failed to train one hundred percent (100%) of properly identified users. .
CTRG-13	Develop and update training materials and provide appropriate HHSC staff with all training materials for review and approval at least fifteen (15) Business days prior to training sessions.	$500 per Calendar Day following the due date for the training materials until the training materials are delivered.

2.1.3.17 Financial Services Requirements

The financial services procedures use the output of claims processing adjudication for analyzing and evaluating financial functions, while financial processing produces the detailed information used for Provider checks, remittance and status (R&S) statements, and financial reports.

The requirements in this section provide a measure of assurance to HHSC that financial activities and processes are performed accurately, expeditiously, and in accordance with federal and State requirements allowing for the appropriate disbursement of State funds for the payment of claims, the proper application of State and federal post-payment transactions, and clear and comprehensive reporting. These requirements include the administrative and infrastructure tasks

and activities to perform daily Operations in support of the financial services function, including monitoring and tracking performance toward meeting those requirements.

Financial Services is further broken down into the sub-categories in **Table 34, Sub-Categories for Financial Services Requirements** below.

Table 34 – Sub-Categories for Financial Services Requirements

Sub-Categories for Financial Services Requirements	
Sub-Category	**Detailed Requirements**
General	The Contractor is responsible for the administrative and infrastructure tasks and activities to perform daily Operations in support of the financial services function, including monitoring and tracking performance toward meeting the financial services requirements.
Recoupments, Adjustments and Accounts Receivable	The Contractor's tasks and activities supporting recoupments, adjustments, and accounts receivable must be provided timely and accurately.
Reporting	The Contractor's reporting tasks and activities support the ability to access data and generate reports needed for Program administration and quality monitoring activities.
Funds Management	The Contractor's tasks and activities associated with setting up bank accounts and creating R&S reports.

2.1.3.17.1 Financial Services – General Requirements

General finance requirements listed in **Table 35, Financial Services – General Requirements** below, describe the functionality, features, and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 35 – Financial Services – General Requirements

Financial Services – General Requirements	
Req ID	**Detailed Requirements**
CFIN-1	Develop, submit for HHSC approval, and execute quality assurance (QA) procedures to ensure that the Contractor's financial management solution disburses, tracks, and accounts for HHSC Program payments and recoveries accurately, within timeframes, and with content and format approved by HHSC.
CFIN-2	Process stale-dated checks pursuant to the following guidelines: a. Void all stale-dated checks that have not been cashed within one hundred and eighty (180) Calendar Days after the original issue date; b. In the event that a Provider has not cashed a check within one hundred and twenty (120) days after the original issue date, send a letter notifying the Provider that the check will be voided when it becomes one hundred and eighty (180) days old; c. Apply the voided stale-dated check as a Provider refund to an AR to prevent voiding the transaction and reestablishing an already satisfied receivable;

Financial Services – General Requirements	
Req ID	**Detailed Requirements**
	d. Use a payment status code to track stale-dated checks; e. Report stale-dated checks on the FINR274 report, with content and format approved by HHSC; and f. Respond to Provider appeals and reprocess request that follow the 8-Quarter Rule. Appeals that exceed the 8-Quarter Rule will be escalated to HHSC program management for approval.
CFIN-3	Maintain the capability to apply partial vendor holds (i.e., Provider holds) by dollar amount or percentage of dollar amount. Include partial vendor holds on payment of the voucher at the time of the hold. Exclude partial vendor holds from the voucher when the hold is released.
CFIN-4	Disposition refunds and systematically determine the SFY year, risk group, and agency, using the most readily available information. For all non-claim specific refunds, use the disposition date to derive the SFY year.
CFIN-5	Produce and mail, or transmit electronically, all 1099 earnings reports, in accordance with federal and State law, no later than January 31st of each year as required by law, or as directed by HHSC.
CFIN-6	Research and respond to all inquiries concerning 1099 information, within the timeframes required by law, or as directed by HHSC.
CFIN-7	Provide an electronic file of all 1099 B-notices sent to Providers and insurance carriers by tax year in tax ID order no later than thirty (30) Calendar Days after the date of the notices.
CFIN-8	Provide a file of all 1099 corrections sent to Providers, insurance carriers, and the IRS for each tax year on a monthly basis.
CFIN-9	Provide an HHSC-approved contingency plan for creating payment vouchers for Provider reimbursement in the event that the voucher detail is not available on the HHSC-approved schedule.
CFIN-10	Provide a method that allows for HHSC to provide individual Family Planning program service Provider budgets. Family Planning program claims will be paid against these Family Planning program service Provider budgets.
CFIN-11	Record and maintain HHSC Family Planning program claim level information on payments made to HHSC Family Planning program providers, or other Programs, including the payment number, date, and method (direct deposit or paper check), as received electronically from HHSC fiscal division.
CFIN-12	Provide and maintain system functionality that is flexible enough to accommodate the need for sudden implementation and separate reporting for Disasters and special requests from HHSC.
CFIN-13	Maintain a process to capture (load or data enter) and track all financial adjustment transactions, with complete audit trails.
CFIN-14	Update claims history and online financial files with the check number, date of payment, and amount paid, no later than one (1) Business Day after the claims' payment cycle.

Financial Services – General Requirements	
Req ID	**Detailed Requirements**
CFIN-15	Process disposition of all checks (excluding TPL recovery checks and other HHSC specified exceptions) no later than ten (10) Business Days of deposit. Provide a monthly report of exception items including checks with dispositions in excess of two hundred and fifty (250) claims, checks without documentation required to post the check, checks waiting on financial cycle to change claim status and corrections as required. At least two (2) attempts must be made to contact Providers regarding any missing documentation. Send monthly payout reports in timeframes, with content and format approved by HHSC.
CFIN-16	Submit the weekly Children with Special Healthcare Needs (CSHCN) Detail Voucher and CSHCN Summary Voucher to the CSHCN Services program via secure file transfer protocol (SFTP) prior to 10:00 A.M. CT each Monday for expenditures processed for the prior week with content and format approved by HHSC.
CFIN-17	Identify and track Providers who are terminated, out-of-business, or bankrupt, and track any corresponding outstanding accounts receivable.
CFIN-18	Provide a monthly report on the financial cycle, including any cost settlement activity, with content and format approved by HHSC.
CFIN-19	Provide a Federal Fiscal Year (FFY) quarterly report on the financial cycle, including any graduate medical expense activity with content and format approved by HHSC.
CFIN-20	Process all Health Insurance Premium Payment program (HIPP) and Insurance Premium Payment Assistance program (IPPA) payments according to the HHSC-approved guidelines regarding data collection, data maintenance, Client eligibility, case management, reporting, statistical analysis for cost savings and cost-effectiveness, quality monitoring, payment processing, and reconciliation.
CFIN-21	Provide HHSC with detailed claims data and assist with the interpretation of that data so that HHSC may define medical cost levels for the future.
CFIN-22	Respond to HHSC requests for information concerning actuarial data within the specified timeframe included in the request.

2.1.3.17.2 Financial Services – Recoupments/Adjustments/Accounts Receivable

The Contractor's tasks and activities supporting recoupments, adjustments, and accounts receivable must be provided timely and accurately.

Recoupments, Adjustments and Accounts Receivable Finance Requirements listed in **Table 36, Financial Services – Recoupments/Adjustments/Accounts Receivable Requirements** below, describe the functionality, features, and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 36 – Financial Services – Recoupments/Adjustments/Accounts Receivable Requirements

Financial Services – Recoupments/Adjustments/Accounts Receivables	
Req ID	**Detailed Requirements**
CFIN-23	Apply Provider holds and recoupments to all Programs, except the Family Planning program or when an exception is directed by HHSC.
CFIN-24	Set up accounts' receivables by Provider within each Program.
CFIN-25	Identify all NPI/API and enforce the recoupment, hold, payment plan, or other HHSC recovery actions, as requested by HHSC.
CFIN-26	Develop, obtain approval, implement, follow, and update HHSC approved accounts receivable collection procedures, which must include HHSC approved collection KPM, performance goals, and service levels.
CFIN-27	Monitor and actively pursue AR in accordance with current HHSC approved processes and procedures.
CFIN-28	Process cash payments and payment offsets from a Provider and apply each to a single AR.
CFIN-29	Provide the summary total of the recoupments and a single unpaid balance and make such information available on the online screens and reports.
CFIN-30	Separate the accounts receivable reporting and tracking processes, which includes accounts receivable set-up, collections, and monitoring, both systematically and operationally from other miscellaneous financial tracking processes so that account balances are not co-mingled.
CFIN-31	Follow established process to identify private Provider claim-specific accounts receivable and report monthly by claim paid date. Identify and report monthly, public Provider claim-specific accounts receivable by the month of service (MOS) on the claim. Identify and report monthly, non-claim-specific accounts receivable by accounts receivable set-up date. Identify and report monthly, certified public Providers separately from non-certified Providers, so that HHSC can claim the proper HHSC match for the certified funds.
CFIN-32	Perform the HHSC approved process for identifying, sending proper notification, archiving, and collecting outstanding accounts receivable(s).
CFIN-33	Provide and manage communication with the Provider in attempts to collect a debt.
CFIN-34	Provide the ability to set up an AR and extract a percentage of a payment to a Provider, by NPI/API, tax identification number, or same legal entity.
CFIN-35	Track AR in the quarterly AR reporting per the requirements applicable to Family Planning and/or Healthy Texas Women programs.
CFIN-36	Collect funds due to HHSC from Providers, either through cash payments or through offsets to Provider payments.
CFIN-37	Separate refunds due to HHSC from Providers, by type, for payment errors, duplicate payments, overpayments, and excessive payments from interest refunds.

2.1.3.17.3 Financial Services – Reporting

Reporting tasks and activities support the ability to access data and generate reports needed for program administration and quality monitoring activities.

Reporting Finance Requirements listed in **Table 37, Financial Services - Reporting** below, describe the functionality, features and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 37 – Financial Services - Reporting

Financial Services - Reporting	
Req ID	**Detailed Requirements**
CFIN-38	Provide a report of Family Planning program service Provider accounts after the payment cycle to HHSC, with format and content defined by HHSC.
CFIN-39	Produce weekly Provider payment hold reports after the weekly financial cycle and submit to HHSC, with content and format approved by HHSC.
CFIN-40	Produce, at a frequency defined by HHSC, R&S reports electronically and simultaneously transmit or deliver the correct R&S reports with each payment to a Provider. Produce and deliver paper copies of the R&S reports, only as requested.
CFIN-41	Submit separate Risk Group Voucher delimited files for each applicable State agency and provide to HHSC on a weekly cycle, by 10:00 A.M. CT, on a day of the week established by HHSC. Submit an interface file to HHSC that agrees with the delimited file. Submit vouchers to HHSC, with the content and format approved by HHSC.
CFIN-42	Provide a monthly refund/recoupment MOS supplemental report for public providers to each applicable State agency for the years the State received enhanced funding when the Federal Medical Assistance Percentages (FMAP) is a different rate within a FFY (e.g., FFY20) with content, and in a media, and format approved by HHSC. Report refunds/recoupments by MOS so that HHSC can report the refunds/recoupments at the appropriate federal rate.
CFIN-43	Produce an annual report documenting any AR balances owed to HHSC with category criteria using the same attributes as claims expense vouchering criteria and submit to HHSC no later than thirty (30) Calendar Days after the end of each SFY, with content as specified by HHSC, in a format approved by HHSC.
CFIN-44	Provide the Office of Inspector General (OIG) with a report identifying those already-paid Provider claims that are the subject of an intended adjustment by Contractor; but that are also within the scope of an OIG investigation of the Provider. The report must contain all data elements identified by HHSC, and must be provided with the content, format, and frequency as directed by HHSC.
CFIN-45	Refrain from adjusting those already-paid Provider claims that are the subject of an intended adjustment by Contractor, but that are also within the scope of an OIG

Financial Services - Reporting	
Req ID	**Detailed Requirements**
	investigation of the Provider, unless HHSC first provides written approval of the intended adjustment.
CFIN-46	Provide HHSC with a regular report identifying those already-paid Provider claims that have been adjusted, with the advance written approval of HHSC. This regular post-adjustment report must also contain all data elements identified by HHSC, and must be provided with the content, format, and frequency as directed by HHSC.
CFIN-47	Provide the following in a monthly report that details any cost settlements that have taken place: a. Contract year-to-date by hospital; b. Accounting period; c. Interim settlement; d. Final settlement; e. Pending settlements; and f. Any other data as required by HHSC.
CFIN-48	Report all refunds and recoupments on a monthly basis to HHSC in an electronic format no later than ten (10) Calendar Days after the financial cycle completion. Report claim-specific refunds/recoupments to the applicable FFY based on the MOS for public Providers. Report claim-specific refunds/recoupments for private Providers to the current FFY. Report non-claim specific refunds/recoupments to the current FFY. Compare and confirm the sum of the refunds/recoupments on the weekly Risk Group Vouchers to the monthly refund/recoupment reports.
CFIN-49	Report payment holds on the vouchers at the time the hold occurs and exclude from the vouchers at the time the hold is dispositioned.
CFIN-50	Report weekly any AR that have been downward adjusted, or the Provider has been flagged as terminated, out-of-business, or bankrupt, with content and format approved by HHSC.
CFIN-51	Maintain system flexibility to track different types of ARs and the related AR activity.
CFIN-52	Provide proportionate collection efforts for both Contractor liability AR and non-Contractor liability AR.
CFIN-53	Provide Aging AR report to HHSC in support of collection of AR with content and format approved by HHSC.
CFIN-54	Provide a cumulative annual report of the status of all backup withholding from Providers, including tax ID, by January 31st with content and format approved by HHSC.
CFIN-55	Report weekly, in a format, with content approved by the HHSC, AR that have aged over three hundred and sixty-five (365) Calendar Days from the AR discovery date, except for CMS-directed and HHSC-directed exclusions.

Financial Services - Reporting	
Req ID	**Detailed Requirements**
CFIN-56	Create a monthly category of service voucher for each State agency to support the State's federal reporting requirements. Ensure that exclusions and inclusions on the weekly voucher and the monthly expenditure reports agree. Ensure that the total of the weekly vouchers equal the monthly expenditure totals.
CFIN-57	Submit to HHSC on the thirtieth (30th) day of the third (3rd) month of each federal quarter, an interim report of public Provider claims with the date of service that must be reported and claimed by HHSC on the CMS64 within the federal eight (8) quarter deadline rule.
CFIN-58	Provide to HHSC a monthly report, based on the financial cycle, of the claims processed as "Federal Category of Service Line 49 Other Care Services" categorized by HHSC category of service with content and format approved by HHSC.
CFIN-59	Provide to HHSC a monthly report, based on the financial cycle, of the claims processed as "Federal Category of Service Line 12 Home Health" for only those claims identified as DME expenditures categorized by equipment and supplies with content and format approved by HHSC.
CFIN-60	Provide documentation to HHSC that depicts and supports the allocation of all MMIS related costs to the appropriate Federal Financial Participation (FFP) rates.

2.1.3.17.4 Financial Services - Funds Management

Funds Management Requirements listed in **Table 38, Financial Services – Funds Management** below, describe the functionality, features, and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 38 – Financial Services - Funds Management

Financial Services - Funds Management	
Req ID	**Detailed Requirements**
CFIN-61	Maintain and update (as necessary) banking and finance operating procedures which are subject to review and approval by HHSC.
CFIN-62	Provide HHSC, by the fifteenth (15th) Business Day of the following month, with an electronic copy of each bank account's monthly statements accompanied by schedules showing daily cash balances including, but not limited to, any information related to maintaining sufficient cash management techniques to produce reports that meet the requirement of the Cash Management Improvement Act (CMIA) (see 31 CFR Part 205)
CFIN-63	Provide the reconciliations for each bank account no later than forty-five (45) Calendar Days of each applicable month end.

Financial Services - Funds Management	
Req ID	**Detailed Requirements**
CFIN-64	Refund HHSC for any payment errors, including duplicate payments, overpayments, and excessive payments that are the result of errors by the Contractor. If payment is not recovered from the Provider within HHSC specified timeframes or includes amounts that are not eligible for FFP reclaiming, the Contractor will pay HHSC the amounts due in accordance with the Contract.
CFIN-65	Maintain a table of receivable reason codes that designate adjustments to AR (e.g., adjustments due to split or merge, cost report received, AR keying error, or HHSC request).
CFIN-66	Report claim specific receivables at the claim detail level to ensure claim details are tracked to the appropriate agency and apply recoupments down to the detail level in hierarchy order as defined by HHSC.
CFIN-67	Calculate the three hundred and sixty-five (365) Calendar Days for AR from the AR discovery date not from the date of service or the paid date of claim. Allow the discovery date to be modified only for non-claim specific AR and establish completed audit trail(s) for all modifications. Only allow the discovery date to be changed prior to reporting on the weekly accounts receivable overage balance report. Once reported, disable the ability to modify the discovery date.
CFIN-68	Do not make Medicaid payments to private entities after eight (8) federal quarters from the payment date on the original claim. Do not make crossover payments to private entities after eight (8) federal quarters from the crossover date on the claims. Unless otherwise directed by HHSC, Medicaid payments older than the eight federal quarters will be denied with a Provider message on the R&S notice and indication of amount that would have been paid.
CFIN-69	Issue HIPP and IPPA payments twice weekly on an HHSC approved schedule.
CFIN-70	Prepare, at a frequency defined by HHSC, the R&S notice documenting all denied, paid, and pending claims. The R&S notice will include the following information sections: a. Message (Program and benefit plan designated); b. Paid and denied claims; c. Accounts receivable; d. Adjustments; e. Financial items; f. Pending claims; g. Payment summary; and h. Explanation of EOB/EOPS codes appearing on the R&S notice.
CFIN-71	Retain images of all cancelled checks for all claim payments.

Financial Services - Funds Management	
Req ID	**Detailed Requirements**
CFIN-72	Comply with the legal requirements (e.g., liens, levies, child support payments) received from IRS, the Texas Attorney General's Office, the Texas Comptroller of Accounts, or other authority, as applicable.
CFIN-73	Monitor and review claim payments and report, with content and format approved by HHSC.
CFIN-74	Initiate corrective action no later than ten (10) Business Days after error identification to correct payment and voucher reporting on any mismatches in public/certified indicators, missing effective public/non-public indicators, and report section/pages not found on the voucher crosswalk.
CFIN-75	Exclude refund payouts from the weekly risk group voucher. Exclusions include interest payments, pharmacy payouts, and refunds from other insurance companies that could not be dispositioned.
CFIN-76	Identify refunds of all claims with payment errors by applicable service year and service month.
CFIN-77	Establish and maintain separate bank accounts, as needed, in a bank located within the State of Texas. Any funds transferred into these accounts will become the liability of the Contractor upon deposit. The accounts are identified as, but not limited to: a. Core Title XIX Medical Benefits Account; b. Core Title XIX Refund Account; c. CSHCN Medical Benefits Account; and d. HIPP/IPPA Accounts.
CFIN-78	Reconcile checks received directly by the bank to confirm deposit into HHSC refund bank account.

2.1.3.17.5 Financial Services Key Performance Measures

The requirements listed in **Table 39, Financial Services Key Performance Measures** below describe the level of performance and associated liquidated damages required for Financial Services that must be performed by the Contractor during the Contract Term.

Table 39 – Financial Services Key Performance Measures

Financial Services Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CFIN-79	Complete one hundred percent (100%) of the Provider claim payment processing cycle either by Electronic Funds Transfer (EFT) or paper check format based on the HHSC approved schedule except LTC or Family Planning claims.	a. $5,000 for any cycle not completed within one (1) or two (2) Business Days of the due date. b. $10,000 if the cycle is processed between three (3) and five (5) five Business Days late. c. $25,000 if the cycle is processed more than five (5) Business Days late.

CFIN-80	Receive and process the payment file from the applicable HHSC financial system on the day of the payment cycle processing, as defined by HHSC.	$2,000 per Calendar Day past the day of the payment cycle processing, as defined by HHSC.
CFIN-81	Process ninety-five percent (95%) of HIPP and IPPA reimbursement requests (proof of payment) no later than ten (10) Calendar Days from the Contractor received date.	$2,500 for each percentage point, or portion thereof, below the ninety-five percent (95%) standard of processing the reimbursement request no later than ten (10) Calendar Days from the Contractor received date. .
CFIN-82	Process one hundred percent (100%) of reimbursement requests (proof of payment) no later than forty-five (45) Calendar Days from the Contractor received date.	$2,500 for each percentage point, or portion thereof, below the one hundred percent (100%) standard for reimbursement requests no later than forty-five (45) Calendar Days from the Contractor received date.
CFIN-83	Accurately pay ninety-nine percent (99%) of HIPP and IPPA weekly payments to the correct payee.	$2,500 for each percentage point, or portion thereof, for failing to meet the weekly ninety-nine percent (99%) standard.

2.1.3.18 Litigation Support Requirements

The Contractor provides litigation support, administrative hearing activity support and documentation as required in the following requirements. These litigation support requirements are applicable only to the scope of this Contract or work performed in relation to this Contract.

Litigation Support Requirements listed in **Table 40, Litigation Support Requirements** below, describe the functionality, features, and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 40 – Litigation Support Requirements

Litigation Support Requirements	
Req ID	**Detailed Requirements**
CLGL-1	Participate in HHSC enforcement proceedings and support HHSC by providing testimony on relevant aspects of the Electronic Visit Verification (EVV) Systems or EVV data when compliance issues regarding EVV result in contested actions or cases.
CLGL-2	Retain claims, adjustments, and supporting documentation in an active dispute. Retain all supporting documentation until the dispute is resolved and HHSC has approved either storage or destruction of the supporting documentation.
CLGL-3	Provide all document retrieval, copying, preparation, and travel costs for Contractor staff called as witnesses to HHSC for surveillance utilization review (SUR) hearings and trials, at no additional cost to HHSC. The number of hearings and trials varies from year to year.

Litigation Support Requirements	
Req ID	**Detailed Requirements**
CLGL-4	Designate an analyst to run data requests identified by HHSC as intended for discovery production. The analyst must have no knowledge or awareness of the development and formulation process that preceded submission of final data requests associated with the investigation or litigation.
CLGL-5	Designate an individual to serve as a qualified testifying witness for litigation, administrative hearings, and investigations, as well as, provide affidavits and any other litigation-related documentation, as needed regarding how an HHSC-requested query was run. This individual shall be a different individual from the point of contact for informational requests and from the data support analyst and will be identified on an as needed basis as requested in writing by the Texas Attorney's General Office (OAG).
CLGL-6	Obtain approval for designated testifying witness from HHSC or OAG within designated timeframes.
CLGL-7	Provide staff that are experienced, knowledgeable, and qualified to testify in formal or informal adjudicative proceedings about the data base(s) used in running OAG data requests such that the witness(es) can both explain how the data requests were run, as well as, what data that query has captured and any other matters on which testimony is required by the OAG.
CLGL-8	Provide a designated resource to respond to specific requests, including e-mail archive requests, and needs of the OAG, within the individually specified timelines, outlined in each OAG request submitted to the Contractor regarding the investigation and prosecution of fraud, waste, or abuse in the Programs.
CLGL-9	Update the OAG with new contact information within ten (10) Calendar Days of any change to the designated points of contacts or any identified backups, as necessary due to personnel changes.
CLGL-10	Prohibit designated testifying witnesses from discussing or otherwise sharing information regarding the specific investigation or litigation matter(s) and/or the preliminary analysis in any manner or through any medium other than designated HHSC or OAG legal counsel. This prohibition includes discussion with staff that has run preliminary analysis.
CLGL-11	Take reasonable steps to ensure that the testifying witness will have no knowledge, nor be aware of the development and formulation process that preceded submission of the "final" query via a State-defined request.
CLGL-12	Designate an individual and backup knowledgeable of litigation and discovery to be responsible for receiving and executing notice of litigation or investigations from HHSC or the OAG, executing litigation holds, and responding to investigational or discovery requests and other related inquiries within ten (10) Calendar Days of HHSC or OAG request.
CLGL-13	Instruct Contractor staff and Subcontractors that they must maintain the confidentiality, including internal confidentiality, of all matters under investigation or litigation by the State.

Litigation Support Requirements	
Req ID	**Detailed Requirements**
CLGL-14	Store, archive, and make accessible all records, including e-mail, involved in any litigation until the State requests the destruction, return of the records, or lifting of the litigation hold.
CLGL-15	Support litigation and/or administrative hearing activities (e.g., by providing testimony, documentation), as required by HHSC or the OAG.
CLGL-16	Supply all reports, files, copies, and other documentation requested by HHSC or the OAG, Department of Justice (DOJ) or other federal entities to support their prosecution or defense of lawsuits.
CLGL-17	In support of pending litigation, and as requested by HHSC or the OAG, analyze the data and provide the initial and final results to the State or its designee.
CLGL-18	Assist HHSC or the OAG in due diligence required for paper and/or electronic discovery obligations that arise in litigation. Assist HHSC or the OAG in litigation document retention holds, as instructed by the HHSC and/or the OAG.
CLGL-19	Strictly comply with all litigation holds issued by HHSC or the OAG.
CLGL-20	The Contractor must not destroy, or purge claims history related documents or data without prior coordination with the State and written approval from an authorized State employee. In the event the retained claims history approaches storage capacity, corrective action must be approved by the State, to include possible storage capacity options such as expanded capacity funded through a change order.

2.1.3.19 Security Requirements

Security Requirements listed in **Table 41, Security Requirements** below, describe the functionality, features and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 41 – Security Requirements

Security Requirements	
Req ID	**Detailed Requirements**
CSEC-1	Adhere to recognized best practices during the execution of the Contract including the latest version of the National Institute of Standards and Technology (NIST) Special Publication (SP) 800 series related to cyber security.
CSEC-2	Provide scalable Services to integrate other solutions for security and regulatory purposes in the future.
CSEC-3	Comply with all hosting environments with Statement on Standards for Attestation Engagements (SSAE-18) SOC 2 Type 2 and has FedRAMP Certification, FedRAMP Risk Assessment that indicates compliance, or has a documented NIST 800-53 rev 4 at a “moderate” system risk assessment designation.
CSEC-4	Process new requests or updates to user accounts no later than three (3) Business Days after receipt of request or on a schedule approved by HHSC.

Security Requirements	
Req ID	**Detailed Requirements**
CSEC-5	Provide Services to protect the data and voice connectivity between MMIS interfaces, transmission lines, communications bridges, and linkages from unauthorized access. Immediately report all privacy and/or security Incidents upon discovery, including breaches to HHSC designated personnel in accordance with **Exhibit H, Data Use Agreement (DUA)** requirements. Submit a root cause analysis and a CAP to HHSC within five (5) Business Days of the Incident and meet and confer with HHSC thereafter as requested. The CAP shall be substantive, focusing on the root cause for failing to meet performance metrics, and be free from grammatical errors. Submit a quarterly report (based on SFY) summarizing privacy Incidents to HHSC via a HHSC approved system with content, media, and format approved by HHSC.
CSEC-6	Establish, support, and facilitate HHSC approved secure FTP process to exchange, (send and receive) all file extracts with HHSC and HHSC approved Trading Partners within the HHSC-specified timeframe.
CSEC-7	Comply with established HHSC-approved processes for any of Contractor's remote workers to ensure compliance with all security and privacy requirements, including the in-home worker guidelines and in-home worker agreement, which specifically address adherence to HIPAA and IT security guidelines. Contractor staff will be required to sign the Contractor inventory agreement acknowledging the use of Contractor issued computers and mandatory return of issued computers to the Contractor in the event of termination of employment.
CSEC-8	Create and maintain e-mail exchange service with unique e-mail addresses for use for all communications related to the Contract.
CSEC-9	Respond timely to information request associated with the AICPA - Service Organization Control 2 (SOC 2), Type II audit at the end of each operational Contract year to provide assurance related to data security, availability, processing integrity, confidentiality, and privacy, and provide the results of each audit to HHSC as soon as is practicable upon completion.
CSEC-10	Complete risk assessments and security audit reports annually on an SFY basis and when additions or changes to functionality impact the security framework, architecture, or when a new vulnerability exists.
CSEC-11	Adhere to transmission security at TLS 1.2, SHA 2 protocols with a minimum of a 2048 bit key.
CSEC-12	Provide a completed Security Audit Report with results to HHSC by the 30th (thirtieth) of September each SFY year. The Security Audit Report must include either an electronic data processing (EDP) systems audit using SSAE - 18 at a minimum level SOC 2 Type II or a NIST 800-53 rev 4 assessment at a "moderate" system risk control level.
CSEC-13	Provide real-time role-based security authorization service for (create, delete, modify, and view) access to user interfaces, reports, data elements/field level, and

Security Requirements	
Req ID	**Detailed Requirements**
	menu items with user password configuration to be compliant with all current HHSC-approved processes and procedures.
CSEC-14	Provide a user interface that allows authorized users to edit, create, and implement role-based and group-based security at the data element/field level for authorized users based upon individual characteristics or functional security groups.
CSEC-15	Provide integration services to integrate the Contractor's solution into the HHSC integration platform for single sign-on and federated identity management by working collaboratively with HHSC.
CSEC-16	Provide monitoring services to prevent and detect intrusion, hacking, unusual activity, or compromise of the Contractor's solution. The Contractor shall immediately report any Incidents of such, regardless of the outcome, to HHSC. Activate an HHSC-approved communication strategy, perform mitigation activities, and provide continuous status updates to HHSC until the issues are resolved to HHSC satisfaction. Only authorized Contractor personnel may override system security alerts and edits.
CSEC-17	Provide to HHSC, upon request, a listing of all users having access to the Contractor's solution components and/or data with details regarding the access granted to each user.
CSEC-18	Comply with the Harmonized Security and Privacy Framework - Exchange Reference Architecture Supplement Version 1.0 and as required by CMS.
CSEC-19	Comply with the OASIS Web Services Security - Simple Object Access Protocol (SOAP) Message Security Version 1.1 Specifications, as required by CMS, to build secure web services to implement message content integrity and confidentiality.
CSEC-20	Provide training to Contractor and Subcontractor personnel providing Services under the Contract on **Exhibit H, Data Use Agreement (DUA)** and **Exhibit H-1, Security and Privacy Inquiry (SPI)** and the privacy and security policies included in the Contract.
CSEC-21	Provide logical segregation of the Contractor's solution, components, and network connections with other entities and prevent any unauthorized disclosure of HHSC data.
CSEC-22	Utilize cloud-based technology wherever advantageous to maximize the efficient and effective utilization of technology.
CSEC-23	Review user account access on a quarterly basis (based on SFY) at a minimum. User accounts must be appropriately disabled as roles and responsibilities change.
CSEC-24	Submit a data security and privacy Incident report according to HHSC-approved timeline through HHSC-approved communication channel.
CSEC-25	Track disclosures of ePHI; provide authorized users access to and reports on the disclosures.

Security Requirements	
Req ID	**Detailed Requirements**
CSEC-26	Provide Services to HHSC in developing a Privacy Threshold Analysis and Privacy Impact Assessment for each module or module component that includes the following information: a. Use of Personally Identifiable Information (PII) or Personal Health Information (PHI) and a description of the types of data that will be collected; b. Sources of PII, PHI, populations, and transfer, and disclosure mechanisms; c. Legal environment (legal authorities and State privacy laws); d. Details about the entities with which the collected information will be shared; e. Privacy and security standards for its business partners and other third parties and the agreements that bind these entities; f. Incident handling procedures; and g. Privacy and/or security awareness programs and materials for its workforce.
CSEC-27	Provide the completed reports with the results of the service organization control (SOC) 1 Type II audit annually on date identified by HHSC. The Contractor shall provide a mitigation plan for all areas of non-compliance. Issues found to be non-compliant shall be corrected no later than forty (40) Calendar Days after the mitigation plan's submission to the HHSC.

2.1.3.19.1 Security Key Performance Measures

The requirements listed in **Table 42, Security Key Performance Measures** below describe the level of performance and associated liquidated damages required for Security that must be performed by the Contractor during the Contract Term.

Table 42 – Security Key Performance Measures

Security Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CSEC-28	Provide coverage to respond to security incidents within timeframes identified in **Exhibit H, Data Use Agreement (DUA)**	$500 per Calendar Day for failure to provide coverage to respond to security incidents as required by **Exhibit H, Data Use Agreement (DUA)**.

2.1.3.20 Certification Requirements

CMS has begun to transition its systems certification process to one that evaluates how well Medicaid information technology systems support desired business outcomes while reducing the burden on states. This streamlined, outcomes-based approach, or "Outcomes-Based Certification (OBC)," is designed to ensure that systems that receive federal financial participation are meeting the business needs of the state and of CMS. The requirements in this section are for the purpose of obtaining federal certification and rely on the cooperation of HHSC and its Trading Partners, including all Contractors and Subcontractors whose products and/or ancillary services interface with the modernized MMIS.

Certification Requirements listed in **Table 43, Certification Requirements** below, describe the functionality, features, and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 43 – Certification Requirements

Certification Requirements	
Req ID	**Detailed Requirements**
CCRT-1	Perform all activities necessary to achieve final CMS certification on a timeframe as specified by HHSC. Contractor must maintain the CMS certification during the Contract Term.
CCRT-2	Coordinate with HHSC to develop CMS certification documentation for each applicable review criteria. The Contractor will provide support by running reports, analyzing samples, providing walkthroughs and demonstrations, and providing completed system documentation to both HHSC and CMS. All documentation should be held in one location.
CCRT-3	Ensure that the Contractor's solution meets CMS MES certification through compliance with the CMS certification requirements.
CCRT-4	Document and maintain CMS MES certification of systems and make CMS MES certification documentation available to HHSC upon request.
CCRT-5	Provide staff resources to support CMS MES certification activities, including participating in planning activities, meetings, and other CMS MES certification activities.
CCRT-6	Participate in and support CMS MES certification activities of the other MES service provider solutions as directed by HHSC.
CCRT-7	Support HHSC and its Trading Partners in activities associated with the Contractor's solution as outlined in the most current requirements for Medicaid system certification.
CCRT-8	Develop a certification crosswalk that describes how the Contractor's Deliverables and other documentation align with CMS certification requirements.
CCRT-9	Assist HHSC in preparing certification artifacts, evidence, and presentation materials (e.g., requirements, user stories, or use cases) for functional and non-functional requirements, data, business, capacity and performance, security and privacy, and HIPAA compliance, usability, maintainability, interface, accessibility-compliance as addressed in Section 508 of the Rehabilitation Act, DR, traceability to test plans or test cases for the Contractor's system.
CCRT-10	Populate the CMS MES certification document repository as each required item/artifact is completed and approved by HHSC by close of business the day following HHSC approval.
CCRT-11	Use appropriate testing, configuration, and change control procedures for all changes made to the Contractor's solution during the CMS MES certification process.
CCRT-12	Perform and provide user tests results based on test scenarios provided by CMS for the Contractor's solution during Transition and final certification activities.

Certification Requirements	
Req ID	**Detailed Requirements**
CCRT-13	Notify HHSC, in writing, no later than two (2) Business Days after discovery of a deficiency or potential deficiency with the modernized solution that may result in not meeting ongoing certification requirements.
CCRT-14	Provide a CAP for identified CMS MES certification deficiencies for HHSC approval no later than three (3) Business Days after written notification of discovery of CMS MES deficiency or potential deficiency. Contractor must correct all required remediation activities in accordance with the HHSC-approved CAP.
CCRT-15	Update the Contractor solution, user, and training documentation, as necessary, to support the CMS MES certification process and to reflect changes that have been made to the Contractor's solution during the CMS MES certification process.
CCRT-16	Prepare a CMS readiness checklist, prior to production cutover, to assist in the production cutover decision. The CMS readiness checklist must provide HHSC with an outline of all HHSC-approved documents required by CMS.
CCRT-17	Update and submit, for HHSC approval, all documentation as defined by CMS.
CCRT-18	Provide business process models for all operational activities ninety (90) days following the Operational Start Date and revisions every six (6) months thereafter or upon request by HHSC.
CCRT-19	Provide to the HHSC quarterly CMS certification reports after HHSC receives the Contractor's solution certification from CMS.
CCRT-20	Receive certification by CMS no later than twelve (12) months after the Operational Start Date. Service provider CMS certification is achieved retroactive to the first (1st) day of Operations and continued during the Operations Phase. The Contractor is responsible for meeting the federal standards, conditions, and business requirements, formally published by CMS on the date the Solicitation closes, necessary to ensure initial and continued federal certification for the operation of the service provider solution and State to receive full Federal Financial Participation and the Federal Medical Assistance Percentage funding. In addition, the Contractor is responsible for meeting any new or modified federal standards necessary to ensure initial and continued federal certification.

2.1.3.21 Turnover Requirements

The performance of the Turnover activities as defined in this SOW is to the mutual benefit of HHSC and Contractor. The primary objective for Turnover activities is to ensure no interruption of Services to Providers and Clients.

Turnover Requirements listed in **Table 44, Turnover Requirements** below, describe the functionality, features, and capabilities that must be part of the Contractor's solution during the Contract Term.

Table 44 – Turnover Requirements

Turnover Requirements	
Req ID	**Detailed Requirements**
CTUR-1	During the Turnover kickoff meeting, identify and submit to HHSC for approval a list of designated personnel for Turnover activities. These Turnover staff must be managed by the Turnover Project Lead. Contractor must ensure that Turnover personnel are one hundred percent (100%) exclusively allocated to the Contract and Turnover activities, unless otherwise approved by the HHSC.
CTUR-2	Obtain HHSC approval prior to reducing technical staffing levels during the Turnover phase. The Contractor will not restrict or prevent Contractor staff from accepting employment with any successor service provider.
CTUR-3	Obtain HHSC approval prior to any redirection of Key Personnel to perform functions other than the responsibilities of the positions identified for the Contract, either temporarily or permanently.
CTUR-4	Provide the Services of an onsite, manager level employee who has worked on the Contract for at least one (1) year and who has access to other technical and operational experts within the Contractor's corporate structure during the Turnover Phase and Contract closeout period and beyond. This individual will be required to be onsite for at least ninety (90) Calendar Days following completion of Turnover. The individual proposed by the Contractor must be approved by HHSC.
CTUR-5	Implement the HHSC-approved Turnover Plan within timeframes as directed by HHSC.
CTUR-6	Provide Turnover Results Reports monthly during the Turnover Phase and a final report no later than two (2) Business Day after the turnover of Operations as defined in the Turnover Plan, with content, format, and in a timeline approved by HHSC. The Turnover Results Report must document the completion and results of each step of the Turnover Plan. Turnover will be considered complete when the final report after turnover of Operations is approved by HHSC.
CTUR-7	Provide to HHSC or its agent, no later than twenty-one (21) Calendar Days after the request, all data and reference tables, scripts, documentation and records, and all computer applications (developed with State and federal funds during the Contract Term) in an electronic searchable, accessible, and HHSC-defined format.
CTUR-8	Provide all known updates or replacements to business, Operations, and technical materials not yet formally documented during the Turnover phase as directed by HHSC.
CTUR-9	Provide all HHSC data and content at HHSC request and, after delivery to HHSC and upon HHSC request certify in writing that said content in all formats, has been destroyed. Contractor must destroy all State data and content once returned information is verified by HHSC. All of HHSC data and content that are to be returned to HHSC must be delivered in a format that is accessible using common software and independent of the Contractor's proprietary products. This includes the data dictionary.

Turnover Requirements	
Req ID	**Detailed Requirements**
CTUR-10	Purge all HHSC data from the Contractor's systems and backups, once HHSC has confirmed in writing or at the end of the Contract, the receipt and usability of all data from the Contractor. The purging methods used must adhere to State and federal information security standards. Contractor must guarantee that the data is unrecoverable by any known means.
CTUR-11	Maintain performance and service obligations during the Turnover phase as provided by the requirements of the Contract.
CTUR-12	Cooperate with the successor service provider(s) while performing Turnover activities defined in this SOW.

2.1.3.21.1 Turnover Key Performance Measures

The requirements listed in **Table 45, Turnover Key Performance Measures** below describe the level of performance and associated liquidated damages required for Deliverables that must be performed by the Contractor during the Contract Term.

Table 45 – Turnover Key Performance Measures

Deliverables Key Performance Measures		
Req ID	**Key Performance Measures**	**Liquidated Damages**
CTUR-13	Contractor must fully comply with the HHSC-approved Turnover Plan and requirements.	If the Contractor is non-compliant or non-cooperative with the HHSC-approved Turnover Plan the Contractor shall be assessed $5,000 per Calendar Day for each day of non-compliance.

2.2 CONTRACT AWARD, TERM AND HISTORICAL UTILIZATION

2.2.1 Contract Award and Execution

HHSC intends to award one (1) Contract as a result of this Solicitation. Any award is contingent upon approval of the HHSC Executive Commissioner or their designee.

If, for any reason, a Contract cannot be negotiated with a Respondent selected for award within one hundred and twenty (120) days of HHSC determination to seek to contract with that Respondent, HHSC may negotiate a Contract with the next highest scoring Respondent, make a partial award, or withdraw, modify, or partially award this Solicitation.

2.2.2 Contract Term

HHSC anticipates that the initial term of any Contract resulting from this Solicitation shall be for a period of four (4) years, nine (9) months. HHSC, at its sole option, may extend the Contract for up to three (3) additional one (1) year extensions.

Following the initial term and any allowable extensions, HHSC may extend the Contract for not more than one additional option period to address immediate operational or service

delivery needs. If the resulting Contract does not include a defined option period, the extension is limited to one (1) year.

Table 46 - Project Schedule

Project Schedule	
Phase	**Duration (Calendar)**
Transition Phase	Nine (9) months
Operations Phase	Four (4) years
Turnover	Twelve (12) months prior to end of Contract Term
Optional Contract Extensions	Up to three (3) additional one (1) year periods

2.2.3 Historical Utilization and Contract Amount

HHSC currently holds one (1) contract under which one (1) Services provider provides multiple Services for MMIS. HHSC plans to engage in several procurement initiatives as listed in **Section 1.1, Executive Summary**, to obtain the MMIS Services from separate service providers.

Historically, the estimated contract cost attributable to Claims Processing and Adjudication and Financial Services is sixty-five million dollars ($65,000,000). The budget for the Contract resulting from this Solicitation will be negotiated with the successful Respondent.

2.3 DATA USE AGREEMENT

a. By entering into a Contract, or Purchase Order with HHSC as a result of this Solicitation, Respondent agrees to be bound by the terms of the Data Use Agreement attached as **Exhibit H, Data Use Agreement (DUA)** and **Exhibit H1, Security and Privacy Inquiry (SPI)**.
b. Contractor shall ensure that all Confidential Information (as defined in the DUA), including such information residing on back-up systems, remains in the United States. Confidential Information shall not be accessed by Contractor personnel located outside of the United States. Furthermore, Confidential Information may not be received, stored, processed, or disposed via information technology systems located outside of the United States.

2.4 NO GUARANTEE OF VOLUME, USAGE, OR COMPENSATION

HHSC makes no guarantee of volume, usage, or total compensation to be paid to any Respondent under any awarded Contract, if any, resulting from this Solicitation. Any awarded Contract is subject to appropriations and the continuing availability of funds.

HHSC reserves the right to cancel, make partial award, or decline to award a Contract under this Solicitation at any time at its sole discretion.

ARTICLE III. ADMINISTRATIVE INFORMATION

3.1 SCHEDULE OF EVENTS

EVENT	DATE/TIME
Solicitation Release Date	November 19, 2021
Pre-proposal Conference and HSP Webinar Training (Attendance is Optional)	December 3, 2021 at 10:00 A.M. CT
Deadline for Submitting Solicitation Questions	December 9, 2021 AT 12:00 P.M. CT
Tentative Date Responses to Questions Posted on ESBD	December 16, 2021
Submission Deadline for Optional HSP Courtesy Review	January 3, 2022 at 4:00 P.M. CT
Deadline for Submission of Solicitation Responses [NOTE: Responses must be RECEIVED by HHSC by the deadline.]	**January 18, 2022 at 10:30 A.M. CT**
Evaluation Period	January 2022 – May 2022
Anticipated Respondent Demonstrations	May 2022
Anticipated Notice of Award	November 2022
Anticipated Contract Start Date	December 2022

ATTENTION: All dates are tentative and HHSC reserves the right to change these dates at any time. At the sole discretion of HHSC, events listed in the Schedule of Events are subject to scheduling changes and cancellation. Scheduling changes or cancellation determinations made prior to the Deadline for Submission will be published by posting an Addendum to the ESBD. After the Deadline for Submission, if there are delays that significantly impact the anticipated award date, HHSC, at its sole discretion, may post updates regarding the anticipated award date to the Procurement Forecast on the HHS Procurement Opportunities web page. Each Respondent is responsible for checking the ESBD and Procurement Forecast for updates.

3.2 CHANGES, AMENDMENT, OR MODIFICATION TO SOLICITATION

HHSC reserves the right to change, amend, modify, or cancel this Solicitation and will post all changes, amendments, modifications, and cancellation notices on the ESBD.

Respondent must submit its Solicitation Response to HHSC in accordance with the due date and time indicated in **Section 3.1, Schedule of Events**. It is the responsibility of each Respondent to periodically check the ESBD for any changes to, or additional information regarding, this Solicitation. Failure to check the ESBD will in no way release any Respondent from the

requirements of posted Addenda or additional information. HHSC will not be responsible or liable in any regard for the failure of any individual or entity to receive notification of any posting to the ESBD or for the failure of any Respondent to stay informed of all postings to the ESBD. If the Respondent fails to monitor the ESBD for any changes or modifications to this Solicitation, such failure will not relieve the Respondent of its obligation to fulfill the requirements as posted.

3.3 AMBIGUITY, CONFLICT OR DISCREPANCY

Respondents must notify the Sole Point of Contact listed in **Section 3.4.1, Sole Point of Contact**, of any ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error in the Solicitation in the manner and by the deadline described in **Section 3.4.4, Solicitation Questions**.

Respondent submits a Solicitation Response at its own risk.

If Respondent fails to properly and timely notify the Sole Point of Contact listed in **Section 3.4.1, Sole Point of Contact** of any ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error in the Solicitation, the Respondent, whether awarded a contract or not:

a. Waives any claim of error or ambiguity in the Solicitation and any resulting Contract;
b. Must not contest the interpretation by HHSC of such provision(s); and
c. Is not entitled to additional compensation, relief, or time by reason of ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error or its later correction.

3.4 INQUIRIES

3.4.1 Sole Point of Contact

All requests, questions, or other communication about this Solicitation shall be made in writing to the HHSC Purchasing Department, addressed to the person listed below (Sole Point of Contact). All communications between Respondents and other HHSC staff members concerning the Solicitation are strictly prohibited. **Failure to comply with these requirements may result in disqualification of Respondent's Solicitation Response.**

Name:	Lauren Contreras, CTCD
Title:	Contract Specialist V
E-mail:	Lauren.Contreras02@hhs.texas.gov

See also, **Section 3.4.3, Exception to the Sole Point of Contact** below.

3.4.2 Prohibited Communication

Except as provided in **Section 3.4.1, Sole Point of Contact** and **Section 3.4.3, Exception to Sole Point of Contact**, potential Respondents and Respondents are prohibited from any communication with HHSC regarding the Solicitation. On issuance of the Solicitation, except for the written inquiries described in **Section 3.3, Ambiguity, Conflict, or Discrepancy** and **Section 3.4.4, Solicitation Questions** below, HHSC, its representative(s), or partners will not answer any questions or otherwise discuss the contents of this Solicitation with any potential Respondent or their representative(s). Attempts by potential Respondents and Respondents to ask questions by phone or in person will not be allowed or recognized as valid. Respondent shall rely only on written statements issued by or through HHSC designated staff as provided by **Section 3.4, Inquiries**. This restriction does not preclude discussions between affected parties for the purposes of

conducting business unrelated to this Solicitation. **Failure to comply with these requirements may result in disqualification of Respondent's Solicitation Response.**

3.4.3 Exception to Sole Point of Contact

Exceptions to **Section 3.4.1, Sole Point of Contact** are as follows:

a. Respondents with questions relating to the HUB Subcontracting Plan are permitted to direct those questions to the HUB coordinator at Linda.Rogers02@hhs.texas.gov.

b. Where it is expressly directed by the Sole Point of Contact that another designated HHSC representative may speak to the Respondent, such as during Contract negotiations. Respondents are required to ensure that communications have been authorized by the Sole Point of Contact before engaging in such communication. Failure to comply with this requirement may result in the disqualification of a Respondent's Solicitation Response.

3.4.4 Solicitation Questions

HHSC will allow written questions and requests for clarification regarding this Solicitation. Questions must be submitted by e-mail to the Sole Point of Contact listed in **Section 3.4.1, Sole Point of Contact** by the deadline established in **Section 3.1, Schedule of Events** and **Article III – Administrative Information**, unless otherwise notified via the ESBD. Responses to questions or other written requests for clarification will be consolidated and posted to the ESBD; they will not be provided individually to requestors. HHSC reserves the right to amend answers previously posted, prior to the Solicitation Response Deadline listed in **Section 3.1, Schedule of Events**. Amended answers will be posted on the ESBD. It is the Respondent's responsibility to check the ESBD. HHSC also reserves the right to provide a single consolidated response when similar questions are received.

a. All questions and requests for clarification must include the following information:
   1. Solicitation number;
   2. Solicitation package reference (Page number, section, exhibit and Procurement Library documents);
   3. Question topic (e.g., "Schedule of Events", or "Cost Proposal"); and
   4. Question for HHSC.

b. Requestor contact information must be included in the body of the e-mail and submitted with the question(s):
   1. Company name
   2. Company representative name
   3. Phone number
   4. E-mail address

Submissions that deviate from the above format may not be accepted.

Questions or requests for clarification received after the Solicitation Response deadline listed in **Section 3.1, Schedule of Events**, may be reviewed by HHSC, but may not be answered. Only answers to questions submitted to the Sole Point of Contact listed in **Section 3.4.1, Sole Point of Contact** in writing, in accordance with this section, will be considered binding.

3.5 PRE-PROPOSAL CONFERENCE

3.5.1 Attendance

HHSC will conduct an optional pre-proposal conference and HSP training webinar at the date and time listed in **Section 3.1, Schedule of Events**. The pre-proposal conference is optional; however, attendance is highly recommended.

Attendees to the virtual pre-proposal conference are required to send an email to the Sole Point of Contact listed in **Section 3.4.1, Sole Point of Contact** advising of participation in the pre-proposal conference. Attendees must provide their name, phone number, and name of the company they are representing regardless of whether the pre-proposal conference is in-person or virtual.

3.5.2 Conference Logistical Information

HHSC will hold the pre-proposal webinar on the date and time set out in **Section 3.1, Schedule of Events**.

People with disabilities who wish to attend the meeting and require auxiliary aids or Services should contact the Sole Point of Contact listed in **Section 3.4.1, Sole Point of Contact** identified in this Solicitation at least seventy-two (72) hours before the meeting in order to have reasonable accommodations made by HHSC.

3.5.3 Pre-Proposal Webinar Information

Participants must register for the pre-proposal conference prior to the event. After registration, participants will receive an e-mail with the link to the webinar.

Register here: https://attendee.gotowebinar.com/register/6435890577277488909

Webinar ID: 793-397-715

By telephone:

Respondent must select "Use Telephone" after joining the webinar and call in using the number below:

United States: +1 (415) 655-0052
Access Code: 508-270-197
Audio Pin: Shown after joining the webinar

The call participants must have the following information ready to announce on the call:

a. The legal business entity name which will be used if submitting a proposal;
b. The name of each representative on the call; and.
c. The e-mail address for the entity's point of contact.
d. Entity's point of contact phone number

3.6 PROCUREMENT LIBRARY

HHSC will maintain a Procurement Library for this Solicitation containing certain reference information that will be located on the ESBD. HHSC will update, add, or remove documents in the Procurement Library as needed and it is the Respondent's responsibility to check the ESBD

for any updates that will be posted via an Addenda. When the Solicitation Response deadline has passed, the Procurement Library may no longer be updated by HHSC. HHSC will not be responsible for a Respondent's failure to access all of the Procurement Library documents prior to the Solicitation Response deadline.

Note: All Procurement Library artifacts are to be considered current samples used by HHSC and are provided for background information only. They are not illustrative of the Deliverable requirements for the Solicitation. This Solicitation document is the only authoritative source for Deliverable requirements.

3.7 SOLICITATION RESPONSE COMPOSITION

3.7.1 General Information

Failure to submit all required Solicitation Response documents in the required format(s) may result in disqualification of the Solicitation Response without further consideration (see **Section 3.8.3, Submission Checklist**). Each Respondent shall prepare a Solicitation Response that clearly and concisely represents its qualifications and capabilities. Expensive bindings, colored displays, promotional materials, etc. are not necessary or desired. Respondent should focus on the instructions and requirements of the Solicitation.

HHSC, in its sole discretion, may reject an incomplete Solicitation Response.

3.7.2 Page Limit and Supporting Documentation

The Narrative Proposal **must not exceed three hundred (300) pages in length**, not including appendices or attachments, and should be formatted as follows: 8 ½" x 11" paper with 1-inch margins and typed in Times New Roman, 12-pitch font. If complete responses cannot be provided without referencing supporting documentation, such documentation must be provided with the Solicitation Response, with specific reference made to the file, page, section, and/or paragraph where the supporting information can be found.

3.7.3 Discrepancies

In the event of any discrepancies or variations between the Original Solicitation Response and a copy of the Solicitation Response, HHSC is under no obligation to resolve the inconsistencies and may make its scoring and selection decisions, accordingly, including the decision to potentially disqualify a Solicitation Response. If the Respondent is required to designate an "Original Solicitation Response," but fails to do so, HHSC, in its sole discretion, will determine the version to be used as the original. If the Respondent submits a redacted proposal as the "Original Solicitation Response," HHSC will disqualify the Solicitation Response and it will not be evaluated. HHSC will not accept submissions after the "Deadline for Submission of Solicitation Responses" in **Section 3.1, Schedule of Events** to remedy discrepancies or variations in Solicitation Response submissions.

3.7.4 Exceptions

HHSC will more favorably evaluate responses that offer no or few exceptions, reservations, or limitations to the terms and conditions of the Solicitation.

Respondents are highly encouraged, in lieu of including exceptions in their Solicitation Responses, to address all issues that might be advanced by way of exception by submitting such issues pursuant to **Section 3.4.4, Solicitation Questions**.

Any exception included in a Solicitation Response may result in a Respondent not being awarded a Contract. If a Respondent includes exceptions in its Solicitation Response, Respondent is required to use the **Exceptions Form** included as **Exhibit F** to this Solicitation and provide all information requested on the form (Solicitation Section Number, Solicitation Section Title, Language to which Exception is Taken, Proposed Language, and Statement as to whether or not, by indicating only "yes" or "no" Respondent still wants to be considered for a Contract Award if the exception is denied). Any exception that does not provide all required information without qualification in the format set forth in **Exhibit F, Exceptions Form** may be rejected without consideration.

No exception, nor any other term, condition, or provision in a Solicitation Response that differs, varies from, or contradicts this Solicitation will be considered to be part of any Contract resulting from this Solicitation unless expressly made a part of the Contract in writing by HHSC.

3.7.5 Binding Offer

A Solicitation Response should be responsive to the Solicitation as worded, and without any assumption that any or all terms, conditions, or provisions of the Solicitation will be negotiated. Furthermore, all Solicitation Responses constitute binding offers. **Any Solicitation Response to this Solicitation that includes any type of disclaimer or other statement indicating that the Solicitation Response does not constitute a binding offer may be disqualified.**

If a Respondent's ability to enter into a Contract is contingent upon any exception or assumption provided in accordance with **Section 3.7.4, Exceptions** or **Section 3.7.6, Assumptions**, the Respondent may be disqualified from further consideration for Contract award.

3.7.6 Assumptions

Respondent must identify on the **Assumptions Form**, **Exhibit G** any business, economic, legal, programmatic, or practical assumptions that underlie the Respondent's Solicitation Response to the Solicitation. HHSC reserves the right to accept or reject any assumptions. All assumptions not expressly identified and incorporated in writing by HHSC into any Contract resulting from this Solicitation are deemed rejected by HHSC.

3.8 Solicitation Response Submission and Delivery

3.8.1 Deadline

Solicitation Responses must be received at the address in **Section 3.8.4, Labeling and Delivery for USB Submission and Other Materials** and be time-stamped by HHSC no later than the date and time specified in **Section 3.1, Schedule of Events**.

Solicitation Responses received after the deadline specified in Section 3.1, Schedule of Events will be rejected and not considered for Contract award.

3.8.2 Submission Option

The Respondent Solicitation Response must address all the requirements listed in this Solicitation. The Respondent must use one of the submission options below when submitting a Solicitation Response. Solicitation Responses submitted by any other means will be disqualified from further consideration for Contract award.

a. Submission Option #1: Respondent shall submit the following on two (2) USB drives—one (1) labeled "Original" and one (1) labeled "Copy" to the address listed in **Section 3.8.4, Labeling and Delivery for USB Submission and Other Materials**:

   1. Each USB drive must contain one (1) file named "Original Solicitation Response" that contains the Respondent's entire Solicitation Response in searchable portable document format (PDF).
   2. In accordance with **Section 8.1.5, Public Information Act – Respondent Requirements Regarding Disclosure**, each USB drive must contain one (1) file named "Public Information Copy" that contains the Respondent's entire Solicitation Response, including all Exhibits, in searchable PDF, if applicable.
   3. Each USB must contain one (1) file named "Cost Proposal" that contains the Respondent's Cost Proposal narrative in searchable PDF.
   4. Each USB drive must contain one (1) file named "Pricing Workbook" that includes separate and completed Exhibits R-2, R-3, R-4 and R-5 in MS Excel format with active formulas (compatible with Microsoft Office 2016).
   5. In accordance with **Section 6.7, HUB Subcontracting Plan**, each USB drive must contain one (1) file named "HUB Subcontracting Plan" that contains the Respondent's HUB Subcontracting Plan in searchable PDF.

b. Submission Option #2: Respondent shall submit the following through the HHSC Online Bid Room utilizing the procedures in **Exhibit L, HHS Online Bid Room**:

   1. One (1) file named "Original Solicitation Response" that contains the Respondent's entire Solicitation Response in searchable portable document format (PDF).
   2. In accordance with **Section 8.1.5, Public Information Act – Respondent Requirements Regarding Disclosure** one (1) file named "Public Information Copy" that contains the Respondent's entire Solicitation Response in searchable PDF, if applicable.
   3. One (1) file named "Cost Proposal" that contains the Respondent's Cost Proposal narrative in searchable PDF.
   4. One (1) file named "Pricing Workbook" that includes separate and completed Exhibits R-2, R-3, R-4 and R-5 in MS Excel format with active formulas (compatible with Microsoft Office 2016).
   5. In accordance with **Section 6.7, HUB Subcontracting Plan** one (1) file named "HUB Subcontracting Plan" that contains the Respondent's HUB Subcontracting Plan in searchable PDF.

3.8.3 Submission Checklist

Solicitation Consideration Documents (SC) and Award Consideration Documents (AC) (reference **Section 1.2, Definitions**) must be submitted by the deadline for Solicitation

Response submissions reference **Section 3.1, Schedule of Events**. Solicitation Consideration Documents (SC) will be reviewed as-is, without any opportunity to remedy missed requirements. HHSC, at its sole discretion, may request Respondents to remedy missing elements of Award Consideration Documents (AC). In the table below the documents marked "SC" are Solicitation Consideration Documents and those marked "AC" are Award Consideration Documents.

The Solicitation Response must be submitted using one of the approved submission methods identified in **Section 3.8.2, Submission Option**. Where searchable PDF files are required, submission of non-searchable (image only) PDF files may result in disqualification from further consideration for Contract award.

A.	**Proposal and Respondent Information**			
1.	Narrative Proposal	(Section 5.1)	SC	____
2.	Company Information	(Section 6.1)	SC	____
3.	References	(Section 6.2)	AC	____
4.	Primary Subcontractor Information	(Section 6.3)	SC	____
5.	HHS Solicitation Affirmations	(Section 6.4 and Exhibit A)	SC	____
6.	Assurances – Non-Construction Programs	(Section 6.4 and Exhibit D)	AC	____
7.	Certification Regarding Lobbying	(Section 6.4 and Exhibit E)	AC	____
8.	Exceptions (if applicable)	(Section 3.7.4 and Exhibit F)	AC	____
9.	Assumptions (if applicable)	(Section 3.7.6 and Exhibit G)	AC	____
10.	Dun and Bradstreet Report	(Section 6.5.1)	AC	____
11.	Financial Statements and Financial Solvency	(Section 6.5.3)	AC	____
12.	Corporate Guarantee	(Section 6.6)	AC	____
13.	Security and Privacy Inquiry (SPI)	(Section 2.2 and Exhibit H1)	AC	____
14.	Secretary of State Certification	(Section 6.8)	AC	____
15.	MMIS Module Preference Form	(Section 4.1.3.6 and Exhibit S)	SC	

B.	**Cost Proposal**	(Article VII and Exhibits R1 – R5)	SC	____
1.	Cost Narrative	(Article VII and Exhibit R-1, Exhibit F, and Exhibit G)	SC	____
2.	Pricing Workbook	(Article VII and Exhibits R-1, R-2, R-3, R-4, and R-5)	SC	____
C.	**HUB Subcontracting Plan**	(Section 6.7 and Exhibit I)	SC	____

3.8.4 Labeling and Delivery for USB Submission and Other Materials

Respondent must deliver Solicitation Responses submitted via USB by one of the methods below.

U.S. Postal Service	Overnight/Express Mail	Hand Delivery
Health and Human Services Commission ATTN: Response Coordinator P.O. Box 149166 Austin, Texas 78714	Health and Human Services Commission ATTN: Response Coordinator 1100 W. 49th St., MC 2020 Austin, Texas 78756	Procurement & Contracting Services Building ATTN: Response Coordinator 1100 W. 49th St., MC 2020 Austin, Texas 78756

BE ADVISED: All Solicitation Responses become the property of HHSC after submission and will not be returned to Respondent. It is the Respondent's responsibility to appropriately mark and deliver the Solicitation Response to HHSC PCS by the specified date. A U.S. Postal Service (USPS) postmark or round validation stamp; a mail receipt with the date of mailing, stamped by the USPS; a dated shipping label, invoice of receipt from a commercial carrier; or any other documentation in lieu of the on-site time stamp **WILL NOT** be accepted.

Each Respondent is solely responsible for ensuring its Solicitation Response is submitted in accordance with all Solicitation requirements, including, but not limited to, proper labeling of packages, sufficient postage or delivery fees, and ensuring timely receipt by HHSC. In no event will HHSC be responsible or liable for any delay or error in delivery. Solicitation Responses must be RECEIVED by HHSC PCS by the Solicitation Response submission deadline identified in **Section 3.1, Schedule of Events** or subsequent Addenda.

Solicitation Responses submitted via USB by mail or hand delivery shall be placed in a sealed box and the USB drives clearly labeled as follows:

SOLICITATION NO:	HHS0005172
SOLICITATION NAME	Claims Processing and Adjudication and Financial Services
SOLICITATION RESPONSE DEADLINE	January 18, 2022 at 10:30 A.M. CT
PURCHASER NAME:	Lauren Contreras, CTCD
RESPONDENT NAME:	[Respondent Name]

It is Respondent's sole responsibility to ensure that packaging is sufficient to prevent damage to contents. HHSC will not be responsible or liable for any damage and damaged Solicitation Responses will not be considered.

HHSC will not be held responsible for any Solicitation Response that is mishandled prior to receipt by HHSC. It is the Respondent's responsibility to mark appropriately and deliver the Solicitation Response to HHSC by the specified date and time. HHSC will not be responsible for any technical issues that result in late delivery, inappropriately identified documents, or other submission errors that may lead to disqualification (including substantive or administrative) or nonreceipt of the Respondent's Solicitation Response.

3.8.5 Modifications and Withdrawals

Prior to the Solicitation Response submission deadline in **Section 3.1, Schedule of Events**, a Respondent may: (1) withdraw its Solicitation Response by submitting a written request to the Sole Point of Contact identified in **Section 3.4.1, Sole Point of Contact**; or (2) modify its Solicitation Response by submitting a written amendment to the Sole Point of Contact identified in **Section 3.4.1, Sole Point of Contact**. When modifying its Solicitation Response, Respondent must include in writing the section(s) of its submission that will be replaced or removed by the amendment.

ARTICLE IV. SOLICITATION RESPONSE EVALUATION AND AWARD PROCESS

4.1 BEST VALUE DETERMINATION

4.1.1 Conformance with State Law

Solicitation Responses shall be evaluated in accordance with Section 2157.003 of the Texas Government Code. HHSC shall not be obligated to accept the lowest priced Solicitation Response; but shall make an award to the Respondent that provides the best value to the State of Texas. Best value will be determined in accordance with **Section 4.1.2, Minimum Qualifications**; **Section 4.1.3**, **Selection Methodology**; and, if applicable, **Section 4.2 Best and Final Offer**.

4.1.2 Minimum Qualifications

Respondents must meet the minimum qualifications listed below. Failure to meet any of the minimum qualifications below will result in disqualification without the opportunity to remedy any discrepancies. Respondents should ensure they are providing adequate documentation to meet the requirements below upon submission of the Solicitation Response.

a. The Respondent must have a minimum of five (5) years' experience operating and maintaining a healthcare claims processing and payment system or the Principals/Owners must have five (5) years of recent ownership or executive management experience in a company that provided Services for projects of similar size and scope (see **Section 6.1.1, Company Narrative);**
b. Each Respondent must submit at least three (3) references from projects performed within the last five (5) years that demonstrate the Respondent's ability to perform the SOW described in the Solicitation (see **Section 6.2, References**);
c. Respondents must be financially solvent and adequately capitalized, as determined solely by HHSC based on a review of documentation required by **Section 6.5, Other Reports**; and
d. Respondents have submitted the Solicitation Response in accordance with **Section 3.8, Solicitation Response Submission and Delivery** including all documents in accordance with **Section 3.8.3, Submission Checklist**.

Furthermore, Solicitation Responses that appear unrealistic in terms of technical commitment, that show a lack of technical competence, or that indicate a failure to comprehend the risk and complexity of a potential contract may be rejected, in the sole discretion of HHSC.

4.1.3 Selection Methodology

Solicitation Responses that meet the minimum qualifications will be submitted to the HHSC evaluation team ("evaluation team") for review and scoring. Each member of the evaluation team will receive a copy of each responsive Solicitation Response. The Evaluators will review the Solicitation Responses considering the criteria list in **Section 4.1.3.3, Written Response Evaluation Criteria**.

Evaluators will not individually score the Solicitation Responses. This Solicitation will utilize a consensus scoring methodology as outlined by this section. Demonstrations will be used to make a selection for Contract award, as outlined by this section.

The following subsections describes the evaluation process, including any criteria for advancement to the various phases of evaluation, if applicable.

4.1.3.1 Initial Compliance Screening

HHSC will review Solicitation Responses for compliance with the **Section 3.8.3, Submission Checklist** and for demonstrated ability to meet the Minimum Qualifications listed in **Section 4.1.2, Minimum Qualifications** required to advance to evaluations. Failure to meet the minimum qualifications listed in **Section 4.1.2, Minimum Qualifications** will result in the disqualification of the Solicitation Response.

HHSC will automatically disqualify any Solicitation Response that does not include one or more of the completed and signed (as applicable) Solicitation Consideration Documents (SC) listed in **Section 3.8.3, Submission Checklist**.

HHSC may contact references provided in response to this Solicitation. HHSC may contact Respondent's Clients, or solicit information from any available source, including the Texas Comptroller of Account's VPTS. Any information received may be grounds for disqualification if that information, in HHSC sole discretion, suggests that the Respondent may perform poorly if selected as a Contractor.

At its sole discretion, HHSC may disqualify any Solicitation Response that does not include all other Award Consideration Documents (AC). Reference **Section 3.8, Solicitation Response Submission and Delivery**.

4.1.3.2 Written Solicitation Response Evaluation

Each member of the evaluation team will read the Solicitation Responses, in preparation for the evaluation. The evaluation team will score all Solicitation Responses that pass the initial compliance screening (**Section 4.1.3.1, Initial Compliance Screening**) against the criteria in **Section 4.1.3.3, Written Response Evaluation Criteria**.

The evaluation team must meet a consensus on the score for each criterion. The evaluation meetings will be led by a facilitation team who will facilitate the discussion and record the scores. The evaluation team may be assisted by non-scoring technical advisors as needed.

4.1.3.3 Written Response Evaluation Criteria

Solicitation Responses shall be consistently evaluated and scored in accordance with the following criteria. See also, **Exhibit K, Consensus Scoring Rubric**.

a. Overall Service Approach and Project Work Plan (PWP) (Max: 33 points possible)
b. Transition Planning (Max:15 points possible)
c. Total Cost (Max: 22 points possible)
d. Contract Financial Approach (Max: 10 points possible)
e. Relevant Qualifications, Past Performance, and Experience (Max: 20 points possible)

4.1.3.4 Advancement Criteria

After the written Solicitation Response evaluation, Respondents may be selected for invitation to Demonstrations using the Advancement Criteria specified by this section. Advancement to Demonstrations will be determined by the Competitive Range (which is a natural break in the scores) based on the written Solicitation Response evaluation.

HHSC will limit advancement to secondary evaluation activities, and further award consideration, to Respondents that meet the specified Advancement Criteria.

The Competitive Range will consist of the Solicitation Responses that receive the highest final written Solicitation Response scores or most satisfactory ratings, based on the

published evaluation criteria and procedures governing this procurement. Cutoff for the Competitive Range will be based on "natural break" in scores and on the agency's reasoned judgement that Solicitation Responses below the cutoff cannot be made successful through clarification and negotiation. By way of example, in a scenario where initial evaluation scores are 97, 93, 82, 81, 79 and 68, the Competitive Range may include only the top two (2) Respondents. HHSC is not obligated to enforce a natural break in scores and reserves the right to advance as many or as few Proposals as qualified under this criterion.

4.1.3.5 Demonstrations

Demonstrations will be requested. The Advancement Criteria, as described by **Section 4.1.3.4, Advancement Criteria**, will be utilized to determine which Respondents will advance to Demonstrations.

Respondents selected for Demonstrations will be the final group of Respondents eligible for award. Demonstrations will allow for points to be added to Respondent's Final Score, as specified in **Section 4.1.3.5.1, Demonstration Criteria**.

Respondents will be provided with advance notice of any such Demonstrations and are responsible for their own presentation equipment. Advance notice will include an agenda and specific scenarios or use cases for each category or criteria listed in **Section 4.1.3.5.1, Demonstration Criteria**. Failure to participate in the requested Demonstration will eliminate a Respondent from further consideration. HHSC is not responsible for any costs incurred by the Respondent in preparation for or providing any Demonstration. All costs incurred by the Respondent are the responsibility of the Respondent.

4.1.3.5.1 Demonstration Criteria

Demonstrations may add up to a possible ten (10) additional points to a Respondent's Final Score. The evaluation team will determine the number of points with the consensus scoring method.

The opportunity to participate in Demonstrations will be given in accordance with **Section 4.1.3, Selection Methodology**.

Demonstrations will be scored based on Respondent's performance under the categories included in **Table 47 Demonstration Use Cases** below. **Specific Use Cases** will be provided only to those Respondents who meet the **Advancement Criteria** in **Section 4.1.3.4**.

Table 47 – Demonstration Use Cases provides a description of the categories of use cases the Respondent will be expected to demonstrate.

Table 47 – Demonstration Use Cases

Use Case Category	
1	Provider Online Claims Submission Portal
2	Claims Status Inquiry
3	Client & Provider

4	Claims Processing and Search Process
5	Claims Business Rules
6	Claims Portal
7	Claims Pricing
8	Claims Reprocessing/Adjustment
9	Reporting Dashboards

When considering the scoring of each scenario, Evaluators may refer to the following table and may consider some or all of the usability guidelines listed below and will score the categories in accordance with **Exhibit K - Consensus Scoring Rubric**:

Table 48 – Guidelines for Use Case Evaluation

Guidelines for Use Case Evaluation		
	Guideline	Explanation
1	Visibility of system status	The system should always keep users informed about what is going on, through appropriate feedback within reasonable time.
2	Match between system and the real world	The system should speak the user's language with words, phrases and concepts familiar to the user, rather than system-oriented terms. Follow real-world conventions and make information appear in natural order.
3	User control and freedom	Users often choose system functions by mistake and will need a clearly marked "emergency exit" to leave the unwanted state without having to go through an extended dialogue. Support undo and redo.
4	Consistency and standards	Uses should not have to wonder whether different words, situations, or actions mean the same thing. Follow platform conventions.
5	Error prevention	Even better than good error messages, is a careful design which prevents a problem from occurring in the first place. Eliminate error-prone conditions or handle them gracefully.
6	Recognition rather than recall	Minimize the user's memory load by making objects, actions, and options visible. The user should not have to remember information form one part of the dialogue to another.
7	Flexibility and efficiency of use	Accelerators – unseen by the novice user – may often speed up interaction for the expert user such that the system can cater to both inexperienced and experienced users.

8	Help users recognize, diagnose, and recover from errors	Error messages should be expressed in plain language (no codes), precisely indicate the problem, and constructively suggest a solution.
9	Avoid hard mental Operations and lower workload	Do not force the user into hard mental operation and keep the user's workload at a minimum.
10	Avoid forcing the user to premature commitment	Do not force the user to perform a particular task or decision until it is needed. Will the user know why something must be done?
11	Provide functions that are of utility to the user	Consider whether the functionality described is likely to be useful to users and whether functions/data are missing.

Source: Kasper Hornbæk, University of Copenhagen, Dept. of Computer Science; Rune Thaarup Høegh, Aalborg University, Dept. of Computer Science; Michael Bach Pedersen, ETI A/S, Bouet Moellevej; and Jan Stage, University of Copenhagen, Dept. of Computer Science (2007), Use Case Evaluation (UCE): A Method for Early Usability Evaluation in Software Development.

4.1.3.6 Final Award Determination

The final selection for award will be based on this section and **Section 4.1.2, Minimum Qualifications**; **Section 4.1.3, Selection Methodology**; and if applicable, **Section 4.2, Best and Final Offer**. A Respondent selected for Contract award in accordance with all of those sections is considered the Respondent that provides the best value to the State.

In accordance with CMS direction (see **Section 1.1, Executive Summary**) and as part of the best value determination, HHSC places restrictions on the ability of Respondents to be awarded multiple MMIS modules. The timely award of all MMIS modules is also a factor in best value determination, to be accomplished through the final award determination process outlined below. Respondents that intend to submit responses for more than one (1) of the MMIS Modules may not be eligible for award for all modules. Respondents are required to submit the MMIS Module Preference Form (**Exhibit S, MMIS Module Preference Form**) with the Solicitation Response.

A Respondent will not be considered for award for any other modules if that Respondent is awarded the MMIS Business Operations Module and will not be considered for award for the MMIS Business Operations module if that Respondent has been awarded any other modules.

A Respondent may be awarded both the MMIS Application Maintenance and Development Module and the MMIS Claims Processing Module.

If a Respondent has been awarded a module that makes the Respondent ineligible for award for another module, that Respondent will be disqualified from further consideration for award. If a Respondent is the highest scoring Respondent (**Section 4.1.3.7, Total Score**) for two (2) or more modules that cannot be awarded under the eligibility conditions in this section and no awards have been made to determine eligibility, HHSC will consider the Respondent only for the module indicated on the MMIS Module Preference Form (**Exhibit S, MMIS Module Preference Form**). If eligibility is determined by a Contract award, that determination will prevail over the preferences selected in the MMIS Module

Preference Form (**Exhibit S, MMIS Module Preference Form)**. The Respondent will be disqualified from all other procurements for MMIS modules that the Respondent would become ineligible for in the event of a successful award. In summary, if an award is not made and a Respondent submits a proposal for multiple MMIS module procurements and is the highest scorer on more than one (1) procurement, HHSC will use the Respondent's preference to determine which procurement to continue considering that Respondent for potential Contract award. There is no guarantee of Contract award, even when a Respondent has been disqualified from the other procurements as a result of preference selection. Respondents are advised to choose their preferences carefully.

4.1.3.7 Total Score

The Final Score is the score from the written solicitation evaluation in **Section 4.1.3.2, Written Solicitation Response Evaluation**. Demonstrations may add up to 10 additional points onto the Final Score, which will result in a Total Score. The Total Score will be used to determined Contract award. If HHSC elects to request a BAFO from the Respondents, the Final Score may be adjusted in accordance with **Section 4.2, Best and Final Offer**, which will by extension result in a change to the Total Score.

4.2 BEST AND FINAL OFFER

HHSC may, at its sole discretion, following the completion of **Section 4.1.3, Selection Methodology,** request BAFOs from all Respondents or only those Respondents whose proposals are ranked highest by the evaluation committee. The request for a BAFO will allow a Respondent the opportunity to revise its original proposal, including pricing, or leave its proposal as originally submitted. Revisions must be submitted in the manner and form prescribed by the BAFO request. Requests will be sent to the point of contact provided by the Respondent. HHSC is not responsible for a Respondent's failure to timely receive the BAFO request.

HHSC reserves the right to request more than one BAFO from each of the selected Respondents. If a response is submitted to a request for a BAFO, the Final Score will be revised in accordance with the stated criteria in **Section 4.1.3.3, Written Response Evaluation Criteria** as to any changes made to the Respondent's original proposal. A request for a BAFO does not guarantee an award or further negotiations.

If BAFOs are requested by HHSC and submitted by the Respondent, they will be evaluated using the criteria stated in the BAFO invitation, scored, and ranked by the evaluation committee. HHSC reserves the right to conduct more than one BAFO. The award will then be granted to the highest scoring Respondent. However, a Respondent should provide its best offer in its original proposal. Respondents should not expect or assume that HHSC will request a BAFO.

4.3 QUESTIONS OR REQUESTS FOR CLARIFICATION BY HHSC

By submitting a Solicitation Response, Respondent grants HHSC the right to ask questions, request clarifications and to obtain any information from any lawful source regarding the past history, practices, conduct, ability, and eligibility of the Respondent to supply, Services and to fulfill requirements under this Solicitation, and the past history, practices, conduct, ability, and eligibility of any director, officer or key employee of the Respondent. By submitting a Solicitation Response, the Respondent generally releases from liability and waives all claims against any party providing

information about the Respondent at the request of HHSC. Such information may be taken into consideration in evaluating the Solicitation Response.

ARTICLE V. NARRATIVE PROPOSAL

5.1 NARRATIVE PROPOSAL

5.1.1 Transmittal Letter (Section 1)

The Respondent will provide a transmittal letter, signed by an individual authorized to legally bind the Respondent to the terms and conditions of this Solicitation and identifying the individuals authorized to negotiate on behalf of the Respondent. This letter will also include contact information for these individual(s).

5.1.2 Business Summary (Section 2)

The Respondent must provide a high-level overview of the Respondent's approach to meeting the requirements contained in **Article II**, **Scope of Work**. The summary must demonstrate an understanding of HHSC goals and objectives for this Solicitation. The Executive Summary must not exceed five (5) pages and must represent a full and concise summary of the Solicitation Response for the Contractor Claims Processing and Adjudication and Financial Services Solicitation.

5.1.3 Project Work Plan (Section 3)

The Respondent must describe the Respondent's proposed processes and methodologies for providing all components of the Scope of Work described in **Article II, Scope of Work** including the Respondent's approach to meeting the Project schedule. Respondent must identify all tasks to be performed, including all Project activities, materials and other products, Services, and reports to be generated during the Contract Term and relate them to the stated purpose(s) and specifications described in this Solicitation.

The Respondent's Project Work Plan must reflect a clear understanding of the nature of the work to be undertaken and must include detailed descriptions of how the Respondent intends to meet each requirement within the proposed solution. Responses which simply repeat the requirement or include marketing materials will be considered non-responsive.

The Respondent's proposal for the Project Work Plan must be submitted in the following structure, and include a description of the following business and service components:

a. Project management (**see Section 5.1.3.1, Project Management Proposal** for description)
b. Transition and Conversion (see **Section 5.1.3.2, Transition and Conversion** for description)
c. Claims Processing and Pricing (see **Section 5.1.3.3, Claims Processing and Pricing** for description)
d. Application Services (see **Section 5.1.3.4, Application Services** for description)
e. Business Services (see **Section 5.1.3.5, Business Services** for description)
f. Finance Services (see **Section 5.1.3.6, Finance Services** for description)
g. Certification (see **Section 5.1.3.7, Certification** for description)
h. Turnover (see **Section 5.1.3.8, Turnover** for description)

i. Appendices (see **Section 5.1.3.9, Appendices** for description)

5.1.3.1 Project Management Proposal

The Respondent must provide a detailed description of how the Respondent proposes to meet each requirement under **Section 2.1.3.1**, **Project Management Requirements**; **Section 2.1.3.3**, **Staffing Requirements**; **Section 2.1.3.4**, **Deliverables Requirements**; and **Section 2.1.3.5**, **Communication Requirements**.

5.1.3.2 Transition and Conversion

The Respondent must provide a detailed description on how the Respondent proposes to meet each requirement under **Section 2.1.3.6**, **Transition Requirements**. The Respondent is responsible for demonstrating an in-depth knowledge of conversion tasks necessary to move data from a legacy system to a service provider.

5.1.3.3 Claims Processing and Pricing

The Respondent must provide a detailed description on how the Respondent proposes to meet each requirement under **Section 2.1.3.9.1**, **Claims - Adjudication Requirements**; **Section 2.1.3.9.2**, **Claims – Business Rules Requirements**; **Section 2.1.3.9.3**, **Claims – Pricing and Payment Requirements**; and **Section 2.1.3.9.4**, **Claims – Reprocessing/Adjustment Requirements**.

5.1.3.4 Application Services

The Respondent must provide a detailed description on how the Respondent proposes to meet each requirement under **Section 2.1.3.10**, **Data Management Requirements**; **Section 2.1.3.11**, **Reporting Requirements**; **Section 2.1.3.12, System Requirements**; **Section 2.1.3.13**, **Disaster Recovery and Business Continuity Requirements**; **Section 2.1.3.14**, **Interface Requirements**; **Section 2.1.3.15, Testing Requirements**; and **Section 2.1.3.19**, **Security Requirements**.

5.1.3.5 Business Services

The Respondent must provide a detailed description on how the Respondent proposes to meet each requirement under **Section 2.1.3.7**, **Document Management Requirements** and **Section 2.1.3.16, Training Requirements**.

5.1.3.6 Finance Services

The Respondent must provide a detailed description on how the Respondent proposes to meet each requirement under **Section 2.1.3.17.1**, **Financial Services – General Requirements**; **Section 2.1.3.17.2**, **Financial Services - Recoupments/Adjustments/Account Receivables**; **Section 2.1.3.17.3**, **Financial Services – Reporting**; and **Section 2.1.3.17.4**, **Financial Services – Funds Management**.

5.1.3.7 Certification

The Respondent must provide a detailed description of how the Respondent proposes to meet each requirement under **Section 2.1.3.20**, **Certification**

Requirements. The Respondent is responsible for providing a Response which shows a thorough understanding of CMS certification processes and the Respondent's part in attaining CMS certification.

5.1.3.8 Turnover

The Respondent must provide a detailed description of how the Respondent proposes to meet each requirement under **Section 2.1.3.21**, **Turnover Requirements**. Responses must demonstrate total agreement for requirements and Turnover Plan timeframes to ensure continuation of Services.

5.1.3.9 Appendices

Respondent must include as part of the Respondent's proposed solution the following examples of the documents, Deliverables, plans, and reports that are the Respondent's actual work from a prior project:

a. Deliverable samples of the following:

1. Project Management Plan;
2. Change Management Plan;
3. High Level Transition Plan;
4. Data Conversion and Migration Plan; and
5. Security Plan.

5.1.4 Value-Added Benefits (Section 4)

The Respondent shall describe any services or deliverables that are not required by this Solicitation that the Respondent proposes to provide at no additional cost to HHSC. Respondents are not required to propose value-added benefits, but inclusion of such benefits may result in a more favorable evaluation.

5.1.5 Key Staffing Profile (Section 5)

Respondent must provide a key staffing profile and resumes for staff that will be responsible for the performance of the Services requested under this Solicitation.

ARTICLE VI. REQUIRED RESPONDENT INFORMATION

6.1 COMPANY INFORMATION

In accordance with **Article III, Administrative Information**, Respondents must include the following information in their Solicitation Response.

6.1.1 Company Narrative

Provide a detailed narrative explaining why the Respondent is qualified to provide the Services enumerated in **Article II**, **Scope of Work** focusing on its company's key strengths and competitive advantages, including its experience operating and maintaining a healthcare claims processing and payment system as required in **Section 4.1.2, Minimum Qualification**.

6.1.2 Company Profile

Provide a company profile that includes:

a. The company history demonstrating having been in business for a minimum of the most recent five (5) years, or the principals/owners having recent ownership/executive management experience in a previous company that provided healthcare business Operations;

b. The company ownership structure (corporation, partnership, LLC, or sole proprietorship), including any wholly owned subsidiaries, affiliated companies, or joint ventures. Provide this information in a narrative and as a graphical representation. If Respondent is an affiliate of, or has a joint venture or strategic alliance with, another company, Respondent must identify the percentage of ownership and the percentage of the parent's ownership. The entity performing the majority of the Work under a Contract, during the Contract Term, must be the primary bidder. Finally, provide your proposed operating structure for the Services requested under this Solicitation and which entities (i.e., parent company, affiliate, joint venture, Subcontractor) will be performing them;

c. The year the company was founded and/or incorporated. If incorporated, indicate the state where the company is incorporated and the date of incorporation;

d. The location of company headquarters and any field office(s) that may provide Services for any resulting Contract under this Solicitation;

e. The number of employees in the company, both locally and nationally, and the location(s) from which employees will be assigned;

f. The name, address, and telephone number of Respondent's point of contact for any resulting Contract under this Solicitation; and

g. Indicate whether the company has ever been engaged under a contract by any Texas state agency. If "Yes," specify when, for what duties, and for which agency.

6.2 REFERENCES

Respondent shall provide a minimum of three (3) references from similar contracts or projects performed, preferably for state and/or local government, within the last five (5) years. Respondent must verify current contracts. Information provided shall include:

a. Client name;

b. Contract/project description;

c. Total dollar amount of contract/project;

d. Key staff assigned to the referenced contract/project that will be designated for work under this Solicitation;

e. Client contract/project manager name, telephone number, and e-mail address;

f. Three (3) references that verify that the Respondent or its Subcontractor(s) have successfully operated and maintained a complete solution or system of similar complexity and Services that largely meet the requirements of the SOW referenced in this Solicitation; and

g. A listing or description of additional Client references that would assist HHSC understanding of the Respondent's relevant experience.

Respondent agrees that HHSC has the right to contact any Respondent's references and discuss the Client's level of satisfaction with the Respondent and its products or services.

6.3 PRIMARY SUBCONTRACTOR INFORMATION

Respondent must identify any Primary Subcontractors whom Respondent intends to utilize in performing fifteen percent (15%) or more of any Contract. Respondent must indicate whether or not Respondent holds any financial interest in any Primary Subcontractor. It may be required by HHSC as a condition of award that an authorized officer or agent of each proposed Primary Subcontractor sign a statement to the effect that the Subcontractor has read, and will agree to abide by, Respondent's obligations under any Contract awarded pursuant to this Solicitation.

6.4 AFFIRMATIONS, ASSURANCES, AND CERTIFICATIONS

Respondent must complete and return all of the following affirmations and certifications:

a. **Exhibit A, HHS Solicitation Affirmations, v.2.1**.

b. Federal Assurances and Certifications:

   1. **Exhibit D, HHS Assurances – Non-Construction**; and

   2. **Exhibit E - HHS Certification Regarding Lobbying**.

c. **Exhibit H1, HHS Security and Privacy Inquiry (SPI)**.

6.5 OTHER REPORTS

6.5.1 Dun and Bradstreet Report

Respondents with a Dun and Bradstreet number must include a Comprehensive Insight Plus Report, Business Information Report, or Credit eValuator Report with their Solicitation Response.

6.5.2 Financial Capacity

All Respondents must supply evidence of financial capacity sufficient to demonstrate reasonable stability and solvency appropriate to the requirements of this Solicitation and referenced in **Section 6.5, Other Reports**. HHSC reserves the right to request additional information or to disqualify the Respondent. If the Respondent does not provide adequate assurance of financial stability or solvency, whether initially or through supplementation, and in HHSC sole discretion, Respondent will be required to provide an explanation and other assurances (e.g., capital contributions, high-cost reinsurance, personal guarantee, letters-of-credit, etc.) based on the needs of HHSC to resolve any financial viability or solvency concerns raised in the review of this selection criterion.

6.5.3 Financial Statements and Financial Solvency

a. Respondent must submit electronically in a word searchable PDF an annual report, which must include:

1. Last three (3) years of Audited Financial Statements, including all supplements, management discussion and analysis, and actuarial opinions.
2. If applicable, last three (3) years of consolidated statements for any holding companies or affiliates
3. A full disclosure of any events, liabilities, or contingent liabilities that could affect Respondent's financial ability to perform the Contract.
4. A full disclosure of any material contingencies and any current, past (i.e., in the past 3 years from the Proposal due date), or known potential material litigation, regulatory proceedings, bankruptcies, award of punitive damages against Respondent, legal matters, or similar issues

   At a minimum, such financial statements must include:

   A. Balance sheet;

   B. Income Statement;

   C. Statement of Changes in Financial Position;

   D. Statement of Cash Flows; and

   E. Capital Expenditures.

b. If the Respondent is a corporation that is required to report to the Securities and Exchange Commission (SEC), Respondent must submit its three (3) most recent SEC Form 10K, Annual Reports, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Financial materials must be submitted electronically in a word searchable PDF.

c. If Audited Financial Statements are not available, Respondent must submit unaudited financial information and any other information the Respondent believes meets the requirements of this section. See **Section 6.5.4**, **Alternate Report**.

d. Substantial Ownership or Wholly Owned by another Corporate Entity.

   1. If the Respondent is either substantially or wholly owned or controlled by another corporate (or legal) entity, the Respondent must include the information required in this **Section 6.5.3**, **Financial Statements and Financial Solvency** for each such entity, including the most recent detailed financial report for each such entity.

e. If HHSC determines that an entity does not have sufficient financial resources to guarantee the Respondent's performance, HHSC may require the Respondent to obtain another acceptable financial instrument or resource from such entity, or to obtain an acceptable guarantee from another entity with sufficient financial resources to guarantee performance.

6.5.4 Alternate Report

If Respondent(s) is unable to provide the annual report specified above, Respondent(s) may, at the discretion of HHSC, provide the following information in an alternate report:

a. Last three (3) years un-audited financial statements, including all supplements, management discussion and analysis, and actuarial opinions.;

b. An un-audited financial statement of the most recent quarter of operation; and

c. A full disclosure of any events, liabilities, or contingent liabilities that could affect Respondent's financial ability to perform the Contract.

At a minimum, such financial statements must include:

1. Balance sheet;
2. Income Statement;
3. Statement of Changes in Financial Position;
4. Statement of Cash Flows; and
5. Capital Expenditures.

6.6 CORPORATE GUARANTEE

If the Respondent is substantially owned or controlled, in whole or in part, by one or more other legal entities, the Respondent must submit the information required under **Section 6.5.3, Financial Statements and Financial Solvency** above for each such entity, including the most recent financial statement for each such entity. The Respondent must also include a statement that the entity or entities will unconditionally guarantee performance by the Respondent of each, and every obligation, warranty, covenant, term, and condition of any Contract resulting from this Solicitation. If HHSC determines that an entity does not have sufficient financial resources to guarantee the Respondent's performance, HHSC may require the Respondent to obtain another acceptable financial instrument or resource from such entity, or to obtain an acceptable guarantee from another entity with sufficient financial resources to guarantee Respondent's performance.

6.7 HUB SUBCONTRACTING PLAN

a. Respondent must submit the HUB Subcontracting Plan (HSP) in accordance with **Section 3.7**, **Solicitation Response Composition** labeled: "HUB Subcontracting Plan (HSP)," and include all supporting documentation in accordance with **Exhibit I, HSP Submittal Requirements**. The completed HSP must be submitted with the Solicitation Response by the deadline in the Schedule of Events. Solicitation Responses that DO NOT include a completed HSP shall be rejected due to material failure to comply with Texas Government Code Section 2161.252(b).

b. Should Respondents have questions regarding proper completion of the HSP, the HUB coordinator may be contacted at Linda.Rogers02@hhs.texas.gov with a copy to the Sole Point of Contact listed in **Section 3.4.1, Point of Contact.**

c. To request a courtesy review, submit the completed HSP including all supporting documentation in a PDF format by e-mail to the HHSC HUB Coordinator by or before the courtesy review of HSP deadline in **Section 3.1, Schedule of Events** to allow enough time to rectify any potential deficiencies for the final HSP submission.

E-mail for courtesy review: Linda.Rogers02@hhs.texas.gov
E-mail Subject Line: HSP Courtesy Review, RFO No. HHS0005172, and Due Date

HSPs received after the courtesy review deadline in the Schedule of Events, may not be processed. A response regarding the HSP will be provided by the HUB Office by or before the Solicitation Response deadline in **Section 3.1, Schedule of Events**.

6.8 SECRETARY OF STATE CERTIFICATION

The Respondent must be currently authorized to do business in the State of Texas as evidenced by Certificate of Authority from the Texas Secretary of State submitted with the Solicitation Response.

ARTICLE VII. COST PROPOSAL AND FINANCIAL APPROACH

7.1 COST PROPOSAL

As noted above in **Section 3.7, Solicitation Response Composition**, cost information must be included as a separate document/file, the Cost Proposal, with the Respondent's Solicitation Response for the Services listed in **Article II, Scope of Work, and Financial Approach (Section 7.2, Financial Approach-Business Terms)**.

Respondents must state their pricing for all Services rendered during the course of any Contract resulting from this Solicitation, including any and all costs involved that are to be paid or reimbursed by HHSC. The pricing for the required Services is to be presented only in the format set forth in **Exhibit R1, Pricing Workbook Instructions** of the Solicitation. Pricing information shall include all costs associated with providing the required Services and must be submitted and labeled as specified in **Section 3.8, Solicitation Response Submission and Delivery**. No reimbursement is available to the successful Respondent beyond the amount agreed to be paid for the Services provided. Pricing agreed to in any resulting Contract shall be firm and remain constant through the life of the Contract, including through any Contract extension.

Respondent must base its Cost Proposal on the Scope of Work (see **Article II, Scope of Work**) and the Financial Approach (**Section 7.2**, **Financial Approach – Business Terms**). The Respondent's Cost Proposal must include any business, economic, legal, programmatic, or practical assumptions that underlie its Cost Proposal. The Respondent is required to state all pricing assumptions upon which pricing is determined using **Exhibit F, Exceptions Form** and **Exhibit G, Assumptions Form**. Pricing must not be based upon the Respondent's exceptions to the terms and conditions.

Assumptions made by the Respondent responding to this Solicitation do not obligate HHSC in any way. Additionally, Respondent must not make assumptions that result in a conditional offer. If HHSC determines that an offer is conditional, the Solicitation Response may, in HHSC sole discretion, be rejected.

HHSC will have the right to accept or reject any assumptions. All assumptions not expressly identified and incorporated into the Contract in writing are deemed rejected by HHSC.

Respondent must separately identify any value-added benefits, cost-savings and cost-avoidance methods and measures, and the effect of such methods on the Cost Proposal and Statement of Work.

The Respondent will identify and clearly document in its financial response any overlaps or inconsistencies with any Solicitation requirements, any material assumptions employed by the Respondent in developing its Cost Proposal and financial response Exhibits (see **Exhibit R2,**

Transition Pricing Schedule, **Exhibit R3, Operations Pricing Schedule**, **Exhibit R4, Pricing Summary Sheets** and **Exhibit R5, Staffing Classification Sheets**), and how the Respondent's specific financial response (see **Exhibit R2, Transition Pricing Schedule**, **Exhibit R3, Operations Pricing Schedule**, **Exhibit R4, Pricing Summary Sheets** and **Exhibit R5, Staffing Classification Sheets**) resolves the issues identified. Additionally, the Cost Proposal must clearly identify where efficiencies could be realized and how HHSC will benefit from these efficiencies.

Cost Proposals should be fully responsive to the requirements in **Section 7.2 – Financial Approach – Business Terms**, **Exhibit R1, Pricing Workbook Instructions** and the **Pricing Schedules, Price Summary Sheets and Staffing Classification Sheets** (**Exhibits R2, R3, R4 and R5**). Solicitation Responses that do not comply with the requirements and instructions included in this Solicitation may be deemed non-responsive.

7.1.1 Cost Proposal Submission Requirements

The Cost Proposal must be submitted in compliance with **Section 3.8, Solicitation Response Submission and Delivery**, and **Exhibit R1, Pricing Workbook Instructions**.

7.2 FINANCIAL APPROACH – BUSINESS TERMS

7.2.1 Overview of Financial Approach

This section presents the rights, requirements, and responsibilities of HHSC and the Contractor for monitoring, recording, and reporting of financial transactions during the Contract.

All costs and expenses incurred by the Contractor or any of its Subcontractors for the completion of any contractual requirement will be included in the Cost Proposal submitted by the Respondent. Additional costs or expenses not contained in the Cost Proposal will not be allowed under the Contract, unless approved in advance by HHSC. Approval shall be limited to matters falling under **Section 7.2.4.1.2.5, Supplemental Services** and **Section 7.2.4.1.2.7, Periodic Activities** for the Service Provider Labor Rates for Changes to Services and Task of the Contract.

The approach described below documents the various HHSC and Contractor financial responsibilities required under this Solicitation. HHSC has chosen to use a fixed price (Fixed and Variable Fees) approach related to the administrative services and a "Fiscal Agent" approach related to the medical benefit costs included in the Contract. Normally, the medical benefit costs for Medicaid recipients enrolled in a Medicaid Managed Care Health Maintenance Organization (HMO) would not be included with the Fiscal Agent medical benefit funds.

7.2.2 Business Objective

The objective of the Financial Approach is to describe the financial components that will enable HHSC Programs included in this Solicitation to achieve the mission objectives of this Solicitation and to ensure that all Services required of the Contractor are provided as efficiently and effectively as possible to assist HHSC in its responsibility for the efficient and effective administration of federal awards through the application of sound management practices.

7.2.3 Financial: Accounting and Reporting Requirements

7.2.3.1 Overview of Financial Accounting and Reporting Requirements

This section describes the various respective responsibilities of HHSC and the Contractor for recording and reporting Contract transactions. Any costs or expenses incurred by the Contractor or any of its Subcontractors for the completion of any contractual requirement will be included in the Cost Proposal. Additional costs or expenses will not be allowed under any Contract resulting from this Solicitation, unless approved in advance by HHSC.

The need for greater public and financial accountability in the administration of critical taxpayer- funded Programs has led to a demand for more information regarding government Programs and Services. Public officials, legislators, and citizens want and need to know whether government funds are handled properly and in compliance with laws and regulations. These stakeholders also want and need to know whether government organizations, Programs, services and contractors (including any Subcontractors) retained to provide contracted Services are achieving their purposes and whether these organizations, Programs, Services, and contractors (including any Subcontractors) are operating economically and efficiently.

Any expenses incurred by the Contractor or any of its Subcontractors for the completion of any contractual requirement that are deemed by HHSC or any auditors to be inefficient or uneconomical will be deemed unallowable under the Contract. HHSC reserves the right to reduce a Contractor's payments for the duration of the Contract for any contractual requirement that is deemed to be inefficient and/or is not being provided economically.

It is the HHSC intention to determine cost allowability in accordance with Generally Accepted Accounting Principles (GAAP); Title 48 CFR Chapter 1, Parts 30 and 31 and Chapter 99; federal guidelines, rules and regulations applicable to Programs within the scope of this Solicitation; and HHSC guidelines, rules, regulations, and provisions applicable to Programs within scope of the Solicitation.

The reduction of a Contractor's payments for any contractual requirement that is deemed to be inefficient and/or is not being provided economically will be determined based on facts related to each specific circumstance. The basis for HHSC determining the efficiency or economic value will be based on numerous elements including, but not limited to, specific audit findings, additional research performed by HHSC subsequent to an audit finding, and discussions with the Contractor or any auditor related to the finding. The Contractor has the right to review, challenge, and dispute any audit findings. Any such dispute will be managed through the dispute resolution process contained in the Contract.

7.2.3.2 Business Objectives

The business objectives relating to accounting and reporting requirements include:

a. Accumulating and reporting accounting data in accordance with the following standards (which may be amended during the Contract Term):

1. Generally Accepted Accounting Principles (GAAP);
2. Title 48 CFR Chapter 1, Subchapter E, Parts 30 and 31 and Title 48 CFR Chapter 99 (financial accounting requirements (FAR) regulations);
3. Federal and State regulations, rules, and guidelines, applicable to Programs within the scope of this Solicitation;
4. HHSC guidelines, rules, regulations, and provisions applicable to Programs within scope of this Solicitation; and
5. Providing authorized representatives of HHSC and the federal government full access to all information needed to conduct financial reviews and audits required by law or by the Contract in accordance with applicable standards.

   NOTE: Where HHSC guidelines, rules, regulations, and provisions of this Solicitation set a stricter or more demanding standard than GAAP; Title 48 CFR Chapter 1, Subchapter E, Part 30; Title 48 CFR Chapter 1, Subchapter E, Part 31; or Title 48 CFR Chapter 99; then the HHSC guidelines, rules and provisions of the Contract will prevail.

b. Effectively regulating costs. Allowable costs are costs that are:

1. Necessary and reasonable for the proper and efficient performance and administration of applicable State and federal awards;
2. Allocable to applicable federal awards under the provisions of the federal standards or any other accounting provisions included in the Contract;
3. Authorized or not prohibited under State laws, State regulations, or any provision included in the Contract;
4. In conformity with any limitations or exclusions set forth in applicable accounting principles, current and future State and federal laws, terms and conditions of HHSC and federal award(s) to HHSC, or the Contract;
5. Consistent with policies, regulations, and procedures that apply uniformly to State and federal awards impacting the Contract;
6. Determined in accordance with GAAP;
7. Adequately documented; and
8. Consistent with a Contractor's normal treatment of the expense.

7.2.3.3 Financial Accounting Requirements

The Contractor's accounting records and procedures are subject to HHSC approval. Accruals of expenses or liabilities are subject to HHSC review and approval. HHSC will not recognize as valid costs, or any accruals that it deems inappropriate or not required under the Contract. For example, lease agreement costs beyond the Effective Date of termination or completion of the Contract, or lease cancellation expenses resulting from termination or completion of the Contract, are not valid costs. HHSC will not recognize as valid costs any excessive charges or fees from the Contractor or

from any of the Contractor's Subcontractors that HHSC deems inappropriate.

Allowable and non-allowable direct and indirect costs, wherever applicable to any payments to the Contractor, will be governed by the FAR principles set forth in the following regulations (and as may be amended during the Contract Term) and documents:

a. Title 48 CFR Chapter 1, Subchapter E, Part 30: Cost Accounting Standards Administration;
b. Title 48 CFR Chapter 1, Subchapter E, Part 31: Contract Cost Principles and Procedures; and
c. Title 48 CFR Chapter 99: Cost Accounting Standards Board, Office of Federal Procurement Policy, Office of Management and Budget.

In addition to costs that are unallowable pursuant to the above accounting principles, HHSC has deemed certain items within the Allowable costs to be specifically unallowable for the Contract. The list of additional unallowable costs is as follows:

a. Local and state taxes paid to local or state governments outside of Texas (other than hotel, airline, and sales taxes expended specifically for the Contract);
b. Federal taxes (other than hotel and airline taxes expended specifically for the Contract);
c. Bid and proposal costs of any type;
d. Employee bonuses in excess of ten (10%) percent of the employee's base pay at the time the Contract is executed;
e. Public relations and selling costs;
f. Actual costs, remedies, or damages due to HHSC for the Contractor not meeting HHSC performance requirements;
g. Any monies owed to the federal government due to the Contractor not meeting federal performance requirements;
h. Dispute resolution and arbitration costs, including legal fees and expert witness expenses;
i. Contingency funding costs;
j. Pre-Contract costs;
k. Indirect expenses (overhead, general, and administrative charges) and Administrative Service Fee (profit) related to pass-through items;
l. As indicated in Title 48 CFR Chapter 1, Subchapter E, Part 31, Section 31.203, any indirect costs and associated profit applicable to Subcontract costs where the Contractor does not provide "added value" (e.g., Subcontract management functions) are considered excessive pass-through costs which are unallowable; and
m. Inter-company profits and margins related to all transactions with any parent, affiliate, or subsidiary organization, including inter-company profits and margins related to all transactions the Contractor or the Contractor's subsidiary has with any parent, affiliate, or subsidiary organization.

NOTE: A cost may not be assigned to a federal award or the Contract as a direct

cost if any other cost incurred for the same purpose in like circumstances has been allocated to a federal award or a different contract with HHSC as an indirect cost.

7.2.3.3.1 HHSC Responsibilities

HHSC will monitor all Contractor responsibilities to ensure compliance, assess performance, and determine satisfaction related to FAR.

7.2.3.3.2 CONTRACTOR'S RESPONSIBILITIES

The Contractor is responsible for maintaining an accounting system in compliance with the requirements stipulated in **Table 49, Contractor Responsibilities for Financial Accounting** below.

Table 49 - Contractor Responsibilities for Financial Accounting

Contractor Responsibilities for Financial Accounting	
Req. Id	**Detailed Requirements**
CFAC-1	Establish and maintain an accounting system in accordance with the following standards and as amended during the Contract Term: a. FAR Title 48 CFR Chapter 1, Subchapter E, Parts 30 and 31, and Title 48 CFR Chapter 99; b. Applicable federal guidelines, rules, and regulations; c. HHSC guidelines, rules, regulations, and provisions of this Solicitation; and d. GAAP. Title 48 CFR Chapter 99, Subchapter B, Part 9904, Section 9904.401 relates to cost accounting standards regarding the consistency in estimating, accumulating, and reporting costs. The Contractor's methods used in estimating and projecting costs in the Contractor's Cost Proposal including the Administrative Service Fee) must be consistent with these cost accounting practices used in accumulating and reporting actual costs. **NOTE:** Where HHSC guidelines, rules, regulations, and provisions of this procurement set a stricter or more demanding standard than GAAP; Title 48 CFR Chapter 1, Subchapter E, Part 30; Title 48 CFR Chapter 1, Subchapter E, Part 31; or Title 48 CFR Chapter 99; then the HHSC guidelines, rules, regulations, and provisions of this procurement will prevail. The Contractor's accounting system must: a. Maintain accounting records related directly to the performance of the Contract; and b. Maintain accounting records related to the Contract separate and apart from other corporate accounting records. The Contractor's methods used in estimating and projecting costs, including the Administrative Service Fee in the Contractor's Cost Proposal, must be consistent with the cost accounting practices in Title 48 CFR Chapter 99, Subchapter B, Part 9904, Section 9904.401 and used in accumulating and reporting actual costs, including the Administrative Service Fee.
CFAC-2	The accounting system will maintain accounting records related directly to the performance of the Contract and will separate expenditures for medical benefit costs from administrative expenses.

Contractor Responsibilities for Financial Accounting	
Req. Id	**Detailed Requirements**
CFAC-3	Maintain an accounting system that provides an audit trail containing sufficient financial documentation to allow for the reconciliation of billings, reports, and financial statements with all general ledger accounts and specific operational business functional areas as defined in **Section 5** of **Exhibit R1, Pricing Workbook Instructions**.
CFAC-4	Retain sufficient documentation and persuasive audit evidence to support and verify all costs submitted to HHSC for reimbursement, including proper invoices, underlying accounting records, and other documents to support all payables and intercompany charges.
CFAC-5	Keep separate financial records for the following Program types: a. Texas Medicaid (i.e., Acute care, which includes all Services not otherwise covered by the Programs below); b. Program MTP; c. LTC; d. FPP; e. HTW; and f. THSteps,
CFAC-6	Maintain, document, and submit Operations cost data in accordance with the State Medicaid Manual, Section 11. As required by federal regulations or as may be required by State guidelines, documentation must differentiate between information technology and non-information technology and will include the reimbursable federal matching rates for each type. Such cost allocation reports must be in a format and content approved by HHSC. The format of these reports must allow the State to comply with federal reporting requirements and to compare Operations cost data to the Cost Proposals and Price Summary information.
CFAC-7	As it relates to direct labor recorded as an allowable cost during the Operations phase, the Contractor must ensure that labor charged to HHSC does not exceed actual labor cost plus allowable mark-up. These charges must not include overtime hours or exceed an employee's available hours (expected annual hours less holidays and vacation).
CFAC-8	Submit an initial Accounting Policy Manual with the Contractor's Cost Proposal that includes all proposed accounting policies and procedures (including cost allocations) the Contractor utilized to calculate the Contractor's Fixed and Variable Fees and the All-inclusive Hourly Labor Rates that are included in the Contractor's Cost Proposal.
CFAC-9	Submit a copy of the Contractor's Cost Accounting Standards Board Disclosure Statement (form CASB DS-1). (Refer to Title 48 CFR Chapter 99, Subchapter B, Part 9903, Section 9903.202.) a. A Respondent that already has a Federal Disclosure Statement in use by one or more federal agencies would need to submit a copy of the current Federal Disclosure Statement with its Solicitation Response. b. A Respondent that does not currently do business with the federal government or is not required to have a Federal Disclosure Statement will not be required to create/submit one to HHSC with their Cost Proposal. **Note:** A Disclosure Statement could be required to be completed by the Contractor if a Contractor's total amount of business with one or more federal entities, including the annual values of the final resulting Contract, exceeds the thresholds contained in Title 48 CFR Chapter 99, Subchapter B, Part 99, Section 9903.202. As required in Solicitation **Exhibit**

Contractor Responsibilities for Financial Accounting	
Req. Id	**Detailed Requirements**
	R1, Pricing Workbook Instruction, all Respondents must fully complete and provide a detailed analysis of all Fringe Benefit Rates in **Section 8** of **Exhibit R3, Operations Pricing Schedule**, Indirect Rates in **Section 9** of **Exhibit R3, Operations Pricing Schedule**, and Administrative Services Rates in **Section 10** of **Exhibit R3, Operations Pricing Schedule** developed specifically for and utilized in the Contractor's Cost Proposal.
CFAC-10	Submit a final accounting policy manual and Disclosure Statement (Cost Accounting Practices Statement Title 48 CFR Chapter 99, Subchapter B Part 9903 Section 9903.101) within forty-five (45) Calendar Days of the Effective Date, which includes any modifications necessary due to contract negotiations and all of the proposed accounting policies and procedures the Contractor must follow during the Contract Term. Any modifications included in the final accounting policy manual submitted within forty-five (45) Calendar Days of the Effective Date must be approved in writing by HHSC prior to implementation of any change. Any modifications to the final accounting policy manual approved by HHSC must be approved in writing by HHSC prior to implementation of any change.

7.2.3.4 General Access to Accounting Records

The Contractor must provide authorized representatives of HHSC, the OAG, and the Texas State Auditor's Office full access to all financial and accounting records related to the performance of the Contract, including all requested Subcontractor financial and accounting records. The financial and accounting records will be provided to the authorized representatives of HHSC, the OAG, and the Texas State Auditor's Office in an electronic format when requested.

7.2.3.4.1 CONTRACTOR RESPONSIBILITIES

In addition to the requirements stated above, the Contractor and its Subcontractor(s) must comply with providing access to accounting records stipulated in **Table 50, Contractor Responsibilities for Access to Accounting Records,** below:

Table 50 - Contractor Responsibilities for Access to Accounting Records

Contractor Responsibilities for Access to Accounting Records	
Req. Id	**Detailed Requirements**
CFRC-1	Contractor must cooperate with HHSC and its authorized representatives in their inspections, audits, and reviews, and provide all necessary records and information. As required by Title 48 CFR Chapter 1, Subchapter E, Part 30; Title 48 CFR Chapter 1, Subchapter E, Part 31; and Title 48 CFR Chapter 99; it is the responsibility of the Contractor to provide adequate documentation and justification to the authorized representatives of HHSC during the inspection, audit, or review process for all expenses included in the Contractor's accounting records.
CFRC-2	Permit authorized representatives of HHSC full access, both online (on a read-only basis) and in person, during normal business hours, to the accounting records that

Contractor Responsibilities for Access to Accounting Records	
Req. Id	**Detailed Requirements**
	HHSC or its authorized representatives determine are relevant to the Contract. Such access is guaranteed at all times during the performance and retention period of the Contract, and will include both announced and unannounced inspections, on-site audits, and the review, analysis, or reproduction of reports produced by the Contractor. If any report cannot be accessed online then Contractor will deliver to HHSC any reports or records that cannot be accessed online by HHSC personnel in a format, media, content, and within timeframes approved by HHSC. The Contractor shall support audits past the end of the Contract as long as required to complete any outstanding audit and meet any appropriate retention policies.
CFRC-3	Make accounting records or supporting documentation relevant to the Contract available to HHSC or its agents within ten (10) Business Days of receiving a written request from the State for specified records or information.
CFRC-4	Pay all additional costs, including any applicable professional fees, incurred by HHSC resulting from the Contractor's failure to provide the requested accounting records or financial information within the specified ten (10) Business Days of receiving a written request from HHSC for specified accounting records or information.
CFRC-5	Deliver to HHSC any reports or records that cannot be accessed online by HHSC personnel.
CFRC-6	Provide authorized representatives of HHSC with access to accounting and financial records of all Subcontractors, suppliers, or other parties the Contractor hires, retains, or otherwise employs or pays for Goods or Services related to the performance of the Contract. This requirement is limited to those records that relate to the performance of any applicable functions of the Contract. The Contractor must include this requirement in any Contract(s) it enters with such Subcontractors, suppliers, or other parties related to this Solicitation.
CFRC-7	Provide authorized representatives of HHSC with access to the accounting and financial records of the Contractor's parent company, Contractor's affiliates, Contractor's subsidiaries, and to any individual, partnership, firm, or corporation of the Contractor or parent company of the Contractor that transacts business with any department, board, commission, institution, or other HHSC or federal agency connected with the Contract. This requirement is limited to those records that relate to the performance of the Contract.

7.2.3.5 Financial Reporting Requirements

HHSC will require the Contractor to provide financial reports to support Contract monitoring and support any HHSC, State, and federal reporting requirements.

7.2.3.5.1 State Responsibilities

HHSC will monitor all Contractor responsibilities to ensure compliance, assess performance and determine satisfaction related to financial reporting requirements. HHSC reserves the right to waive the review and approval of

Contractor Deliverables, work products or processes. In addition, HHSC approval of Contractor Deliverables, work products or processes will not relieve the Contractor of liability for errors and omissions in the Deliverables, work products or processes.

7.2.3.5.2 Contractor Responsibilities

The Contractor is responsible for providing financial reports to satisfy the requirements stipulated in **Table 51, Contractor Responsibilities for Financial Reporting,** below.

Table 51 - Contractor Responsibilities for Financial Reporting

Contractor Responsibilities for Financial Reporting	
Req. Id	**Detailed Requirements**
CRRC-1	Provide monthly financial statements, including but not limited to, an Income Statement outlining the Contractor's operation under the Contract no later than the twenty-fifth (25th) Calendar Day following the end of the previous month. HHSC reserves the right to request financial information in a format that will allow HHSC to most efficiently comply with its State and federal financial reporting requirements.
CRRC-2	Provide a separate monthly expense summary, detailing Operations under the Contract for each of the business functional areas and Program types of the Contract, no later than the twenty-fifth (25th) Calendar Day after the end of each reporting month period. Each summary will include accounts in conformance with GAAP and the FAR contained in **Article II, Scope of Work**. In addition to an expense account listing, the report will also identify total expenditures by business functional area and Program type. Each expense summary will fully disclose the financial impact of all transactions with any parent, affiliated, or subsidiary organization either under a formal or informal arrangement that would relate to the performance under the Contract. These transactions must be reported in a manner such that inter-company profits or margins are eliminated. The methodologies and assumptions supporting cost allocations must be disclosed, including cost allocations from home and/or central offices. HHSC reserves the right to request modifications to monthly financial reports if, in HHSC sole determination, such changes are in the State's best interest. Requested modifications to content and format of the monthly financial reports will be completed by the Contractor with no additional charges to HHSC.
CRRC-3	Provide annual financial statements for the preceding SFY no later than ninety (90) Calendar Days after the end of each SFY or after the termination of the Contract. These annual financial statements must depict the financial position of the Contractor and the result of Operations (including Administrative Service Fees) for each applicable business functional area and Program under the Contract. HHSC will consider this financial statement (report of Allowable Costs) as "FINAL" for the applicable Operations Contract period and will not recognize any additional

Contractor Responsibilities for Financial Reporting	
Req. Id	**Detailed Requirements**
	direct expense(s) not included in the financial statements as allowable for the Retrospective Cost Settlement provision described in **Section 7.2.4.2.3, Retrospective Cost Settlement.**
CRRC-4	Provide a separate expense summary, detailing Operations under the Contract no later than ninety (90) Calendar Days after the end of each Contract Year or after the termination of the Contract. Each summary will include accounts in conformance with GAAP and any applicable provisions included in this Solicitation. The Respondent will identify and eliminate any expenses not allowed by State or federal laws and regulations and any applicable provisions included in this Solicitation. HHSC reserves the right to request modifications to annual financial statements if, in HHSC sole determination, such changes are in HHSC best interest. Requested modifications to annual financial reports will be completed by the Respondent with no additional fees due from HHSC. The expense summary will fully disclose the financial impact of all transactions with any parent, affiliated, or subsidiary organization either under a formal or informal arrangement that relates to the performance under the Contract. These transactions will be reported in a manner such that inter-company profits and margins are eliminated. The methodologies and assumptions supporting cost allocations will be disclosed, including cost allocations from home or central offices; and will follow the prescribed methodologies included in the final accounting policy manual approved by HHSC.

7.2.4 Financial Payment Structure and Provisions

The following sections further describe the components of each pricing structure to be utilized by HHSC and the major variables affecting each component.

7.2.4.1 Claims Payment Structures

The Contractor will receive administrative payments monthly as compensation for correctly and appropriately performing the applicable Services.

Payment for the Services described in this Solicitation will be based on several pricing structures, depending on the specific Work Product and/or Deliverable required and whether the Contractor performed the required Work Product and/or Deliverable(s) correctly and on time.

The Contractor will be responsible for performing the responsibilities stipulated in **Section 2.1, Description of Scope of Work** and for the processing and paying medical benefit claims as the Fiscal Agent related to the various Program types contained within in the Contract, including but not limited to:

a. Texas Medicaid (i.e., Acute care, which includes all Services not otherwise covered by the Programs below);
b. MTP;
c. LTC;
d. FPP;

e. HTW;
f. CSHCN Services program; and
g. THSteps,

The methods by which the Contractor will be paid for Services under the Contract include:

a. Medical Benefit Payments - The Contractor will be responsible for correctly paying medical benefit claims for the Programs that are not otherwise payable as a capitated benefit by one of the Medicaid Managed Care HMOs, as well as for the other non-Medicaid services Programs listed in **Section 2.1, Description of Scope of Work**, and the Contractor will be responsible for submitting all required payment information to HHSC.
b. Administrative Costs - Costs for administrative services provided by the Contractor will be based on fixed fee(s) and variable fee formulas for the Texas Medicaid Programs. The costs for administrative services for the Texas non-Medicaid Programs will be based on fixed fee(s) only.

The fixed administrative fee(s) and the variable administrative fee(s) will be competitively determined. The operational costs for administrative services will be subject to the Retrospective Cost Settlement provisions documented in **Section 7.2.4.2.3, Retrospective Cost Settlement.**

a. Systems Modifications, and Additional Periodic Activities - The costs associated with systems modifications and additional periodic activities to be performed by the Contractor will, in part, be based on explicit fixed prices competitively proposed by the Contractor.
b. Additional Recurring Activities - The costs associated with additional recurring activities will be negotiated between the Contractor and HHSC after HHSC determines that the Contractor has submitted all of the detailed cost information necessary (including detailed metrics deemed acceptable by HHSC) to accurately modify the fixed and/or variable fees. Once a total cost for the additional recurring activities is agreed upon, HHSC will make the determination as to whether the fixed fee formula(s) are modified, one or more of the variable formula(s) are modified, or all appropriate administrative payment components are modified.
c. Transition Costs - Transition costs to meet the requirements of the Solicitation will be paid on a fixed fee basis. Transition costs in excess of the final fixed price amount(s) included in the Contract will not be paid by the State. Any expenses incurred by the Contractor after the commencement of the Operations phase of the Contract to complete transition activities or correct any defects from the Transition phase must not be recorded as an operational expense and will not be considered an allowable expense for **Section 7.2.4.2.3, Retrospective Cost Settlement**. Separate transition costs will be proposed, negotiated, and paid for the following Program types:

    1. Texas Medicaid (i.e., Acute care, which includes all Services not otherwise covered by the Programs below);
    2. MTP;

3. LTC;
4. FPP;
5. HTW;
6. CSHCN Services Program; and
7. THSteps.

7.2.4.1.1 Fiscal Agent Arrangement / Medical Benefits Payments

The Services described in this Solicitation that apply to medical benefit services will be provided on a Fiscal Agent basis. As stipulated in **Section 7.1, Cost Proposal,** HHSC will provide funds on a weekly basis to the bank accounts used by the Contractor to pay the medical benefit claims correctly processed by the Contractor. The Contractor will be responsible for processing and paying medical benefit claims as the Fiscal Agent for the Texas Medicaid Services programs. The Contractor will also be responsible for submitting all required payment information to the Texas Non-Medicaid Services programs listed **Section 7.2.4.1.2, Payment for Administrative Services.**

7.2.4.1.2 Payment for Administrative Services

The Operations phase of the Contract is forty-eight (48) months in length. The Operations pricing schedules consist of the following four (4) operational periods:

a. Operational Contract Year 1: Contract months (12 months);
b. Operational Contract Year 2: Contract months (12 months);
c. Operational Contract Year 3: Contract months (12 months); and
d. Operational Contract Year 4: Contract months (12 months).

HHSC reserves the option to amend the term of the Contract for up to three (3) additional one (1) year period(s) as necessary to complete the mission of the procurement. In the event HHSC exercises an available extension term under the Contract, the fixed and variable administrative fees will be determined by the application of an inflator/deflator proposed by the Contractor.

Payment to the Contractor for administrative services will be based either on a fixed administrative fee basis only, or a combination of fixed administrative fees plus one (1) or more variable administrative fees as depicted below:

a. For the Texas Medicaid services (Acute care, excludes LTC) and LTC program services, separate fixed and variable payment methodologies will be proposed for each respective Program.
b. For the Texas Non-Medicaid Services, only separate fixed payment methodologies will be proposed for each respective Program.
    1. MTP;
    2. CSHCN Services Program;

3. HTW;
4. FPP; and
5. THSteps.

HHSC requires the Respondent's Cost Proposal to reflect that no more than sixty-five percent (65%) of the administrative fees for the Texas Medicaid services (Acute care, excludes LTC) will be paid utilizing fixed fees and a minimum of thirty-five percent (35%) of the administrative fees for the Texas Medicaid services (Acute care, excludes LTC) will be paid utilizing variable fees. HHSC reserves the right to determine the final percentage of fixed fees and variable fees for the Texas Medicaid services (Acute care, excludes LTC) in the resulting Contract of this Solicitation.

HHSC requires the Respondent's Cost Proposal to reflect that no more than fifty percent (50%) of the administrative fees for the LTC services will be paid utilizing fixed fees and a minimum of fifty percent (50%) of the administrative fees for the LTC services will be paid utilizing variable fees. HHSC reserves the right to determine the final percentage of fixed fees and variable fees for the LTC services in the resulting Contract of this Solicitation.

Any expenses incurred by a Contractor after the commencement of the Operations phase of the Contract to complete transition activities or correct any defects from the Transition phase must not be recorded as an operational expense and will not be considered an allowable expense for the Contract.

HHSC will reduce the fixed and/or variable administrative payments for any Services that become obsolete or no longer necessary during the Contract Term through Amendments as necessary.

HHSC will not recognize as valid costs any excessive charges or fees from the Contractor or any of the Contractor’s Subcontractors that HHSC deems inappropriate.

HHSC will reduce the fixed and/or variable administrative payments in any option year exercised by HHSC for any expenses that will not be applicable during the option year; such as, but not limited to, depreciation and amortization expenses for capital items fully expensed during the initial Contract Term.

The Contractor must acknowledge and agree that HHSC will not be invoiced for fees for Services or Deliverables that have not been provided by the Contractor or any of its Subcontractors and will not be invoiced for fees for capital items that have not been incurred by the Contractor or any of its Subcontractors.

HHSC reserves the right to modify the fixed and variable fee payment methodologies to include fewer variable payment elements and/or additional variable payment elements in the administrative payment

structure at any time during the Contract Term through negotiations and Amendments as necessary. If the Parties fail to reach agreement regarding these modifications HHSC may exercise its right to terminate the Contract.

The Contractor's Cost Proposal and Price Summary Sheet(s) related to this Solicitation must be based on the Contractor's proposed costs and an administrative service fee that will be included as part of each proposed fixed or variable fee and each proposed periodic activity fee applicable to the Contract. The final Administrative Service Fee that is included in the Contract will remain unchanged and be applicable for all Fixed Fees, Variable Fees, Periodic Activity Fees, recurring activity fees and any change orders executed during the Contract Term.

7.2.4.1.2.1 Fixed Administrative Fees

Separate annual fixed administrative fees will be proposed for each operational Contract year of the initial term and any of the three (3) optional Contract extensions for each Program type. The final annual fixed administrative fees included in the Contract will be paid in equal monthly payments based on the number of months in each respective operational Contract year for each Program type.

The Contractor must submit monthly invoices following the month in which the Contractor provides administrative services. HHSC will process and pay monthly fixed administrative fees in accordance with Texas Government Code Chapter 2251. Separate invoices for each Program type must be submitted by the Contractor to HHSC in the format specified by HHSC. Each invoice will be processed and paid separately.

Each invoice must show separate lines for each appropriations strategy, risk group, and Federal Financial Participation rate. The Contractor must also provide supporting documentation for fixed administrative costs invoices, in an electronic format, subject to approval by HHSC, by Program, appropriations strategy, risk group, and Federal Financial Participation rate.

HHSC, at its sole discretion, may choose to process only a portion of a fixed administrative fee invoice, if only a portion of an invoice can be verified and validated by the information submitted. If HHSC decides to process an invoice in this manner, an adjustment will be made by HHSC and only that portion of a fixed administrative invoice that can be verified and validated will be paid.

To be paid for the fixed administrative fees previously denied or not processed by HHSC, the Contractor must submit supplemental invoice(s) along with all corrections necessary. If any discrepancies are determined in the supporting documentation and invoice provided by the Contractor, HHSC will notify the Contractor of the discrepancies as

soon as is practicable and will not process the invoice until all information is reconciled.

HHSC will process and pay fixed administrative fees billed on supplemental invoices in accordance with Texas Government Code Chapter 2251. Each invoice will be processed and paid separately.

7.2.4.1.2.2 Variable Administrative Fees

Separate variable administrative fees will be proposed for each operational Contract year of the initial term and any of the three (3) optional contract extensions for the Texas Medicaid services (Acute care, excludes LTC) and the LTC program). The non-Medicaid programs will not have a variable fee component. HHSC reserves the right to modify the payment structure to include one or more additional variable administrative fees that will be negotiated with the Contractor.

The Contractor must submit monthly variable administrative cost invoices based on the determination of the costs as stated in **Section 7.2.4.1.2.3, Determination of the Variable Texas Medicaid Services (Acute are Excludes LTC) Services Fees**. HHSC will process and pay monthly variable administrative fee(s) in accordance with Texas Government Code Chapter 2251. Separate variable payment invoices for each Program must be submitted by the Contractor to HHSC in the format specified by the HHSC. Each invoice will be processed and paid separately.

Each invoice must show separate lines for each appropriations strategy, risk group, and Federal Financial Participation rate. The Contractor must also provide supporting documentation for variable units included for each variable invoice, in an electronic format, subject to approval by HHSC, by Program, appropriations strategy, risk group, and Federal Financial Participation rate.

HHSC, at its sole discretion, may choose to process only a portion of a variable administrative fee invoice, if only a portion of an invoice can be verified and validated by the information submitted. If HHSC decides to process an invoice in this manner, an adjustment will be made by HHSC and only that portion of a variable administrative invoice that can be verified and validated will be paid.

To be paid for the variable administrative fees previously denied or not processed by HHSC, the Contractor must submit supplemental invoice(s) along with all corrections necessary. HHSC will process and pay variable administrative fees billed on supplemental invoices in accordance with Texas Government Code Chapter 2251. Each invoice will be processed and paid separately.

7.2.4.1.2.3 Determination of the Variable Texas Medicaid services (Acute are, excludes LTC) Services Fees

Claims processing variable based fees will be based upon the number of claims requiring manual processing during a month; further defined below as "Manually Processed Claims".

"Manually Processed Claims" means claims that suspend due to system edits and audits and require manual intervention to complete the adjudication process. The count per month shall be based on the total number of edits and audits that are manually cleared from the suspension queues by an employee in the month. The total count shall be measured by summing the total number of claims items in all claims suspense work queues that were manually worked and cleared during each specific monthly billing period.

7.2.4.1.2.4 Transition Costs

Transition costs to meet the requirements of the Solicitation will be paid on a fixed fee basis. Transition costs in excess of the final fixed price amount(s) included in the Contract will not be paid by HHSC. Separate transition costs will be proposed, negotiated, and paid for:

a. Texas Medicaid (i.e., Acute care, which includes all Services not otherwise covered by the programs below);
b. MTP;
c. LTC;
d. FPP;
e. HTW;
f. CSHCN Services Program; and
g. THSteps.

The Contractor will propose transition costs to allow the Contractor to assume the applicable transition responsibilities no later than the Contract Effective Date. Transition costs will not be paid as an element of operational administrative costs. Transition costs will be paid to the Contractor retrospectively.

Transition costs will be proposed to allow the Contractor to assume the responsibilities of each Key Performance milestone included in the Contract effective with the Operational Start Date.

Any expenses incurred by a Contractor after the Operational Start Date of a specific Key Performance milestone to complete transition activities or correct any defects from the Transition phase of that specific Key Performance milestone must not be recorded as an operational expense and will not be considered an allowable expense for the Retrospective Cost Settlement (see **Section 7.2.4.2.3, Retrospective Cost Settlement**) provision of the Contract.

The fee structure for the respective Transition Key Performance Milestones are capped as a percentage of the entire Transition Cost as follows:

Table 52 – Transition Key Performance Milestones with Percentage of Total Fee

Transition Key Performance Milestones with Percentage of Total Fee		
Key Performance Milestones		Maximum Key Performance Milestone Percentage Weight of Total Fee Allowed:
1	Initial Deliverables	5%
2	Management Deliverables	10%
3	Gap Completion	15%
4	Configuration Deliverables	5%
5	Data conversion	15%
6	Reporting	15%
7	Finance	10%
8	Readiness	5%
9	Implementation	20%
Total		100%

a. **Key Performance Milestone #1 – Initial Deliverables** includes submission and HHSC approval of the Security Plan (CDEL-2), the Detailed Project Work Schedule (CDEL-10), the Privacy Plan (CDEL-23) and submission of the Organization Chart (CSTF-18).

b. **Key Performance Milestone #2 – Management Deliverables** includes submission and HHSC approval of the Project Management Plan (CDEL-3), the Training Plan (CDEL-14), the Disaster Recovery Plan (CDEL-17), and the Business Continuity and Contingency Plan (CDEL-16).

c. **Key Performance Milestone #3 – Gap completion** includes completion of the Transition design sessions (CTRN-5), and HHSC approval of the resulting traceability documentation (CTRN-6).

d. **Key Performance Milestone #4 – Configuration Deliverables** includes submission and HHSC approval of the Master Test Plan (CDEL-12), the Data Conversion and Migration Plan (CDEL-11), and the Operational Readiness Review Plan (CDEL-21).

e. **Key Performance Milestone #5 – Data conversion** includes HHSC approval of the completion of conversion activities of five (5) years of Client, provider, claim data history, and all applicable operational data from the State's legacy systems (CTRN-16).

f. **Key Performance Milestone #6 – Reporting** includes delivery and HHSC approval of mockups of all identified production reports (CTRN-22) and the Interface Control Document (CDEL-22).

g. **Key Performance Milestone #7 – Finance** includes HHSC approval of quality assurance procedures (CFIN-1), accounts receivable procedures (CFIN-26), and the establishment of bank accounts (CFIN-77).

h. **Key Performance Milestone #8 – Readiness** includes HHSC operational readiness approval.

i. **Key Performance Milestone #9 – Implementation** includes HHSC project implementation approval.

Also, during the Transition phase, the Contractor will submit an invoice for up to eighty-five (85%) percent of the total fee for each Transition phase Key Performance milestone. HHSC will pay up to eighty-five (85%) percent of each completed Transition phase Key Performance milestone that is approved and accepted by HHSC, less any assessed deductions for failure to provide an approved required Deliverable or for Service Level remedy.

Once the final Key Performance milestone #9 is completed, the Contractor will submit an invoice for the final fifteen (15%) percent fee balance from all nine (9) Key Performance milestones to HHSC.

Once HHSC has provided formal acceptance and acknowledgement of completion of a fully operational Contractor solution to the Contractor, then the final invoice for the remaining fifteen (15%) percent fee will be paid to the Contractor in accordance with Chapter 2251 of the Texas Government Code.

HHSC will process and pay the transition costs in accordance with Texas Government Code Chapter 2251. Each invoice will be processed and paid separately. As directed by HHSC, the Contractor will separate the invoices according to the various state and federal funding sources that support the applicable Program that have responsibilities for specific Key Performance milestones and/or segments of the respective Service.

HHSC, at its sole discretion, may choose to process only a portion of a Key Performance milestone invoice, if only a portion of the invoice can be verified and validated by the information submitted. If HHSC decides to process an invoice in this manner, an adjustment will be made by HHSC and only that portion of the Key Performance milestone invoice that can be verified and validated will be paid.

A Contractor must submit supplemental invoice(s) along with all necessary corrections to be paid for the Key Performance milestone fees previously denied or not processed by HHSC. HHSC will process and pay Key Performance milestone fee(s) billed on supplemental invoices in accordance with Texas Government Code Chapter 2251. Each invoice will be processed and paid separately.

Proposed transition costs will be included in the pricing evaluation for each Key Performance milestone. Actual transition costs in excess of the amount included in the Contract for each Key Performance milestone will not be paid by HHSC. Transition requirements for each Key Performance milestone will be subjected to one or more performance measurement(s). Performance remedies, either liquidated damages and/or actual damages, may apply to each Key Performance milestone if the Contractor is not able to provide all of the necessary Services and/or deliverables on the specified date for the specific Key Performance milestone(s) included in the Contract.

7.2.4.1.2.5 Supplemental Services

In order to accommodate future business objectives, which may be a result of implementation of federal and State mandates and other State initiatives, that are aligned with the original purpose of the Contract and reasonably related to the scope of the Solicitation, HHSC may require the Contractor to perform supplemental services during the Contract Term, which may be either periodic activities or recurring activities, both more fully explained in sections below.

HHSC will initiate the request for supplemental services using the change order request (COR) process. HHSC will provide such information as the Contractor reasonably requests in order to prepare a supplemental services plan to address the performance of the requested Services within the required timeline.

Unless otherwise agreed by the Parties, the Contractor will respond in writing to HHSC supplemental services request on or before the thirtieth (30^{th}) Business Day following the date of receipt of HHSC request. In the case of a pressing need or an emergency situation, the Contractor agrees to coordinate with HHSC and respond to HHSC supplemental services request as the pressing need or emergency situation demands.

In response to HHSC supplemental services request, the Contractor shall provide a supplemental services plan that will include, at a minimum, the following information, properly itemized and supported by sufficient substantiating data (e.g., documentation by Subcontractors performing the work), to permit evaluation by HHSC:

a. A project plan and fixed price or price estimate for the additional service(s);

b. A detailed breakdown of such price or estimate (supplemental services cost proposal);
c. The estimated level of effort (service hours);
d. A description of the Service Levels to be associated with the additional service(s);
e. A schedule for commencing and completing the additional service(s);
f. A description and justification of the new hardware or software to be provided by the Contractor in connection with the additional service(s);
g. A description of the software, hardware, and other resources necessary to provide the additional service(s);
h. Any risks associated with the additional service(s) and/or the integration of the additional service(s) into the existing environment;
i. In the case of any developed materials to be created through the provision of the additional service(s), any ownership rights therein that differs from the provisions already included in the Contract; and
j. An analysis and estimate of the operational impacts related to the additional service(s).

The Contractor must provide, in the supplemental services cost proposal, cost information, including detailed supporting metrics and detailed supporting costs deemed acceptable by HHSC, in sufficient detail to accurately modify the applicable Fixed and Variable Fee formulas. Once a total cost for the supplemental services is agreed upon, HHSC will make the determination as to which Fixed Fee and/or Variable formula(s) are to be modified.

In creating the supplemental services cost proposal:

a. The Contractor will act reasonably and in good faith in formulating the supplemental services cost proposal;
b. The Contractor will identify potential means of reducing the cost to HHSC, including utilizing Subcontractors as and to the extent appropriate;
c. The supplemental services cost proposal will be no less favorable to HHSC than the pricing and labor rates set forth in the Contract for comparable services;
d. The supplemental services cost proposal will account for the existing and future volume of business between HHSC and the Contractor; and
e. The Contractor shall not be entitled to an increase in the Contract amount or an extension of the initial contract term with respect to any work performed that is not required by the Contract as amended, modified, and supplemented in a fully executed contract amendment.

HHSC may accept or reject any supplemental services plan. Upon HHSC acceptance of the Contractor's supplemental services plan, the Contract will be amended to include the addition of such supplemental services. The Contractor shall not invoice and HHSC shall not pay for any charges related to the investigation of any proposed change to existing services or the development of supplemental services plan (s). In addition, the Contractor shall not invoice and HHSC shall not pay for supplemental services that;

a. Deviate from the HHSC-approved Supplemental Services Plan;
b. Commence prior to the date of the applicable contact amendment; or
c. Exceed the fees specified in the applicable contract amendment.

7.2.4.1.2.6 Reduced Services

In the event of the occurrence of an Extraordinary Event or Unanticipated Change, HHSC may, at its option, request modifications to the SOW to address each such occurrence.

For the purpose of this section, the term "Extraordinary Event" means a circumstance in which an event or discrete set of events has occurred or is planned with respect to the Operations of HHSC that results or will result in a reduction in the nature or volume of the Services that HHSC will require from the Contractor.

For the purpose of this section, the term "Unanticipated Change" refers to a material change in the technologies or processes available to provide all or any portion of the Services, which is outside the normal evolution of technology experienced by the Services, that was not generally available as of the Effective Date and that would materially reduce the Contractor's cost of providing the Services.

If an Extraordinary Event or Unanticipated Change occurs, and if HHSC requests a modification to the SOW to address such an occurrence, the Parties will use the COR process to equitably adjust the fees and other relevant provisions of the Contract to take the changed circumstance (s) into account.

As part of the COR process, the Contractor and HHSC will mutually determine the efficiencies, economies, savings, and resource utilization reductions, if any, resulting from the Extraordinary Event and/or Unanticipated Change. Following the Contract amendment memorializing the reduction of Services and the associated pricing adjustments, the Contractor will then proceed to implement such efficiencies, economies, savings, and resource utilization reductions as quickly as practicable and in accordance with the agreed upon schedule. As the efficiencies, economies, savings, or resource utilization reductions are realized, the applicable Fixed and/or Variable Fees specified in the Contract will be promptly and equitably adjusted to pass through to HHSC the net benefit of such efficiencies, economies,

savings, and resource utilization reductions; provided, that HHSC will reimburse the Contractor for any net costs or expenses incurred to realize such efficiencies, economies, savings, or resource utilization reductions if and to the extent the Contractor:

a. Notifies HHSC of such additional costs and obtains HHSC approval prior to incurring such costs;
b. Provides documented efforts to identify and consider practical alternatives, and reasonably determines that there is no other more practical or cost-effective way to obtain such savings without incurring such expenses; and
c. Provides documented efforts to minimize the additional costs to be reimbursed by HHSC.

An Extraordinary Event or Unanticipated Change will not exceed the Fixed and/or Variable Fees to HHSC as agreed to in the Contract when the Extraordinary Event or Unanticipated Change occurs. The Contractor shall not invoice and HHSC shall not pay for any charges related to the investigation of any proposed change to existing services.

7.2.4.1.2.7 Periodic Activities

HHSC anticipates that, during the Contract Term, implementation of State and/or federal mandates and other State initiatives will require additions or changes to the activities performed under the Contract as a one-time activity. Periodic activities are defined as the provision of any service(s), deliverable(s) or product(s) that will not be performed on a regular recurring basis.

Related costs associated with changes to Services and/or Deliverables required after the Effective Date of the Contract will be negotiated with the Contractor. If the Parties fail to reach agreement regarding the change in cost HHSC may exercise its right to terminate the Contract.

The Contractor will develop not to exceed fixed price change orders based on the performance requirements and the specified results included in any potential change order requested by HHSC. The not to exceed fixed price change order will utilize the explicit fixed all-inclusive hourly labor rates proposed by the Contractor as described in the instructions for completion of the Cost Proposal forms in **Exhibit R1, Pricing Workbook Instructions**.

The invoices submitted to HHSC will be based on the actual number of hours worked on the specific modification by the Contractor's staff or the staff of the Contractor's Subcontractor multiplied by the explicit fixed all-inclusive hourly labor rates included in the Contract and proposed in the change order. The invoices for such changes will also be based on the actual costs for hardware, hardware maintenance, software license fees, and software maintenance necessary to complete the Services and/or Deliverables.

The Contractor will employ the all-inclusive hourly labor rates for all staff working on this Contract. **Exhibit R5, Staffing Classification Sheets,** contains definitions, classifications and detailed information for some key staffing roles. One tab contained in **Exhibit R5, Staffing Classification Sheets** relates to IT staffing and one tab relates to all other types of staffing. The Contractor must insert additional rows, classification types, definitions and detailed information similar to the information that is included in **Exhibit R5, Staffing Classification Sheets,** for all additional staff that would be utilized by the Contractor during the term of the Contract. For consistency, the staffing services roles defined in **Exhibit R5, Staffing Classification Sheets** are to be utilized for specifying all-inclusive hourly labor rates.

The Contractor will employ the all-inclusive hourly labor rates proposed in developing cost proposals for the performance of new or modified Services and Deliverables that are required after the Contract Effective Date.

No additional costs related to the all-inclusive hourly labor rates will be paid for any other items unless HHSC, in its sole discretion, determines that any additional cost(s) requested by the Contractor are unique to the specific project and that the Contractor should not have otherwise included those additional costs as part of the required all-inclusive hourly labor rates.

HHSC will process and pay these fee(s) in accordance with Texas Government Code Chapter 2251. If HHSC identifies any discrepancies in the information provided by the Contractor, HHSC will notify the Contractor of the discrepancies as soon as is practicable and will not process the invoice until all information is reconciled.

HHSC, at its sole discretion, may choose to process only a portion of a fee invoice, if only a portion of the invoice can be verified and validated by the information submitted. If HHSC decides to process an invoice in this manner, an adjustment will be made by HHSC and only that portion of the service delivery invoice that can be verified and validated will be paid. To be paid for the fixed service delivery fees previously denied or not processed by HHSC, the Contractor will submit supplemental invoice(s) along with all necessary corrections. HHSC will process and pay service delivery fees billed on supplemental invoices in accordance with Texas Government Code Chapter 2251. Contractor will submit separate invoices for each specific Program type and each specific Change Order to HHSC in the format specified by HHSC. HHSC will process and pay each invoice separately.

The costs for such non-recurring modifications will be subject to the Retrospective Cost Settlement provisions.

The Contractor will employ the periodic activity all-inclusive hourly labor rates proposed in developing cost proposals for the performance

of systems modifications and periodic activities required after the Contract Effective Date. The all-inclusive hourly labor rates will be proposed for the first sixty (60) months of the Contract. Periodic activity all-inclusive hourly labor rates for subsequent twelve (12)-month optional operational periods and for periods less than twelve (12) months following the first sixty (60) months of the Contract will be determined by the application of a fixed annual price inflator/deflator proposed by the Contractor and accepted by HHSC.

The periodic activity all-inclusive hourly labor rates proposed by the Contractor must contain all costs related to performing the required functions; including, but not limited to, local travel, long-distance travel, long-distance telephone communications, computer depreciation and/or computer usage costs, salaries, fringe benefits, indirect overhead charges and the allowable administrative service fee. No additional costs will be paid for any other items unless HHSC, in its sole discretion, determines that any additional cost(s) requested by the Contractor are extremely unique to the specific project and that the Contractor should not have otherwise included those additional costs as part of the required all-inclusive hourly labor rates.

HHSC will process and pay the modifications fee(s) in accordance with Texas Government Code Chapter 2251. If any discrepancies are determined in the information provided by the Contractor, HHSC will notify the Contractor of the discrepancies as soon as is practicable and will not process the invoice until all information is reconciled.

HHSC, at its sole discretion, may choose to process only a portion of the modifications fee invoice if only a portion of the invoice can be verified and validated by the information submitted. If HHSC decides to process the invoice in this manner, an adjustment will be made by HHSC and only verified and validated portions of the modifications invoice will be paid.

The Contractor must submit supplemental invoice(s) along with all corrections necessary to be paid for the modifications fee(s) previously denied or not processed by the State. HHSC will process and pay modifications fee(s) billed on supplemental invoices in accordance with Texas Government Code Chapter 2251. Each invoice will be processed and paid separately.

7.2.4.1.2.8 Recurring Activities

HHSC anticipates that, during the Contract Term, implementation of State and federal mandates and other State initiatives will require additions or changes to the normal activities performed under the Contract that will be performed on an ongoing basis. For purposes of this section, Recurring Activities means those additions or changes to normal activities that will be needed to be performed on an ongoing basis. All such changes will be negotiated between HHSC and Contractor. The pricing associated with

additional recurring activities will be negotiated between the Contractor and HHSC after HHSC determines that the Contractor has submitted all the detailed cost information and proper justification necessary (including detailed metrics deemed acceptable by HHSC) to accurately modify the fixed and/or variable fees. Once a total cost for the additional recurring activities is agreed upon, HHSC will make the determination as to whether the fixed fee formula(s) are modified, one or more of the variable formula(s) are modified, or all appropriate administrative payment components are modified. If the Parties fail to reach agreement regarding either the change or the associated cost HHSC may exercise its right to terminate the Contract.

The fixed annual inflation/deflation factor(s) (if applicable) and the allowable administrative service fee included in the Contract will be applicable for any of the proposed expenses submitted by the Contractor and reviewed by HHSC to determine the appropriate fixed and/or variable fee adjustments included in any amendment executed to include the additional recurring activities in the applicable Contract.

Costs associated with all system changes from federal mandates or changes effecting multiple Contractor's Clients including cost overruns for additional development effort discovered after Contract Effective Date shall be borne exclusively by the Contractor at no additional cost to HHSC and may be grounds for termination for cause.

7.2.4.2 Additional Financial Components

7.2.4.2.1 Ownership of Nonexpendable Capital Items at Termination of the Contract

This **Section 7.2.4.2.1, Ownership of Nonexpendable Capital Items at Termination of the Contract,** does not relate to capital items included in the development, maintenance, or support of the Contractor claims solution, but does relate to other Contract specific capital items needed to support the Services and Deliverables included in the Contract, such as, desktop computers purchased for use by the Contractor's staff.

Nonexpendable capital items are defined as tangible and personal property of a non-consumable nature that have an acquisition cost of $500 or more per unit and an expected useful life of at least one (1) year. The term nonexpendable capital item includes, but is not limited to, office furniture, office equipment, telephone equipment, computer furniture, computer equipment, computer software (including COTS software), and computer leases.

Ownership of all nonexpendable capital items, including leased capital items, funded by the Contract will pass to HHSC at the expiration or earlier termination of the Contract.

Computer software and software license(s) that fall under this definition are limited to those that transfer with equipment to HHSC upon termination of

the Contract and do not require any monthly or annual fees to continue to be operational.

All nonexpendable capital items, including nonexpendable capital items that are leased, will either be expensed at the time of purchase and implementation or will be depreciated /amortized monthly during the Contract Term. HHSC will determine the methodology for expensing or depreciating/amortizing any nonexpendable capital item and inform the Contractor of its decision prior to the Contractor purchasing the items. The cost of installation, excluding in-house labor, of equipment, furniture, workstations, and other leasehold improvements required to make the space useable to meet the requirements of the Contract will also be treated in the same manner as the capital item; the cost will either be expensed at the time of purchase and implementation or will be depreciated during the Contract Term.

All capital lease(s) will include the ability for the Contractor to purchase the nonexpendable capital items included in the lease for $1.00 at the expiration of the Contract Term. If the Contract terminates before the end of the initial term, HHSC will have the option to take ownership of all, some, or none of the nonexpendable capital items. If HHSC chooses to take ownership of a nonexpendable capital item, HHSC will, subject to the other limitations set forth in the Contract, reimburse the Contractor for the remaining months of any nonexpendable capital item costs (depreciation), amortized capitalized lease costs, amortized operating lease costs, costs related to lease purchase options and/or installation costs related to equipment, furniture, workstations, or other leasehold improvements (capital items) acquired under the Contract. These costs are limited to the Contract Term.

In exercising its options under the foregoing paragraph, HHSC will have the right to offset against any such reimbursements any remedies and/or damages that HHSC is entitled to assess against the Contractor.

If HHSC elects to take ownership of any nonexpendable capital items, the Contractor will ship all nonexpendable capital items purchased and third-party software licensed pursuant to the Contract, freight prepaid, freight on board (FOB) to HHSC destination. The method of shipment will be consistent with the nature of the nonexpendable capital items and hazards of transportation. Regardless of FOB point, the Contractor must agree to bear all risks of loss, damage, or destruction of Deliverables, in whole or in part, ordered hereunder that occurs prior to acceptance by HHSC, except loss or damage attributable to HHSC fault or negligence; and such loss, damage, or destruction will not release the Contractor from any obligation hereunder. After acceptance by HHSC, the risk of loss or damage will be borne by HHSC, except loss or damage attributable to the Contractor's fault or negligence.

If HHSC does not choose to take ownership of a nonexpendable capital item, then all costs associated with that item remains the responsibility of

the Contractor without any recourse to HHSC.

The Contractor is advised not to enter into any leases that extend beyond the initial term of the Contract. In no event will HHSC reimburse the Contractor for the portion of any lease that is allocable beyond the initial term of the Contract.

The Contractor will be responsible to pay any costs related to exercising any purchase option to provide HHSC with a clear title to any nonexpendable capital items HHSC chooses to retain. The Contractor will be responsible to pay any such costs on or before the date the Contract expires or is terminated.

At the end of the Contract, the Contractor will transfer ownership and possession of all hardware and software, including but not limited to, software purchased under the Contract that was funded through the Contract and any other materials or property deemed to be a product of the Contract to HHSC, or a new contractor as designated by HHSC, within the timelines specified by HHSC. The Contractor will be responsible for all costs related to transferring the assets to HHSC or HHSC designee. All transferred data must be compliant with HIPAA requirements.

The funds budgeted for capital equipment cannot be used for any expenditures other than for capital items (capital equipment purchases, capital equipment leases or installation costs related to equipment, furniture, workstations, or other leasehold improvements) necessary to meet the requirements of the Contract.

All nonexpendable capital items acquired under the Contract will be recorded and a list will be provided to HHSC at the end of each state fiscal quarter. The Contractor will use an asset tracking system, processes, procedures, and asset tracking software approved by HHSC to record all nonexpendable capital items on the required asset list. The list of the nonexpendable capital items must include, at a minimum:

a. A description of each capital item;
b. Model number;
c. Manufacturer's serial number where applicable;
d. Funding source;
e. Information needed to calculate the federal and state share of the acquisition cost;
f. Date of acquisition;
g. Unit cost; and
h. Information on the specific location of the nonexpendable capital item.

HHSC will have the right to modify the detailed information necessary that is related to this asset listing requirement.

At HHSC's option and subject to its prior written approval and acceptance,

ownership of all nonexpendable capital items acquired during the term of the Contract will vest in HHSC at the earliest of:

a. The date the nonexpendable capital item is no longer needed to fulfill any requirements of the Contract;
b. The date the item is turned over to HHSC; or
c. Upon expiration or termination of the Contract.

At no time will the Contractor dispose of nonexpendable capital items purchased for the Contract without prior approval from HHSC. Within ten (10) Business Days after the earliest of the events stated above, the Contractor will provide HHSC with all documentation reasonably necessary to evidence HHSC ownership of the items. The Contractor will obtain prior approval from HHSC before purchasing any nonexpendable capital equipment items and/or any commercially off the shelf software for the Contract.

7.2.4.2.2 Payment for Pass-Through Items

Actual expenditures for pass-through items made on HHSC's behalf will be paid without allocation of any indirect charges (general and administrative expenses, overhead, etc.) or administrative service fees. The Respondent must utilize the detailed pricing schedules included in **Exhibit R2, Transition Pricing Schedules**, **Exhibit R3, Operations Pricing Schedules,** and **Exhibit R4, Price Summary Sheets,** to depict the amount of pass-through expenses that will be paid without indirect charges or administrative service fees. Items designated as pass-through items include the following:

a. Capital expenditures (with sales taxes) including lease or rental payments on capital equipment;
b. All postage expenses/delivery expenses directly related to the operation of the Contract;
c. Software license and maintenance fees;
d. Office rent (including leasehold improvements and lease pass-through expenses);
e. All printing costs including provider manuals, handbooks, bulletins, and similar items; and
f. All telecommunication lines, including local lines, toll-free lines, electronic communications lines, fiber optic lines, cell phones, Internet connections, etc.

All allowable administrative service fee for any proposed expenses submitted by the Contractor are reviewed by HHSC to determine the appropriate fixed and/or variable fee adjustments included in any Amendment to the Contract.

Pass-through items will not be paid separately by HHSC. The Contractor must include expenses related to pass-through items in with the fixed and/or variable fees proposed by the Contractor. Since pass-through items are included as an element of the fixed and/or variable fees that will be paid to

the Contractor, they are included in the "Fee Ceiling" explained in **Section 7.2.4.2.3, Retrospective Cost Settlement**.

Actual allowable expenses related to pass-through items incurred by a Contractor will be included as part of the total allowable costs incurred by the Contractor plus the allowable administrative service fee in calculating any payment disparities for the Retrospective Cost Settlement.

7.2.4.2.3 Retrospective Cost Settlement

The Contractor will be subject to the Retrospective Cost Settlement provisions described below for each Program type.

Administrative fees, separated by Program, paid to the Contractor during each operational Contract year will consist of:

a. The Fixed Administrative fees;
b. The Variable Administrative fees;
c. The Administrative fees for the Periodic Activities; and
d. The Administrative fees for the Recurring Activities.

The sum of the above four fee components will be referred to as the "Fee Ceiling." The total maximum cost of the Services and Deliverables, separated by each Program type, supplied by Contractor to HHSC during each operational Contract year will not exceed the lesser of

a. the Contractor's fees (up to the Fee Ceiling) or
b. the sum of the Allowable Costs incurred by the Contractor plus the allowable administrative service fee during the subject operational Contract year.

The sum of Allowable Costs incurred by the Contractor will potentially include adjustments necessary as a result of the determination of Allowable Costs for the Contractor's administrative fees.

HHSC will solely determine the specific Subcontractors that will be considered Primary Subcontractors for this Retrospective Cost Settlement provision. Primary Subcontractors will normally be limited to Contractor's Subcontractors whose costs exceed 15% of the annual projected value of the Fee Ceiling or whose primary business function is to provide staffing. HHSC reserves the right to designate any of the Contractor's Subcontractors as a Primary Subcontractor.

a. General Requirements

As soon as possible, but not later than ninety (90) days after the expiration of each operational Contract year, or such period as has been mutually agreed upon by HHSC and the Contractor, the Contractor and its Primary Subcontractors (as determined by HHSC) will submit to HHSC a report of the Allowable Costs, separated by each Program type, incurred by each entity (Contractor and the Primary Subcontractors) during such operational Contract year. HHSC will consider the report(s) of Allowable Costs incurred as "FINAL" for the applicable operational Contract period and will not

recognize any additional direct expense(s) not included in the financial report as allowable for the Retrospective Cost Settlement provision (see: CRRC-3).

A review of the Allowable Costs pursuant to the Contract will be undertaken by HHSC and the Contractor as soon as possible following HHSC receipt of the report(s). The review by HHSC may include an audit of the Allowable Costs submitted by the Contractor and its Primary Subcontractors.

HHSC will determine the approved Allowable Costs ("Approved Allowable Costs") for any HHSC designated Primary Subcontractor(s). HHSC will notify the Contractor with a full explanation of any exceptions it has taken to the Primary Subcontractor's report of its Allowable Costs.

HHSC will determine the Approved Allowable Costs for the Contractor. HHSC will notify the Contractor with a full explanation of any exceptions it has taken to Contractor's report of its Allowable Costs. Exceptions to the Contractor's Approved Allowable Costs would also include any exceptions HHSC has determined are related to any of Contractor's Primary Subcontractors' cost(s).

Any determination made by HHSC regarding the Approved Allowable Costs will be final and conclusive, unless within thirty (30) days from the receipt of the written notice to Contractor of such exceptions, the Contractor files a written objection with HHSC. The dispute will be resolved in accordance with the dispute resolution procedures included in **Exhibit B, HHS Uniform Terms and Conditions (UTC) – Vendor Version 3.2**.

The Contractor will be required to resolve any dispute(s) with its Primary Subcontractor(s) concerning HHSC disallowance of any costs included in the Primary Subcontract's report of its Allowable Costs plus the applicable allowable administrative service fee for each Primary Subcontractor.

A closing agreement with respect to the Approved Allowable Costs agreed upon by HHSC and the Contractor will be incorporated into a memorandum signed by HHSC and the Contractor at the end of each respective Contract year.

After entering into the closing agreement, HHSC and the Contractor will make such adjustments, separated by each Program, as may be necessary in accordance with the provisions of the following:

1. If, for the subject operational Contract year, the Contractor fees (up to the Fee Ceiling) disbursed to the Contractor are in excess of the approved Allowable Costs plus the allowable administrative service fee (including any adjustments to the Approved Allowable Costs of

Contractor's Primary Subcontractors), the Contractor will refund any excess to HHSC.

2. If, for the subject operational Contract year, the Contractor fees (up to the Fee Ceiling) disbursed to the Contractor are less than the approved Allowable Costs plus the allowable administrative service fee (including any adjustments to the Approved Allowable Costs of Contractor's Primary Subcontractors), the Contractor will accept the Contractor's fees disbursed or otherwise payable to Contractor as payment in full for Services and Deliverables performed during the subject Operational Contract Year.

b. Monthly Reconciliations

The following **Table 53, Contractor Responsibilities for Monthly Reconciliations**, below provides Contractor responsibilities for monthly reconciliations for Retrospective Cost Settlement.

Table 53 - Contractor Responsibilities for Monthly Reconciliations

Contractor Responsibilities for Monthly Reconciliations	
Req. Id	**Detailed Requirements**
CAFC-1	Provide HHSC a monthly report of the Contractor's Allowable Costs in a format, content, and media approved by HHSC, as soon as possible, but no later than the 25th day of the following month.

On a monthly basis, HHSC and the Contractor shall reconcile the amounts disbursed to the Contractor in order to determine whether the Contractor fees, separated by each Program type, and disbursed to Contractor during the previous month are either in excess of or less than the amount of Contractor's Allowable Costs plus the allowable administrative service fee during that previous month ("Payment Disparity"). The monthly reconciliation will not include administrative fees for the Periodic Activities.

The annual review of Allowable Costs will include all Periodic Activity fees paid to the Contractor and allowable costs incurred by the Contractor for the Periodic Activities.

A "Positive Payment Disparity" shall exist when the Contractor fees disbursed to Contractor during the previous month exceeds the amount of Contractor's Allowable Costs plus the allowable administrative service fee during the previous month.

A "Negative Payment Disparity" shall exist when the Contractor fees

disbursed to Contractor during the previous month are less than the amount of Contractor's Allowable Costs plus the allowable administrative service fee incurred by Contractor during the previous month.

In the event of a Positive Payment Disparity, the Contractor shall adjust one or more of the next month's invoice(s) to HHSC to remedy the Positive Payment Disparity by providing HHSC with a credit to the amount owed to the Contractor resulting in an "adjusted invoice".

Any credits provided to HHSC by the Contractor shall be referred to as "Payment Disparity Credits." Payment Disparity Credits provided to HHSC during the Operational Contract Year will not accrue or transfer to succeeding Operational Contract Years.

In the event of a Negative Payment Disparity, the Contractor shall be allowed to adjust one or more of the next month's invoice(s) to HHSC to remedy the Negative Payment Disparity, if one or more previous invoices in an operational Contract year were adjusted due to a Positive Payment Disparity and there are Payment Disparity Credits available for application.

The Contractor's adjustment will be limited to the amount of any Payment Disparity Credit balance available from previous Positive Payment Disparity adjustments retained by HHSC. In no event will the Negative Payment Disparity adjustment be applied if it would cause the amounts disbursed to the Contractor to exceed the Fee Ceiling. The Contractor will include a positive adjustment to one of the fixed pricing component invoices otherwise payable, by increasing the amount invoiced for the next month on an adjusted invoice.

c. Three-Month Reconciliations with Contractor

If a Positive Payment Disparity exists for three (3) consecutive months and the Positive Payment Disparity for each of those three (3) months is at least equal to or greater than 8% of the Contractor fees disbursed by HHSC, then the Contractor shall agree to decrease the fixed fees and/or the variable fees (the "Adjusted Contractor fees") payable by HHSC in future months.

Any decrease(s) applied in future months pursuant to this section will be limited to an amount equal to the difference between (a) the sum of the Adjusted Contractor fees and (b) Contractor's Allowable Costs plus the allowable administrative service fee such that the Positive Payment Disparity during the applicable three-month reconciliation would not have produced a sum greater than five percent (5%) of the Contractor's fees disbursed by HHSC.

HHSC agrees to increase the Adjusted Contractor fees to amounts that would not exceed the Contractor fees as they existed prior to the

first adjustment if Allowable Costs are projected to exceed Adjusted Contractor fees.

Nothing contained in this section shall be construed as increasing the Fee Ceiling.

d. Quarterly Submissions from Primary Subcontractor

The following **Table 54, Contractor Responsibilities for Quarterly Submission from Prime Subcontractors,** below provides Contractor responsibilities for monthly reconciliations for Retrospective Cost Settlement.

Table 54 - Contractor Responsibilities for Quarterly Submissions from Prime Subcontractors

Contractor Responsibilities for Quarterly Submissions from Prime Subcontractors	
Req. Id	**Detailed Requirements**
CAFC-2	Provide HHSC a quarterly report of the Primary Subcontractor's Allowable Costs in a format, content, and media approved by the HHSC. The quarterly report of Allowable Costs will be due within forty-five (45) days of the expiration of the applicable quarterly period.

Each Primary Subcontractor will be required to submit to HHSC a report of the Allowable Costs incurred by the Primary Subcontractor during the previous quarterly (3-month) period. The quarterly report of Allowable Costs will be due within 45 days of the expiration of the applicable quarterly period.

The Primary Subcontractor's quarterly report of Allowable Costs will include the sum of the Allowable Costs incurred by the Contractor plus the allowable administrative service fee applicable for the Primary Subcontractor during the subject Operational Contract Year.

The Primary Subcontractor's Allowable Costs will be subject to the financial terms and conditions contained in the Contract with the Contractor.

ARTICLE VIII. GENERAL TERMS AND CONDITIONS

8.1 General Conditions

8.1.1 Amendment

HHSC reserves the right to alter, amend, or modify any provision of this Solicitation, or to withdraw this Solicitation, at any time prior to award, if it is in the best interest of the State.

8.1.2 Offer Period

Notwithstanding any provision to the contrary in **Exhibit A, HHS Solicitation Affirmations, v.2.1**, the Solicitation Responses shall be binding for a period of three hundred sixty-five (365) days after the due date for submission of Solicitation Responses. Each Respondent may extend the time for which its Solicitation Response will be honored. Upon Contract execution, prices agreed upon by the Respondent(s) are an irrevocable offer for the term of the Contract and any Contract renewals or extension(s). No other costs, rates, or fees shall be payable to the Respondent unless expressly agreed upon in writing by HHSC.

8.1.3 Costs Incurred

Respondents understand that issuance of this Solicitation in no way constitutes a commitment by HHSC to award a Contract or to pay any costs incurred by a Respondent in the preparation of a response to this Solicitation. HHSC is not liable for any costs incurred by a Respondent prior to issuance of or entering into a formal agreement, Contract, or purchase order. Costs of developing Solicitation Responses, preparing for or participating in Demonstrations and site visits, or any other similar expenses incurred by a Respondent are entirely the responsibility of the Respondent, and will not be reimbursed in any manner by the State of Texas.

8.1.4 Contract Responsibility

HHSC will look solely to Respondent for the performance of all contractual obligations that may result from an award based on this Solicitation. Respondent shall not be relieved of its obligations for any nonperformance by its Subcontractors.

8.1.5 Public Information Act - Respondent Requirements Regarding Disclosure

Solicitation Responses and contracts are subject to the Texas Public Information Act (PIA), Texas Government Code Chapter 552, and may be disclosed to the public upon request. Other legal authority also requires HHSC to post contracts and Solicitation Responses on its public website and to provide such information to the Legislative Budget Board for posting on its public website.

Under the PIA, certain information is protected from public release. If Respondent asserts that information provided in its Solicitation Response is exempt from disclosure under the PIA, Respondent must:

a. **Mark Original Solicitation Responses:**
   1. Mark the Original Solicitation Responses, on the top of the front page, the words "CONTAINS CONFIDENTIAL INFORMATION" in large, bold, capitalized letters (the size of, or equivalent to, 12-point Times New Roman font or larger); and

      Identify, adjacent to each portion of the Solicitation Response that Respondent claims is exempt from public disclosure, the claimed exemption from disclosure (NOTE: no redactions are to be made in the Original Solicitation Response);

2. **Certify in Original Solicitation Responses – HHSC Solicitation Affirmations (attached as Exhibit A, HHS Solicitation Affirmations, v.2.1 to this Solicitation):**

   Certify, in the designated section of the **Exhibit A, HHSC Solicitation Affirmations, v.2.1**, Respondent's Confidential Information assertion and the filing of its Public Information Act Copy; and

3. **Submit Public Information Act Copy of Solicitation Response:**

   Submit a separate "Public Information Act Copy" of the Original Solicitation Responses (in addition to the original and all copies otherwise required under the provisions of this Solicitation). The Public Information Act Copy must meet the following requirements:

   i. The copy must be clearly marked as "Public Information Act Copy" on the front page in large, bold, capitalized letters (the size of, or equivalent to, 12-point Times New Roman font or larger);
   ii. Each portion Respondent claims is exempt from public disclosure must be redacted (blacked out); and
   iii. Respondent must identify, adjacent to each redaction, the claimed exemption from disclosure. Each identification provided as required in **Subsection (c)** of this section must be identical to those set forth in the Original Solicitation Response as required in **Subsection (a)(2),** above. The only difference in required markings and information between the Original Solicitation Response and the "Public Information Act Copy" of the Solicitation Response will be redactions - which can only be included in the "Public Information Act Copy." There must be no redactions in the Original Solicitation Responses.

By submitting a Solicitation Response to this Solicitation, Respondent agrees that, if Respondent does not mark the Original Solicitation Response, provide the required certification in the Solicitation Affirmations, and submit the Public Information Act Copy, Respondent's Solicitation Response will be considered to be public information that may be released to the public in any manner including, but not limited to, in accordance with the Public Information Act, posted on HHSC public website, and posted on the Legislative Budget Board's public website.

If any or all Respondents submit partial, but not complete, information suggesting inclusion of Confidential Information and failure to comply with the requirements set forth in this section, HHSC, in its sole discretion and in any solicitation, reserves the right to (1) disqualify all Respondents that fail to fully comply with the requirements set forth in this section, or (2) to offer all Respondents that fail to fully comply with the requirements set forth in this section additional time to comply.

Respondent should not submit a Public Information Act Copy indicating that the entire Solicitation Responses is exempt from disclosure. Merely making a blanket claim that the entire Solicitation Response is protected from disclosure because it contains any amount of confidential, proprietary, trade secret, or privileged information is not acceptable, and may make the entire Solicitation Response subject to release under the PIA.

Solicitation Responses should not be marked or asserted as copyrighted material. If Respondent asserts a copyright to any portion of its Solicitation Response, by submitting a Solicitation Response, Respondent agrees to reproduction and posting on public websites by the State of Texas, including HHSC and all other state agencies, without cost or liability.

HHSC will strictly adhere to the requirements of the PIA regarding the disclosure of public information. As a result, by participating in this solicitation process, Respondent acknowledges that all information, documentation, and other materials submitted in the Solicitation Response in response to this Solicitation may be subject to public disclosure under the PIA. HHSC does not have authority to agree that any information submitted will not be subject to disclosure. Disclosure is governed by the PIA and by rulings of the Office of the Texas Attorney General. Respondents are advised to consult with their legal counsel concerning disclosure issues resulting from this process and to take precautions to safeguard trade secrets and proprietary or otherwise Confidential Information. HHSC assumes no obligation or responsibility relating to the disclosure or nondisclosure of information submitted by Respondents.

For more information concerning the types of information that may be withheld under the PIA or questions about the PIA, refer to the Public Information Act Handbook published by the Office of the Texas Attorney General or contact the attorney general's Open Government Hotline at (512) 478-OPEN (6736) or toll-free at (877) 673-6839 (877-OPEN TEX). To access the Public Information Act Handbook, visit the attorney general's website at http://www.texasattorneygeneral.gov.

8.1.6 Respondent Waiver – Intellectual Property

SUBMISSION OF ANY DOCUMENT TO ANY HHS AGENCY IN RESPONSE TO THIS SOLICITATION CONSTITUTES AN IRREVOCABLE WAIVER, AND AGREEMENT BY THE SUBMITTING PARTY TO FULLY INDEMNIFY THE STATE OF TEXAS AND HHSC FROM ANY CLAIM AGAINST HHSC REGARDING THE INTELLECTUAL PROPERTY RIGHTS OF THE SUBMITTING PARTY OR ANY THIRD PARTY FOR ANY MATERIALS SUBMITTED TO HHS BY THE SUBMITTING PARTY. SEE ALSO ARTICLE X (INDEMNITY) TO EXHIBIT B, HHS UNIFORM TERMS AND CONDITIONS (UTC) – VENDOR VERSION 3. 2.

8.1.7 Acknowledged Direct Damages

a. For the avoidance of doubt, the following shall be considered direct damages, and neither Party shall assert that these damages are indirect, incidental, collateral, consequential or special damages, or lost profits, to the extent they result directly from the breaching Party's failure to perform in accordance with the Contract:
   1. Costs and expenses of restoring or reloading any lost, stolen, or damaged HHSC data;
   2. Costs and expenses of implementing any work-around in respect of a failure to provide the Services or any part thereof;
   3. Costs and expenses of replacing lost, stolen, or damaged government property;
   4. Cover damages, including the costs and expenses incurred to procure the Services or corrected Services from an alternate source than the Contractor;

5. Costs and expenses incurred to bring the services in-house or in obtaining the Services from an alternate source than the Contractor;
6. Straight time, overtime, or related expenses incurred by either Party in performing (a) through (e) of this **Section 8.1.7, Acknowledged Direct Damages** including overhead allocations for employees, wages, and salaries of additional employees, travel expenses, overtime expenses, telecommunication charges, and similar charges;
7. Fines, penalties, sanctions, interest or other monetary remedies incurred as a result of the Contractor's failure to comply with applicable laws; and
8. Any losses for which the Contractor would be liable under **Exhibit H, Data Use Agreement (DUA)** of this Solicitation.

b. This **Section 8.1.7, Acknowledged Direct Damages** is not intended to be an exhaustive list. The exclusion of certain direct damages from the list in this **Section 8.1.7, Acknowledged Direct Damages** shall not be construed or interpreted as an agreement to exclude such damages as direct damages under the Contract.

8.1.8 Federal Disallowance

If the federal government recoups money from the State for expenses and/or costs that are deemed unallowable by the federal government, HHSC has the right, in turn, to recoup such expenses and/or costs from the Contractor. The Contractor also has the obligation, upon notice and request from HHSC, to reimburse HHSC for these same expenses and/or costs, even if such expenses and costs had not been previously disallowed by HHSC and were incurred by the Contractor, and any such expenses and/or costs would then be deemed unallowable by HHSC. If HHSC retroactively recoups money from the Contractor due to a federal disallowance, HHSC will recoup the entire amount paid to the Contractor for the federally disallowed expenses and/or costs, not just the federal portion.

8.1.9 Standards of Conduct for Vendors

Pursuant to Title 1 of the Texas Administrative Code (TAC), Part 15, Chapter 391, Subchapter D, Rule §391.405(a), contractors, respondents, and vendors interested in working with HHS are required to implement standards of conduct to apply to all matters involving, or related to, those Solicitations and Contract(s) between themselves and HHS. These standards must adhere to ethics requirements adopted in rule, in addition to any ethics policy, or code of ethics approved by the HHSC Executive Commissioner and must be at least as restrictive as those applicable to HHS personnel in the applicable ethics law and policy provisions.

The standards of conduct must include the ten standards of ethical conduct set forth in Section I of the HHS Ethics Policy and requirements to comply with ethical standards set forth in federal and state law (including, but not limited to, 1 TAC pt. 15, ch. 391, subch. D).

The standards of conduct, together with the responsibilities and restrictions incorporated herein, also apply to Subcontractors of contractors, respondents and vendors.

Standards of conduct of any contractor, respondent or vendor may be reviewed and/or audited by the State Auditor and HHSC. Additionally, pursuant to Title 1 TAC Part 15,

Chapter 391, Subchapter D, Rule §391.405(a), HHS may examine a respondent's standards of conduct in the evaluation of a bid, offer, proposal, quote, or other applicable expression of interest in a proposed purchase of Goods or Services.

Any vendor or contractor that violates a provision of Title 1 TAC Part 15, Chapter 391, Subchapter D may be barred from receiving future Contracts or have an existing Contract canceled. Additionally, HHSC may report the vendor's actions to the Comptroller of Public Accounts for statewide debarment, or law enforcement.

8.1.10 Disclosure of Interested Parties

Pursuant to Section 2252.908 of the Texas Government Code, a successful Respondent to be awarded a Contract with a value of $1 million or more or awarded a Contract that would require the successful Respondent to register as a lobbyist under Texas Government Code Chapter 305 must submit a disclosure of interested parties form to HHSC at the time the Respondent submits the signed Contract. Rules and filing instructions may be found on the Texas Ethics Commission's public website and additional instructions will be given by HHSC to the successful Respondent.

8.1.11 Liquidated Damages

The Contractor agrees that (1) the liquidated damages and any amounts assessed in connection therewith are neither a penalty nor a forfeiture, (2) the amount of liquidated damages are a reasonable forecast of just compensation, (3) and Contractor shall compensate HHSC for HHSC inability to use or benefit from the Goods or Services to be provided under the Contract.

8.2 INSURANCE

8.2.1 Required Coverage

For the duration of the Contract Term, Contractor shall acquire insurance, bonds, or both with financially sound and reputable independent insurers, in the type and amount listed on **Exhibit J, Contractor Insurance**. Failure to maintain insurance coverage or acceptable alternative methods of insurance shall be deemed a breach of Contract.

Contractor shall carry insurance in the types and amounts indicated in **Exhibit J, Contractor Insurance** for the duration of the Contract. The insurance shall be evidenced by delivery to System Agency of certificates of insurance executed by the insurer or its authorized agent stating coverages, limits, expiration dates and compliance with all applicable required provisions. Upon request, Owner, or its agents, shall be entitled to receive without expense, copies of the policies and all endorsements.

Contractor shall update all expired policies prior to submission for monthly payment. Failure to update policies shall be reason for withholding of payment until renewal is provided to System Agency.

Contractor shall provide and maintain all insurance coverage with the minimum amounts described throughout the life of the Contract.

Failure to maintain insurance coverage, as required, is grounds for suspension of Work for cause.

Contractor shall deliver to System Agency true and complete copies of certificates and corresponding policy endorsements upon Award.

Failure of System Agency to demand such certificates or other evidence of Contractor's full compliance with these insurance requirements or failure of System Agency to identify a deficiency in compliance from the evidence provided shall not be construed as a waiver of Contractor's obligation to maintain such insurance.

The insurance and insurance limits required herein shall not be deemed as a limitation on Contractor's liability under the indemnities granted to System Agency in the Contract.

The insurance coverage and limits established below shall not be interpreted as any representation or warranty that the insurance coverage and limits necessarily will be adequate to protect Contractor.

Coverage shall be written on an occurrence basis by companies authorized and admitted to do business in the State of Texas and rated A or better by A.M. Best Company or similar rating company or otherwise acceptable to System Agency.

8.2.2 Alternative Insurability

Notwithstanding the preceding, HHSC reserves the right to consider reasonable alternative methods of insuring the Contract in lieu of the insurance policies customarily required. It will be the Respondent's responsibility to recommend to HHSC alternative methods of insuring the Contract. Any alternatives proposed by Respondent should be accompanied by a detailed explanation regarding Respondent's inability to obtain the required insurance and/or bonds. HHSC shall be the sole and final judge as to the adequacy of any substitute form of insurance coverage.

8.3 BONDS

Bonding is not required for this Solicitation.

8.4 PROTEST

If a Respondent wishes to file a protest, they may do so in accordance with the rules published by HHSC in the Texas Administrative Code Title 1, Part 15, Chapter 391, Subchapter C, Protests.

8.5 STANDARD TERMS AND CONDITIONS

By entering into a Contract with HHSC, Respondent agrees to be bound by the following terms and conditions which are attached to this Solicitation:

a. HHS Uniform Terms and Conditions, attached as **Exhibit B, HHs Uniform Terms and Conditions (UTC) – Vendor Version 3.2**; and

b. HHS Additional Provisions, attached as **Exhibit C, HHS Additional Provisions, Version 1.0**.

ARTICLE IX. LIST OF EXHIBITS AND ATTACHMENTS

EXHIBIT A, HHS SOLICITATION AFFIRMATIONS, V.2.1

EXHIBIT B, HHS UNIFORM TERMS AND CONDITIONS (UTC) – VENDOR VERSION 3.2

EXHIBIT C, HHS ADDITIONAL PROVISIONS, VERSION 1.0

EXHIBIT D, FEDERAL ASSURANCES NON-CONSTRUCTION

EXHIBIT E, CERTIFICATION REGARDING LOBBYING

EXHIBIT F, EXCEPTIONS FORM

EXHIBIT G, ASSUMPTIONS FORM

EXHIBIT H, DATA USE AGREEMENT (DUA)

EXHIBIT H1, SECURITY AND PRIVACY INQUIRY (SPI)

EXHIBIT I, HSP SUBMITTAL REQUIREMENTS

EXHIBIT J, CONTRACTOR INSURANCE

EXHIBIT K, CONSENSUS SCORING RUBRIC

EXHIBIT L, ONLINE BID ROOM

EXHIBIT M, EVV MODERNIZATION STORY BOARD

Exhibit N, HHS INFORMATION SECURITY AND PRIVACY REQUIREMENTS

EXHIBIT O, PROPOSED ACCESS CONTROL MMIS MODERNIZATION

EXHIBIT P, HHS INFORMATION TECHNOLOGY INFRASTRUCTURE LIBRARY (ITIL) SEVERITY LEVELS

EXHIBIT Q, MMIS THIRD PARTY LIABILITY PROCESSING (TPL)

EXHIBIT R1, PRICING WORKBOOK INSTRUCTIONS

EXHIBIT R2, TRANSITION PRICING SCHEDULES

EXHIBIT R3, OPERATIONS PRICING SCHEDULES

EXHIBIT R4, PRICE SUMMARY SHEETS

EXHIBIT R5, STAFFING CLASSIFICATION SHEETS

EXHIBIT S, MODULAR PREFERENCE FORM