



September 30, 2009

Qualified Auditor

**EMPLOYEES
RETIREMENT
SYSTEM OF TEXAS**

Ann S. Fuelberg

Executive Director

I. Craig Hester
Chair

Cydney C. Donnell
Vice Chair

Board of Trustees

Don Green
Yolanda Griego
Owen Whitworth
Donald E. Wood

RE: Request for Proposal ("RFP") to Conduct an Audit of the Benefit Plans and PBM provided to Participants of the Texas Employees Group Program ("GBP")

To Whom It May Concern:

The Employees Retirement System of Texas ("ERS") in accordance with Section 1551.055 and 1551.062 of the Texas Insurance Code will be soliciting Request for Proposal ("RFP") from qualified auditing firms to perform audits of selected Carriers, HMOs and Third Party Administrators of the HealthSelect Programs, which may include life, health, medical and pharmacy benefit programs, provided to participants under the Texas Employees Group Benefits Program ("GBP"). The services requested and described in the RFP have been broken into two (2) separate scopes of audit services: 1) statistical sample audit for the GBP Health and Welfare Programs, and 2) a full, pharmacy benefit management contract audit. Qualified Auditors may submit a proposal and bid response materials to provide services for one, or both audit scopes.

A Texas Register Notice has been published at: <http://www.sos.state.tx.us/texreg/index.shtml> with additional RFP information. Your firm has been identified as offering one or more of the audit services listed above and ERS encourages you to review the posting and request access to the secured bid materials when they become available on the ERS website.

There will be a bidders' conference discussing highlights of the PBM scope of the RFP that will provide participants with an opportunity to ask questions regarding relevant bid materials and response process.

ERS anticipates receiving high quality proposals for the audit services listed above and we encourage your organization to give full consideration to the development of a competitive response.

If you have any questions regarding this process, please submit your inquiry directly to the IVendor Mailbox at: ivendorquestions@ers.state.tx.us.

Thank you for your interest in doing business with the GBP.

Sincerely,

ROBERT P. KUKLA
Director of Benefit Contracts

**THE
EMPLOYEES RETIREMENT SYSTEM OF TEXAS**

REQUEST FOR PROPOSAL

**TO CONDUCT AN AUDIT OF THE TEXAS EMPLOYEES GROUP BENEFITS HEALTH &
WELFARE PROGRAMS, INCLUDING THE PHARMACY BENEFIT MANAGER'S
CONTRACT**

SEPTEMBER 30, 2009

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GBP/PBM Audit RFP Deliverables CHECK LIST

Order of Return: The Auditor is required to submit a total of six (6) sets of the Auditor’s proposal in the following formats: One (1) printed “Original” and three (3) additional printed copies. The “Original” should contain the fully executed Contractual Agreement, signed in blue ink and without amendment or revision with all the required and completed exhibits attached. The three (3) printed copies referenced above, should be exact replicas of the materials submitted in the “Original” binder, to include all required exhibits. The remaining three (3) complete copies shall be submitted on two (2) separate Response CD-ROMs in Excel or Word format. No PDF documents may be reflected on the CD-ROM.

All binders must contain:

<u>PAPER FORMAT</u>	<u>RFP REFERENCE</u>
RFP FEEDBACK FORM	Located on top of Table of Contents
TAB I Instructions	I.
<input type="checkbox"/> Executed RFP Signature Pages signed in <i>blue ink</i> (Appendix A)	I.B.5.a., I.B.8. & I.B.8.a.
<input type="checkbox"/> Executed Contractual Agreement signed in <i>blue ink</i> (Appendix B)	I.A.1. & I.B.12.
<input type="checkbox"/> Executed Business Associate Agreement signed in <i>blue ink</i> (Appendix C)	I.B.5.a. & I.B.8.
<input type="checkbox"/> Detailed Implementation Plan	I.B.15.
<input type="checkbox"/> Contract Deliverable Index	I.B.15.
<input type="checkbox"/> Confidential and Proprietary schedule	I.B.19.
<input type="checkbox"/> HUB Designation Confirmation	I.B.20.
TAB II Proposal Evaluation Criteria	II.
<input type="checkbox"/> Minimum Requirements (<i>evidence of Auditor’s satisfaction of Requirements</i>)	II.B.
<input type="checkbox"/> Preferred Criteria (<i>evidence of Auditor’s satisfaction of Criteria</i>)	II.C.
TAB VII Audit Fees Proposals	VII.
<input type="checkbox"/> GBP/PBM Price Proposal Responses	VII.A.1. – VII.B.2.a.
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TAB IX Deviations	IX.
<input type="checkbox"/> Deviation Responses	IX.A.1. – IX.A.9.
TAB X Interrogatories	X.
<input type="checkbox"/> Interrogatory Responses and Requested Materials	X.A. – X.C.
<u>CD FORMAT</u>	<u>REFERENCE</u>
<input type="checkbox"/> All materials described above shall be received in CD-ROM Format. The two (2) separate Response CD-ROMs shall be in either Word or Excel format.	I.B.5.a.

NOTE: Keep this Check List for your records. Do not return with your submission.

Request for Feedback

Employees Retirement System of Texas

The Employees Retirement System of Texas, Benefit Contracts Division, periodically publishes requests for proposals, applications or information and is interested in your organization's feedback regarding our request. To assist the Benefit Contracts Division in creating future requests, we would be interested in knowing what we could do differently or how we could make our request more user-friendly. Please take a moment to answer the following questions and return it at your earliest convenience.

1. Did your organization submit a bid?

Yes

No

2. If No, why did your organization elect not to bid? (Check all that apply)

Timing, not enough time to complete bid

Contract Provisions/Parts of the Contract

Complexity of RFP

Other:

3. Please elaborate on question #2 or provide other reasons for not submitting a bid.

4. Please provide any suggestions that might improve the bid process.

Additional Comments

About Your Organization

Name _____

Contact

E-mail _____

Address _____

Phone _____

City, State,

ZIP Code _____

An ERS representative may, if necessary, contact you by email or telephone for further clarification of your responses.

Thank you for your consideration and participation!

I. Instructions

A. Request for Proposal (“RFP”) Summary

- A.1. **Introduction:** The responsibility for the administration of the Texas Employees Group Benefits Program (“GBP”) is vested in the six (6) member Board of Trustees (“Board”) of the Employees Retirement System of Texas (“ERS”). Pursuant to § § 1551.055 and 1551.062 of the Texas Insurance Code (“TIC”), ERS is authorized to ensure that insurance claims filed under the GBP are processed and paid in accordance with applicable contractual agreements with outside vendors (“Vendors”). In accordance with Chapter 1551, ERS is issuing a Request for Proposal (“RFP”) to conduct audits of the Carriers, HMOs and Third Party Administrators (“TPA”) of the HealthSelectsm Programs, which may include life, health, medical, and pharmacy benefit programs, provided to GBP participants from September 1, 2008 through August 31, 2012. Qualified Auditors shall provide the level of services required in the RFP and meet other requirements that are in the best interest of the GBP participants and ERS. Auditor shall be required to sign a Contractual Agreement (“Contract”) and Business Associate Agreement (“BAA”) with ERS relating to the services described in this RFP.
- A.1.a. An Auditor wishing to respond to this request shall meet all of the minimum requirements as referenced in Section II of the RFP. Qualified Auditors may submit a proposal(s) and bid response materials (collectively, “Response”) to provide services for one, or both audit plans. Auditing services shall begin following the Board’s selection of a qualified provider of auditing services (“Auditor”) and upon ERS’ execution of the parties’ Contract through August 31, 2013. This includes an option for up to three, one (1) year renewals of the parties’ Contract at the election of ERS and with the agreement of the Auditor.
- A.2. **Statistical Audit:** Qualified Auditors shall provide auditing services for certain benefit programs administered by ERS for participants of the GBP for benefits paid during Fiscal Years 2009 through 2012. Proposals will be accepted for the products identified in this RFP.
- A.3 **Pharmacy Claims and Rebate Audit:** ERS is also soliciting offers from qualified Auditors to provide contract and claims auditing services of the Pharmacy Benefit Manager (“PBM”) that provides pharmacy benefit management services for the HealthSelect Prescription Drug Program (“PDP”) afforded to participants of the GBP for Fiscal Years 2009 through 2012.

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A.4.

Schedule of RFP Process: The RFP process and Contract awards shall be conducted in accordance with the following schedule, unless notified otherwise by ERS:

On or After September 29, 2009		RFP is available on ERS' website. To access the RFP, Auditors shall email their request to: Ivendorquestions@ers.state.tx.us A USERID and Password will be provided only to those qualified bidders requesting access to the secured sections of the Audit RFP. All Auditors are prohibited from contacting agency employees or officials throughout the bid process other than as directed by ERS.
October 16, 2009	4:00 p.m. (CT)	To register for the PBM Contract and Claims Audit Bidders Conference, send requests to: Ivendorquestions@ers.state.tx.us <u>Submission Deadline for ALL Auditor questions.</u>
October 21, 2009	2:00 p.m. (CT)	PBM Contract and Claims Audit Bidders Tele-Conference.
November 10, 2009	12:00 Noon (CT)	The Auditor is required to submit all bid materials in the formats reflected below in one (1) sealed container: one (1) fully executed and labeled "Original"; three (3) identical hard copies; and two (2) identical copies provided on a CD-ROM. No PDF documents (with the exception of financial materials) may be reflected on the CD-ROMs. Submit Bid Materials to: Ann S. Fuelberg, Executive Director Employees Retirement System of Texas 200 E. 18th Streets; Post Office Box 13207 Austin, Texas 78711-3207 RE: Auditor GBP/PBM Response
On or around January 11-14, 2010		Bidding finalists may be required to participate in a Face-to-Face or teleconferenced interview session that will be announced at an ERS designated time and location. Required Auditor participants and interview guidelines will be provided if an interview appointment is extended by ERS.
February 2010		ERS Board selects the qualified Auditor(s) to provide GBP Program audits and PBM Contract and Claims audit services as reflected herein.
March 2010		Entrance Meeting(s) are Held
On or After April 1, 2010		Audit Contract Begins
November 8, 2010		Initial Audit – Final Draft Reports

ERS RESERVES THE RIGHT TO EXTEND ANY AND ALL DEADLINES ABOVE, TO REJECT ANY AND ALL RESPONSES, TO CONTRACT WITH ONE OR MORE FIRMS, OR TO ISSUE A NEW RFP AT ANY TIME, IN ITS SOLE DISCRETION. FAILURE TO PROVIDE RESPONSES IN THE FORMAT REQUESTED MAY RESULT IN RESPONDENT BEING ELIMINATED FROM FURTHER CONSIDERATION. ALL RESPONSES SHALL BE VALID THROUGHOUT THE ENTIRE RFP PROCESS AND ANY RESULTING CONTRACT TERM, INCLUDING EXTENSIONS. ERS WILL NOT NOTIFY RESPONDENTS UNLESS THEY ARE SELECTED FOR INTERVIEWS OR ENGAGEMENT.

- A.5. The Auditor is responsible for reviewing and responding to the RFP materials available on the ERS website (http://www.ers.state.tx.us/vendorbid/employee_benefits/contracts/default.aspx). ERS' website provides interested parties with background information regarding the Health & Welfare benefits offered to GBP participants, archived proposals, and electronic versioning of the RFP. The information contained in this offering provides instructions for the Auditor to submit a response to ERS' RFP and specifies a deadline for the submission of questions as reflected in the table provided above and B.4. below.

B. General Information

- B.1. **Agent of Record:** ERS shall not designate an Agent of Record or any other such company employee or commissioned representative to act on behalf of either ERS or the Auditor. Any requests for ERS to provide such designation shall be rejected. Auditors are specifically instructed to submit proposals directly to ERS as specified in Paragraph A.4. above, and Paragraph B.5. below.
- B.2. **Fee Proposal:** It is ERS' desire to select an Auditor or Auditors that are qualified to audit all types of benefit plans listed in Articles V and VI. An interested Auditor or Auditors shall ensure that it submits its proposed fair and reasonable fees for the auditing services in accordance with Article VII of this RFP.
- B.3. **News Release:** Prior written approval by ERS shall be required for any news releases regarding a Contract awarded to an Auditor.
- B.4. **Inquiries:** Questions regarding ERS and/or the RFP shall be submitted via email, no later than 4:00 p.m., CT on October 16, 2009. In its sole discretion, ERS shall post the question and response that it deems appropriate on ERS' website in a timely manner. Such inquiries should be directed to:

Robert P. Kukla
Director of Benefit Contracts
Email: ivendorquestions@ers.state.tx.us

- B.5. **Response Submission:** All bid materials shall be packaged collectively in one (1) sealed container and submitted to ERS as noted below. ERS may not consider a proposal unless one (1) "Original" and five (5) copies are received by ERS at the appropriate address no later than 12:00 Noon, CT on November 10, 2009. The mailing label for the proposal shall be clearly marked as: *Audit Request for Proposal Response*.
- B.5.a. The one (1) printed "Original" (which shall be labeled as such) and three (3) additional printed copies shall be submitted with all requested supporting documentation, including, but not limited to, the fully executed Contractual Agreement, (see Article I.B.16.b.), the BAA, (see Article I.B.14.a.), and Signature Pages, (see Article I.B.9.) in printed formats. The remaining two (2) copies shall be submitted via CD-ROMs in Excel or Word format and labeled *Audit Response Duplicate 2009-2012*. No PDF documents may be reflected on the CD-ROMs. ERS is not responsible for receipt of any response that is not labeled, packaged or delivered properly. All bid materials shall include complete, properly executed, and detailed supporting documentation as required.

Auditor shall mail or deliver its sealed response to ERS at the following address:

Ann S. Fuelberg
Executive Director
Employees Retirement System of Texas
200 E. 18th Street; Post Office Box 13207
Austin, Texas 78711-3207
RE: Auditor GBP/PBM Response

- B.6. **Retention of Responses:** All proposals submitted become the sole property of ERS.
- B.7. **Public Information Act:** As reflected in greater detail below at I.B.25, ERS is required to provide access to certain records in accordance with the provisions of Chapter 552, Tex. Gov't Code, and the Texas Public Information Act ("PIA"), formerly known as the Open Records Act. During the evaluation process, ERS shall make reasonable efforts as allowed by law to maintain proposals in confidence, and shall release proposals only to personnel involved with the evaluation of the proposals and implementation of the Contract unless otherwise required by law.
- B.8. **Order of Response Materials:** The Auditor shall submit its Proposal with executed Signature Pages, as well as all Response materials in the order prescribed in the *RFP Deliverables Check List* located behind the *Table of Contents* contained in this RFP.
- B.9. **Signature Requirements:** The Chief Executive Officer or other authorized officer who is at a Vice President or higher level of the Auditor shall execute, in *blue ink*, the Signature Pages referenced as Appendix A, which is a part of this RFP. The individual executing the BAA and Signature Pages should be the same authorized person reflected in Article VIII.A.7., and shall have full legal authority, on behalf of the Auditor, to execute a Contract that constitutes a valid, binding and legally enforceable agreement.
- B.9.a. Contractor's Privacy Officer and Security Compliance Officer shall execute the portion of the Signature Pages, in *blue ink*, that confirms that all information identified in the schedule reflected in I.B.25. below, as being either *Confidential & Proprietary* or *Public Information*. By executing this portion of the Signature Pages, Contractor's Privacy Officer warrants and represents that all such Public Information may be fully disclosed by ERS without liability and without prior notice or consent to the Contractor or any of the Contractor's subcontractors. The person executing this portion of the Signature Pages, should be the same authorized entity reflected in Article VIII.C.1. and VIII.C.3., and shall have full legal authority on behalf of Contractor to execute such constituting a valid, binding and legally enforceable agreement. Additional requirements regarding the management of Contractor's RFP bid materials are outlined below in I.B.25.
- B.10. **Supplements to RFP:** In the event that it becomes necessary, at ERS' discretion^{*}, to revise any part of this RFP, or if ERS determines that any additional information is needed to clarify the provisions of this RFP, supplemental information shall be provided to each Auditor that has indicated interest in this RFP. However, ERS shall not be bound by any deviations from or to this RFP unless ERS specifically agrees in writing to the specific deviation.

* All references in this RFP to matters within ERS' discretion mean ERS' sole discretion.

- B.11. **Reserved Rights:** Chapter 1551, TIC, specifies that ERS retains the right to qualify and approve the Responses of those Auditor(s) which shall be in the best interest of the employees, retirees and their dependents covered under the Texas Employees Group Benefits Act, Chapter 1551, TIC (“the Act”), and further that ERS is not required to approve an Auditor’s qualifications solely because it includes the lowest offer, but shall approve proposals taking into account the offer to perform the services for a fair and reasonable price, and based upon the Auditor’s demonstrated competence and qualifications to perform the audit services. The professional fees proposed must be consistent with and not higher than the recommended practices and fees published by the applicable professional associations; professional fees may not exceed any maximums provided by law. ERS may determine that other factors may be considered important based on their review of an Auditor’s responses to the RFP and the Interrogatories. ERS also reserves the right to reject any proposal submitted that does not fully comply with the RFP’s instructions and criteria, including minimum requirements as reflected herein at Article II.B.1. - B.6. Evaluation criteria are described elsewhere in this document.
- B.11.a. ERS reserves the right to reject any or all responses to the RFP. ERS is under no legal requirement to execute a Contract on the basis of this notice.
- B.11.b. The Contract may be awarded to the Auditor(s) that in the opinion of ERS is best qualified on the basis of offering to perform the specified services at best value to ERS, and based upon the Auditor’s demonstrated competence and qualifications as indicated in its Response to this RFP.
- B.11.c. ERS also reserves the right to make multiple awards and to divide the work among one, two, or more qualified Auditors.
- B.11.d. This RFP does not commit ERS to pay any costs incurred prior to execution of a Contract. Issuance of this RFP in no way obligates ERS to award a Contract or to pay any costs incurred in the preparation of an offer or Response. ERS specifically reserves the right to vary all provisions set forth at any time prior to execution of a Contract where ERS deems it to be in the best interest of ERS, GBP Health & Welfare programs, its participants, or the state of Texas. Furthermore, the selected Auditor(s) agree to act in good faith and to cooperate with ERS in the execution of any document necessary to effect a change to the RFP or Contract, following execution of the Contract by ERS, if ERS deems it to be in the best interest of ERS, GBP Health & Welfare programs, its participants, or the state of Texas.
- B.11.e. ERS and the selected Auditor(s) shall enter into a Contract acceptable to ERS and in which shall include, but not limited to, the Contractual Agreement identified in Appendix B.
- B.11.f. The experience and professional qualifications of the project personnel are critical elements to the awarding of the project; therefore, substitutions of or other changes in assigned personnel shall require the prior approval of ERS’ Executive Director. In any event, ERS may, at any time, request the removal or reassignment of Auditor’s staff, or the staff of any subcontractor, in connection with Auditor’s performance under this Contract.
- B.11.g. Auditor acknowledges that it is impossible or impractical to estimate certain damages with any degree of certainty. Therefore, the Auditor agrees that its failure to comply with these requirements may subject the Auditor to the Liquidated Damages as

reflected in the Contractual Agreement and/or those applicable *Performance Assessment* provisions as reflected in Appendix E.

- B.11.h. ERS reserves the right to modify the scope and performance requirements of the benefit plans audited during this RFP process as well as for subsequent fiscal year audits.
- B.12. **Prohibited Interest:** Except as a participant in the GBP, a member, Board member, or employee of ERS may not have a direct interest in the gains or profits of any Contract executed by ERS pursuant to this RFP, and may not receive any payment or emolument for any service performed for the Auditor.

In the case where a Board member or employee of ERS receives any payment from the Auditor for any services performed for the Auditor or for any gains or profits from any Contract executed by ERS pursuant to this RFP, ERS may terminate its relationship with the Auditor immediately, and ERS reserves the right to seek any legal, equitable or contractual relief to which it may be entitled. Under such circumstances, the Auditor shall complete any outstanding transactions with ERS as soon as possible. In its discretion, ERS may choose not to consider any future responses from the Auditor for at least two (2) full years thereafter concerning any plan or program in the GBP.

By submitting its Response, Auditor warrants and represents that it does not have, nor shall it permit, any conflicts of interest that would impair its ability to perform the services required by the Contract in the best interests of ERS, GBP Health & Welfare programs, its participants, or the state of Texas. The Contract shall have additional requirements in this regard.

- B.13. **Standard Contract Terms:** As noted in paragraph I.A.1. above, Auditor shall be required to sign a Contractual Agreement and BAA with ERS relating to the services described in this RFP. The Contract and BAA will contain at least the following minimum terms as provided in substantially similar form as presented in Appendix B and Appendix C of this RFP. However, ERS retains the right to modify such terms and to add additional terms, at its discretion, in preparation of the Contract and BAA to be executed by the parties, and is not restricted to the language provided herein for this purpose. Additional related agreements may also be required. The entire Contract incorporates the Contractual Agreement, BAA, the RFP, the Auditor's Response and Clarifications, if any, and any other information, duties or obligations the Auditor may be required to provide or perform.
- B.13.a. The Contract includes important requirements that may not be expressly referenced in this RFP. By submitting a Proposal, the Auditor acknowledges and affirms it has reviewed, understood all terms stated in the Contract, and that the Auditor has submitted its Proposal after taking into account the Contract's terms. Auditor accepts that ERS will not pay any costs incurred by any entity in responding to the RFP, or in connection with the preparation thereof for the term of the Contract and further, that the cost of the requirements described in this RFP shall be recovered by the Auditor only by making provisions for such expenses in Article VII, *Audit Fee Proposals*, of this RFP. Upon approval of the Proposal, notification to the Auditor of its selection by the Board and any Clarifications to be required in the Proposal, and upon execution of the Contract by ERS, it is ERS' intent that the written Contract shall be in force.

- B.14. **HIPAA.** As a business associate of ERS, the Auditor shall comply with the privacy and the electronic data interchange (“EDI”) requirements of the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), as required in the BAA, and the federal regulations implementing HIPAA.
- B.14.a. **Execution of Business Associate Agreement.** The Auditor is hereby notified that the execution of the BAA is a submission requirement of this RFP. The BAA as referenced in Appendix C, which is part of the proposal packet, includes other information, duties or obligations the Auditor may be required to provide or perform. The BAA shall be signed by a duly authorized officer of the Auditor, in *blue ink*, and returned without amendments or revisions with the response submission. ERS reserves the right to reject any Proposal if the BAA is revised or returned unsigned. Upon approval of the Proposal and notification to the Auditor of its selection by the Board including any and all clarifications to be required in the Proposal, and upon ERS’ execution of the Contract, it is ERS’ intent that the BAA shall be in force.
- B.15. **Information and Data Security:** Auditor shall comply with Privacy Act of 1974, Computer Matching and Privacy Protection Act of 1988, Texas Business and Commerce Code (“TBCC”) and information security standards as outlined in Title 1, Texas Administrative Code §202. Further, Auditor shall comply with the forgoing regulations for the handling and use of personal identifying and sensitive personal information to mitigate the risk of identity theft and fraud as more fully outlined in Appendix D, *Data Security and Breach Notification*.
- B.15.a Auditor shall utilize proven methods of ensuring the control and security of participant and Program information.
- B.16. **Execution of Contract.** The Auditor is hereby notified that the execution of the Contract is a preferred submission requirement of this RFP. ERS prefers that the Contract be signed and returned without amendments or revisions with the response submission. However, if an Auditor in good faith determines that it does not agree with any provision of the Contract in the form provided by ERS with the RFP, Auditor may elect not to return an executed contract with its proposal, and may instead submit deviations to the Contract's terms, which must be provided in accordance with Article IX.8.a. of this RFP. Any such deviations will be considered by ERS, however, ERS shall not be obligated to accept or agree to any such deviations, and ERS may determine in its sole discretion not to proceed with further negotiations with an Auditor based upon such deviations. To prevent any misunderstanding, while Auditor's proposal will be evaluated if returned with deviations, such deviations may themselves form a basis for ERS to conclude that Auditor's proposal will not be further considered beyond its initial evaluation. Any Auditor submitting a signed Contract with the Auditor's Proposal should have the Contract executed by the duly authorized officer of the Auditor as reflected in Article VIII.A.7., in *blue ink*.
- B.17. **Contract Term and Chronology of Responsibility.** The Contract and all its aspects shall be for a term beginning after the Board has accepted the Auditor’s Response and has notified the Auditor of its selection and immediately upon the execution of the Contract by ERS, and extending through the 31st day of August 2013, unless terminated, renewed or extended as provided by the Contract.
- B.17.a Auditor services to be provided under the Contract shall occur between September 1, 2009 and August 31, 2013. ERS and the Auditor also agree and acknowledge that

there are duties and obligations specified by the Contractual Agreement to be performed prior to September 1, 2009 and following August 31, 2013, and the parties each agree to perform all such duties and obligations, and all damage provisions included herein and in the Contractual Agreement shall thereby be in effect. Such prerequisites, duties and obligations include, but are not limited to the following:

- Selection by the Board of Trustees at the February 2010 meeting;
- Execution of the Contractual Agreement by ERS' Executive Director after all clarifications have been agreed to and accepted or rejected by ERS;
- The parties each agree to perform all such duties and obligations, and all damage provisions included in the Contractual Agreement shall be in effect;
- The Contract includes the RFP, the Auditor's response thereto as accepted by ERS and that does not conflict with terms of the Contractual Agreement executed by the parties and the BAA;
- ERS reserves the right to renew the Contract for additional periods subject to terms and conditions acceptable to ERS, unless ERS determines that rebidding is in the best interests of ERS, the GBP, its participants, or the state of Texas;
- The Auditor shall act in utmost good faith in connection with such Contract renewal process and shall provide all information requested by ERS in order to facilitate such negotiation of an extended agreement; and
- Any and all activities required by the Auditor to effectively implement the requirements of this Contract.

B.18. **Term of Contract:** The Contract and all its aspects shall be for a term beginning after ERS has accepted the Auditor's Response and has notified the Auditor of its approval and immediately upon the execution of the Contract by ERS, and extending through the 31st day of August 2013, unless terminated, renewed or extended.

B.19. **Termination of Contract:** In the event that the Auditor fails or refuses to perform any of its duties or obligations as provided by the Contract, which includes this RFP, the Auditor's Response accepted by ERS and the signed Contractual Agreement, ERS, without limiting any other rights or remedies it may have by law, equity or under contract, shall have the right to terminate the Contract immediately. The Auditor understands and acknowledges that, notwithstanding any termination of the Contract, certain obligations of the Auditor shall survive the termination of the Contract. The Contract expands upon this provision.

B.20. **Contract Implementation:** Auditor shall submit with its response to the RFP, for review and approval by ERS, a detailed proposed Implementation Plan, which shall include, without limitation, the following:

- A detailed compliance list in Excel format reflecting each RFP and Contract requirement and deliverable as specifically identified by document reference as reflected below in I.B.21.
- A detailed description and manner in which all work is to be performed;
- A detailed outline containing a description of all activities Auditor expects ERS to perform related to the implementation plan;
- Schedules of meetings between Auditor and ERS; and
- Scheduled updates and/or amendments to the Implementation Plan, at least weekly, to reflect mutually agreed-upon changes as additional work is defined.

B.20.a. Following selection of Auditor by ERS and upon ERS' execution of this Contract, Auditor shall immediately staff an implementation team and name an implementation manager. The names, positions and qualifications of the implementation team shall

be immediately communicated to ERS and in any event not more than fifteen (15) business days from the award of the Contract. The period of time beginning with the selection of the Auditor by ERS and upon ERS' execution of this Contract to the point at which the Auditor assumes full audit responsibility for the duties specified hereunder, such date being no later than April 1, 2010, and shall be known as the "Implementation Period." The implementation manager shall serve as ERS' primary contact throughout the Implementation Period, and shall have the authority to make binding decisions for the Auditor, and shall be accessible to ERS during the Implementation Period. The Implementation Plan shall be attached to the Contract as an exhibit in the form most up-to-date at the time of Contract execution and may be modified thereafter by agreement of the parties.

B.20.b. During the Implementation Period, Auditor warrants, represents, and agrees to the following:

- That Auditor shall maintain sufficient, qualified staff, with technical capabilities and resources that are fully devoted to the GBP and/or PBM Audit Implementation(s);
- That Auditor shall not permit any current or prospective business, projects or other matters to interfere in any manner with the smooth and timely implementation of the respective Audit(s); and
- That Auditor shall manage all aspects identified during the Implementation Period and through the completion of the GBP and/or PBM Audit(s) in a timely manner and with ERS' approval.

B.21. **Contract Deliverable Index:** The Auditor shall document in Excel format, a Project Plan for both implementation and the first year audit process. The document should contain the following column headings:

- Row Number;
- Contract Deliverable;
- Performance Guarantee or Performance Assessment (Y/N);
- Contract Reference (some deliverables may be referenced in multiple documents);
- RFP Reference;
- Appendix/Exhibit Reference;
- Due Date;
- Target Date (If no contract due date); and
- Responsible Party.

The document shall contain the following major sections with individual Contract Deliverables listed in chronological order (if applicable) within each major section:

- I. Contract Award/Implementation Activities
- II. Audit Preparation Activities
- III. Audit Activities
- IV. Report Activities

B.22. **Implementation Plan:** Auditor shall develop and include in its proposal, timelines for each Audit as specified in Articles V and VI of this RFP. ERS shall require Auditor to exclusively utilize only those Implementation materials approved by ERS to guide and manage all Implementation activities and as deemed necessary by ERS for the successful delivery of services throughout the term of the Contract period.

- B.22.a. ERS and Auditor shall work collaboratively to agree to timelines for periodic status reviews of the project plan(s). Unless such timelines are subsequently modified in writing by ERS and Auditor, failure by Auditor to adhere to such timelines will subject Auditor to possible *Performance Assessments* as specified in Appendix E. The project plan(s) for the first year audit(s) shall be completed no later than April 1, 2010 or as further directed by ERS. A Final Draft Report shall be delivered as specified by ERS no later than November 8, 2010.
- B.23. **Payment Methodology:** The selected Auditor shall submit itemized payment invoices to ERS on a monthly basis that only include completed work. ERS will withhold 10% of the annual total audit amount from the first invoice submitted.
- B.23.a. ERS will make payment(s) within thirty (30) days from the date it receives a satisfactory and itemized invoice. The invoice will not be deemed satisfactory if it does not reflect work performed to standards acceptable to ERS. ERS will not pay more than the agreed fees described in Article VII and accepted by ERS.
- B.23.b. If it is determined that the work and/or cost is less than the proposed fees, the selected Auditor agrees to adjust its fees accordingly.
- B.23.c. Final payment, including the previously withheld retention of 10%, will, for that audit year, be made when ERS accepts the Final Report.
- B.24. **Finalist Interview:** Following ERS' initial review of the RFP Proposals, if Auditor is selected as a finalist in the Auditor selection process, ERS may request that personnel from the Auditor, at the Auditor's expense, attend a meeting at an ERS-designated location to clarify responses and to answer questions regarding Auditor's Proposal. If ERS deems necessary, a site visit to the Auditor may be conducted during the RFP review period at ERS' expense.
- B.25. **Disclosure of Information:** ERS is required to provide access to certain records in accordance with the provisions of Chapter 552, Tex. Gov't Code, (the PIA). In order to protect and prevent inadvertent access to confidential information submitted in support of its Response, the Auditor is required to supply a separate schedule of all pages, in good faith, and with legally sufficient due diligence, considered to contain any confidential and/or proprietary information.
- B.25.a. By submitting a Response, the Auditor acknowledges and agrees that ERS shall have no liability to the Auditor or to any other person or entity for disclosing information in accordance with the PIA. ERS shall not have any obligation or duty to advocate the confidentiality of Auditor's material to the Texas Attorney General or to any other person or entity.
- B.25.b. Auditor further understands and agrees that upon ERS' receipt of a PIA request for a copy of the Auditor's contract, including the Response and any exhibits to the Contract and Response, the only documents that ERS shall treat as Auditor's confidential and proprietary information shall be the documents Auditor identifies as required above.
- B.25.c. It is the Auditor's sole obligation to advocate in good faith the confidential or proprietary nature of any information it provides in its Response, and the Auditor understands that the Texas Attorney General may nonetheless determine that all or part of the claimed confidential or proprietary information shall be publicly disclosed.

- B.25.d. In addition, the Auditor specifically agrees that ERS may release the Auditor's entire Response, including alleged confidential or proprietary information, upon request from individual members, agencies or committees of the Texas Legislature where needed for legislative purposes, as provided for in the PIA or to any other person or entity as otherwise required by law.
- B.26. **Historically Underutilized Businesses ("HUB"):** ERS makes a good faith effort to assist HUBs in receiving agency contract awards. As appropriate, Auditor shall provide the following information in the submitted proposal materials:
- (a) If Respondent is certified as a Texas HUB, please provide the TBPC VID/Certification Number.
 - (b) If an engagement is awarded and Respondent plans to engage a subcontractor for all or any of the contract services, Auditor shall identify all proposed HUB subcontractors. The required forms with video instructions can be found at the following website:

<http://www.window.state.tx.us/procurement/prog/hub/hub-forms/>
- B.27. **Subcontractors:** Any planned or proposed use of subcontractors by Auditor related to the management, or access to GBP participant data shall be clearly disclosed and documented in the Auditor's Response and shall not be accepted until agreed to in writing prior to bid award by ERS. The Auditor shall be completely responsible for all services performed and for fulfillment of its obligations under the Contract, even if such services are delegated to a subcontractor.
- B.28. **Board Rules:** The Board has sole rulemaking authority in connection with the GBP pursuant to Chapter 1551, TIC, except where the Board Rules may conflict with state laws or administrative rules of the Texas Department of Insurance. The Board Rules, located at Title 34, Part IV, Tex. Admin. Code, and any amendments adopted by the Board to said Board Rules, are a part of any Contract executed in accordance with this RFP process for all purposes as if they were contained verbatim therein. The Auditor should be familiar with all such Board Rules.
- B.29. **No Solicitation:** An approved Auditor shall not use, or otherwise disseminate, copy, or make available to any person or entity, lists of GBP participants or employees, or any other participant data to solicit any other insurance coverage, annuity products, or any other services or products, unless specifically approved in writing by ERS' authorized representatives in advance. This requirement shall survive the termination of the Contract. The Contract has additional requirements in this regard.
- B.30. **ERS Actuary:** ERS retains a consulting actuary, Rudd & Wisdom, Inc. to advise ERS staff and management on insurance and other financial matters. The consulting actuary also assists and advises the ERS Board on benefit plan designs, application reviews, rating analysis, and certain audit related activities as described herein.
- B.31. **Audit Personnel Changes:** Substitutions or other changes in Auditor's personnel assigned during the term of this Contract shall be approved in advance by ERS. In any event, ERS may, at any time, request the removal or reassignment of Auditor's staff in connection with Auditor's performance under this Contract.

B.32. **Fiscal Year:** The GBP Fiscal/Plan Year (“FY” or “PY”) begins September 1st and ends August 31st. GBP fiscal year shall be determinative for all Contract reporting requirements. The Contract expands upon this provision.

II. Proposal Evaluation Criteria

A. General Evaluation Information

A.1. **Introduction:** Proposals submitted in response to this RFP shall be evaluated on the basis of the criteria listed below. The criteria are not listed in order of importance. While the criteria shall provide the basis for an objective evaluation of each proposal, the experience and judgment of ERS' staff and advisors shall also be important in the selection process. The goal of the process will be to determine those Auditors that will provide the best value for the services proposed relative to each audit scope for the GBP and PBM Audits as requested by ERS. The criteria include:

- Compliance with and adherence to the RFP and Contractual Agreement;
- Minimum requirements and Preferred criteria as reflected below;
- Fee Proposal;
- References; and
- Other factors, as determined during the evaluation review process.

A.2. ERS reserves the right to reject any and/or all proposals and/or call for new proposals if ERS deems it to be in the best interests of ERS, GBP Health & Welfare programs, its participants, or the state of Texas. All qualified Auditors shall satisfy the following minimum requirements as of June 30, 2009. Proposed deviations to the Minimum Requirements identified below shall not be considered and submission of such may disqualify respondent's bid response package. Failure to satisfy these mandatory requirements will result in elimination from the evaluation process. The selected Auditor(s) shall adhere to these requirements upon Contract award and throughout the term of the Agreement. ERS also reserves the right to reject any proposal submitted that does not fully comply with the RFP's instructions and criteria. ERS is under no legal requirement to execute a Contract on the basis of this notice or upon issuance of the RFP or receipt of a proposal.

B. Minimum Requirements

For each item identified below, indicate how your firm meets the following minimum requirements:

- B.1. Auditor shall have documented experience of providing auditing services to at least two (2) group health plans one of which shall have an enrollment of 50,000 covered employees working in multiple locations.
- B.2. Auditor's firm should have a net worth of at least \$250,000 as demonstrated by an audited financial statement as of the close of the Auditor's most recent fiscal year.
- B.3. Auditor shall document its knowledge and existence as a business entity performing auditing services for a minimum of two (2) years.
- B.4. Auditor's firm shall maintain its principal place of business in the United States of America and shall have a current valid certificate of authority to transact business in the state of Texas from the Secretary of State.

- B.5. Auditor shall have experience working with and/or extensive knowledge of public or governmental health plans, similar to those offered by ERS that are not subject to ERISA.
- B.6. The PBM Contract and Claims Auditor shall have documented experience auditing PBM's for clients with enrollment of at least 50,000 covered lives.

C. Preferred Criteria

For each item identified below, indicate how your firm meets the following preferred criteria:

- C.1. Auditor should have provided auditing services for a public employee benefit program to include a minimum of 125,000 employees.
- C.2. Auditor should also have experience working with and/or extensive knowledge of applicable Texas laws and Federal regulations affecting the GBP.
- C.3. GBP Health & Welfare Audit team should include at least one (1) team member with a valid state license in good standing as a Certified Public Accountant ("CPA").
- C.4. PBM Contract and Claims Audit team should include at least one (1) team member with a valid state license in good standing as a Registered Pharmacist ("RPh").
- C.5. Auditor should have the capability to provide all reports electronically and in CD-ROM format.
- C.6. Auditor should have experience working with and/or extensive knowledge of the management of Internal Revenue Service Section 125 plans.

III. Information to be Provided to Auditor(s) and Operational Requirements

Following ERS' selection of a qualified Auditor to conduct the statistical and PBM audits, the information reflected below will be provided to the Auditor's designee:

- A. ERS will provide eligibility by Vendor in secure file transfer protocol ("SFTP") format.
- B. Claim detail by Vendor to include: Computer files with attached record descriptions of all claims processed by BlueCross BlueShield of Texas ("BCBSTX") and Caremark Rx, L.L.C. ("Caremark") beginning with September 1, 2008 through August 31, 2009. Network, non-network, and out-of-area claims for BCBSTX are uniquely coded so that they are readily identifiable.
- C. Annual Statistical Reports produced by Vendor to include: A copy of the annual accounting report for Contract 38000-A Disability Income plan.
- D. A copy of the most recent:
 - GBP Health & Welfare audits; and
 - PBM 100% Claims audit.
- E. A schedule of claim reimbursements and administrative fee payments made to BCBSTX and Caremark.
- F. Copies of Vendor Contracts as appropriate to the specific scopes identified by ERS.
- G. Copies of the Master Benefit Plan Documents ("MBPD") as appropriate to the specific scopes identified by ERS, and each HMO's/DHMO's Evidence of Coverage ("EOC").
- H. Copies of benefits books.
- I. Monthly Financial Reports.
- J. Copies of claim invoices paid to the Vendor by ERS.
- K. Copies of ERS' payments to the Flexible Spending Account administrator.
- L. Other information as identified during the Implementation process.

IV. Audit Guidelines

A. General Information: All audits will be conducted in compliance with Generally Accepted Auditing Standards. The contracting Auditor shall be required to work closely with ERS staff in Austin, Texas. The selected Auditor shall be required to work predominantly in the claims offices of each Vendor. Most major on-site audit functions are anticipated to occur within the state of Texas. For example, BCBSTX claims office is located in Abilene or Dallas, Texas; Caremark’s claims offices are located in San Antonio, Texas; and all three (3) HMO Carriers are located in the Central Texas area. However, PayFlex Systems USA, Inc. (“PayFlex”) is located in Omaha, Nebraska. Should an audit of the GBP’s dental program become necessary, HumanaDental Insurance Company’s (“HumanaDental”) claims office is located in De Pere, Wisconsin.

A.1. ERS does not audit each Vendor every year.

A.1.a. The following FY 2009 GBP Audits are planned during FY 2010: BCBSTX, Fort Dearborn Life Insurance Company (“FDL”), and PayFlex, as well as the PBM Audit of Caremark. Key dates for the first fiscal year in connection with these audits will be:

Entrance Meeting may begin		On or after April 1, 2010
Pre-audit activities may begin		On or after Entrance Meeting
Final Draft report with Vendor responses, Administrative Questionnaires, and all Exhibits to ERS		November 8, 2010
Final, bound report to ERS		December 6, 2010

A.2. The ERS consulting insurance actuary may participate in the audit process at ERS’ discretion.

B. Methodology and Scope: Audits will be conducted in accordance with the guidelines and individual Vendor audit scopes as defined in this RFP.

B.1. Each individual Vendor audit scope may be modified annually at ERS’ sole discretion.

B.2. Auditor may present recommended scope modifications to ERS for any audit.

B.3. As specified for each Vendor in Section V., each audit measure shall include an analysis of Vendor performance as compared to:

- 1) Contract standards,
- 2) Vendor internal standards,
- 3) Industry standards, and
- 4) Previous year audit results (if applicable).

Failure to include this comparison may result in a monetary performance assessment, per Vendor as referenced in Appendix E.

- B.4. Prior to the start of an audit, Auditor shall provide for ERS' approval, an Audit Methodology Outline describing the standards to be applied for each Vendor, including an outline of respective plan design, contract performance standards and guarantees, pricing, and Vendor billing/reimbursement methodology . If an audit is commenced prior to ERS' approval, it may result in a monetary performance assessment as referenced in Appendix E.
- B.4.a. If ERS determines that an audit was not conducted in accordance with the approved Audit Methodology Outline, Auditor shall:
- Complete a subsequent audit utilizing the correct methodology within sixty (60) calendar days, at no cost to ERS; and
 - Be subject to a monetary performance assessment as referenced in Appendix E, to be applied at ERS' discretion.
- B.4.b. Failure to complete the subsequent audit within sixty (60) calendar days may result in an additional monetary performance assessment as referenced in Appendix E.
- B.5. Auditor shall notify ERS' Contract Administrator Manager immediately via email upon any disagreement at any time between Auditor and Vendor with regard to the audit methodology. Failure to notify ERS of such a disagreement may result in a monetary performance assessment as referenced in Appendix E.
- B.6. In the event of a disagreement between Auditor and Vendor regarding whether an audit finding will be considered an error for purposes of calculating audit results, ERS retains the exclusive right to make the final determination.
- B.6.a. Auditor shall ensure that all disputes with regard to error determinations are resolved prior to preparing the draft report. Failure to obtain final determination from ERS regarding any disputed errors prior to submitting the initial draft report to ERS may result in a monetary performance assessment as referenced in Appendix E.
- B.7. Auditor shall provide each Vendor with a copy of the draft report and any exhibits, as soon as it is available and provide Vendor with sufficient time to provide a response.
- B.8. Audits shall not encompass a review of financial statements provided by the Vendor, or an audit of its accounting records. However, some review of official records shall be required to ensure that the data used to develop the annual accounting statements are supported by generally accepted accounting procedures and records.
- B.9. Auditor shall utilize an Administrative Questionnaire to be completed by each Vendor prior to the on-site visit, and provide copies to ERS with the initial draft report.
- B.10. Each audit shall include an analysis of Vendor progress related to prior year audit recommendations (if applicable).
- C. Audit Sample:** Each audit shall be based on a statistically significant, random claim sample extracted by the Auditor from a Vendor file (or files) representing 100% of processed claims for the period being audited. At ERS discretion, the ERS consulting insurance actuary may confirm reasonableness and/or provide stratification of the extracted sample.

C.1. Prior to extracting the claim audit sample, Auditor shall provide ERS with a copy of a written statement from each audited Vendor indicating the Vendor's concurrence with the 100% claim file utilized as the basis of obtaining the audit sample. If audit activities commence prior to ERS' receipt of the Vendor's statement, and/or without ERS' consulting actuary confirmation (if applicable), it may result in a monetary performance assessment as referenced in Appendix E.

C.1.a. Auditor shall notify ERS immediately upon any disagreement at any time between Auditor and Vendor with regard to the validity of the claim file or audit sample. Failure to notify ERS may result in a monetary performance assessment as referenced in Appendix E.

D. Required Reports: Auditor will provide a separate report to ERS and to the ERS consulting insurance actuary as requested by ERS, for each audited Vendor, and an Executive Summary that outlines the results for each audited Vendor.

D.1. **Quality Control:** Auditor shall ensure that all materials reflect finished quality production, accuracy, timeliness, thorough review, and shall be submitted to ERS in a production-ready format, reflecting adequate proofreading and editing for correct grammar, spelling, punctuation, and formatting. All required reports (to include all *ad hoc* reports), and dated materials shall at the minimum, require, but not be limited to the following criteria:

- Reflect and reference the appropriate Plan Year;
- Reflect and reference accurate data related exclusively to the GBP, unless otherwise specified by ERS;
- Reflect GBP-specific language;
- Be provided within the required time lines as directed by ERS staff and/or its consultants; and,
- Not be released to outside sources without prior ERS' written consent.

Auditor's failure to adhere to the above quality production standards and/or any other communication requirements as referenced herein may result in a monetary performance assessment as referenced in Appendix E.

D.2. **Vendor Audit Reports - Required Elements:** Minimum elements to be included within each Vendor report for each audit measure as required by the ERS approved audit scope are:

- An overview, analysis, conclusion, and recommendations (if applicable) for each audit measure that illustrates Vendor performance as compared to:
 - 1) Contract standards and performance guarantees;
 - 2) Vendor internal standards;
 - 3) Industry standards; and
 - 4) Previous year audit results (if applicable).

Failure to include this analysis may result in a monetary performance assessment as referenced in Appendix E.

- The error incidence, dollar value (if applicable), and auditor's opinion of root causes for audit measures related to claim payments.
- The error incidence (if applicable), and/or adverse findings, and auditor's opinion of root causes for audit measures not related to claim payments.

- Vendor’s “word-for-word” response, if provided. Vendor responses indicating a disputed error must be resolved prior to inclusion in the audit report. Any instances where Auditor and the Vendor disagree on a particular error, and that ERS has approved for inclusion in the report, shall be clearly noted as such in the Final Report.
- Auditor’s reply to Vendor response, (if applicable).

D.3. **Executive Summary – Required Elements:** The Executive Summary shall include summarized results related to all contractual or performance guarantee measures. Failure to provide the results related to these measures in the Executive Summary may result in a monetary performance assessment as referenced in Appendix E.

D.4. **Production of Final Reports:** Upon ERS’ written approval of the final reports and Executive Summary, Auditor shall provide ERS with twenty-five (25) identical 3-ring binders, containing:

- Table of Contents;
- Executive Summary, outlining each Vendor audit;
- Individual Vendor audit reports with Vendor responses; and
- Exhibits necessary to illustrate the audit results.

D.4.a. Auditor shall also provide ERS with one (1) CD-ROM containing the electronic version of all documents included in the audit report binders, the Vendor Administrative Questionnaires, and any other relevant documents.

V. GBP Health & Welfare Audit for Fiscal Years 2009-2012

A. BlueCross BlueShield of Texas Audit (Administrator of Self-Funded Medical Program): BCBSTX Medical Component audit shall include:

Each audit measure shall include an analysis of Vendor performance as compared to:

1. Contract standards;
2. Vendor internal standards;
3. Industry standards; and
4. Previous year audit results (if applicable).

Accuracy Audit

A.1. A review shall be performed to verify the accuracy of HealthSelect claims processing and payment. Claims should be tested for accuracy in three (3) areas:

- Payment accuracy which measures the percentage of claims that were paid accurately;
- Procedural accuracy which measures the percentage of claims that are processed correctly based on an analysis of coding accuracy; and
- Financial accuracy which measures the financial impact of payment errors. The measure of financial accuracy is used by the Auditor to project the audited value of claims for the total population.

The accuracy audit of HealthSelect claims processed shall be conducted as follows:

A.1.a. Two (2) statistically valid stratified random samples of health claims shall be selected and tested from the population of claims processed during the fiscal year. The total sample shall be comprised of 1,200 health claims. A sample of 500 claims is to be selected from network health claims and a second sample of 700 claims is to be selected from non-network and out-of-area health claims.

A.1.b. The samples enumerated above shall be selected using a stratified random sampling methodology determined in consultation with, and approved by ERS. The stratified random samples of health claims shall be selected based on allocations of the samples to ranges (strata) by claim amount. In recent audits, ERS has required approximately 15 strata for each of these two (2) stratified random samples. The consulting actuary shall determine the number and ranges included in each strata and the number of claims selected per strata. Samples shall be designed to achieve 95% confidence intervals of dollar error rates with precision of at least 1.5%.

A.1.c. Samples may be extracted as defined in Section IV.

A.2. Each claim in the sample is to be tested for payment and coding accuracy, adherence to plan benefits and administration procedures, and timeliness. Each claim is to be re-adjudicated for financial and procedural accuracy. In addition to any other procedures considered necessary by the selected Auditor to determine payment and coding accuracy, elements tested for each claim shall include but not be limited to confirmation of the following:

- A.2.a. Claim was submitted within the specified time as defined by the plan.
- A.2.b. Managed care discounts and contractual provisions were applied correctly.
- A.2.c. Procedures that were billed and paid were covered by the plan.
- A.2.d. Procedures were medically necessary and appropriate according to BCBSTX medical review.
- A.2.e. Claims for multiple procedures, bilateral procedures, unbundled services, and experimental prescription drugs/services were submitted to the appropriate levels for review and adjudicated correctly.
- A.2.f. Benefit coordination, including coordination with Medicare, and subrogation were accurately determined if the claimant had other coverage available and recoveries were properly pursued when appropriate.
- A.2.g. Correct claimant or assignee received payment.
- A.2.h. Benefits were applied in accordance with plan requirements.
- A.2.i. Mathematical computations and the application of coinsurance, out-of-pocket limits, and deductibles were accurate.
- A.2.j. Allowable charge limitations of the plan were correctly applied.
- A.2.k. Preauthorization, second surgical opinion, and ambulatory procedures were followed and documented, when appropriate.
- A.2.l. Claim payment response time met contractual provisions and was consistent with generally accepted industry standards.
- A.2.m. Claim was properly coded and reflects the supporting documentation submitted by the claimant or the provider of services and was properly authorized for payment.
- A.2.n. Claim was properly reconciled with other claims for that individual with the same dates of service to ensure appropriate payment with all claims related to the date of service.
- A.2.o. Claim was paid only once, i.e., the claim payment is not a duplicate payment.
- A.2.p. Participant's specific health coverage on BCBSTX's records was consistent with the health coverage indicated on ERS' records and the claimant was eligible for HealthSelect benefits on the date(s) of service.
- A.2.q. Review of J-Code use by contracting providers to investigate suspicious coding practices.
- A.3. Upon completion of the audit of the sample claims, the Auditor shall prepare the following:

- A.3.a. An analysis of payment and denial errors by type of error to indicate the error types occurring most frequently and the dollar amounts associated with each error type. Analysis shall distinguish over, under, and erroneous payments.
- A.3.b. An estimate of the correct value of the benefits compared to the actual disbursed benefits that should have been paid during the review period.
- A.4. The Auditor shall conduct an analysis of overpayments and make recommendations for reducing overpayments. The analysis shall include:
 - A.4.a. Preparation of a summary of overpayments/underpayments occurring on claims included in the audited sample by type of overpayment (hospital, provider, or member), rate of collection of overpayment by type, total dollar amount of overpayments, total dollar amount of refunds collected, and summary of reasons for overpayments.
 - A.4.b. A review of overpayments identified during the previous year's audit to confirm that the overpayments had been recovered and credited to ERS.
 - A.4.c. A review of overpayments identified and recovered by BCBSTX during the fiscal year.
 - A.4.d. A review of BCBSTX overpayment/underpayment processing controls.
 - A.4.e. A review of BCBSTX overpayment/underpayment pricing controls.
 - A.4.f. A test of the processing methods for identifying and capturing Medicare Part D claims data on behalf of HealthSelect.

Timeliness Audit

- A.5. The Auditor shall generate turnaround time statistics for the total claims population to determine whether claims were processed within the time frame specified in BCBSTX's Contractual Agreement for Third Party Administrator Services with ERS which states: "...BCBSTX will process claims in accordance with the following standards:
 - A.5.a. 98% of claims will be processed within thirty (30) calendar days."
- A.6. The Auditor shall supply an analysis of BCBSTX's compliance with ERS' requirement to send Identification ("ID") Cards to all newly enrolled members, including dependents.

Operational Audit

- A.7. The Auditor shall verify that BCBSTX's processing time from the date an addition, termination, or change of coverage initiated at the agency level is in accordance with ERS processing standards.
- A.8. The Auditor shall review BCBSTX's claims processing and identify areas of administration which, if changed or corrected, could result in cost savings to the GBP.

- A.9. The Auditor shall verify that an adequate system is used for determining the medical necessity of the claims submitted.
- A.10. The Auditor shall verify that adequate training procedures are used by BCBSTX to ensure that all personnel are appropriately trained in claims processing and customer service.
- A.11. The Auditor shall verify that BCBSTX conducts background checks on their personnel.
- A.12. The Auditor shall verify that an adequate system of program edits and claims processing procedures are in place by BCBSTX to monitor and discover fraud and abuse.
- A.13. The Auditor shall review the grievance and appeal process, including the number of grievances which are referred to the administrator's Medical Division for additional review, the number of those referred which result in additional payment, and the percentage of these to the total number of grievance appeals processed.
- A.14. The Auditor shall perform a review of the allowable charge procedures utilized by BCBSTX in the claims payment process to ensure that the allowable amounts are properly developed and updated and are properly utilized to reduce billed charges under HealthSelect. The review shall also include procedures utilized by BCBSTX on claims that require manual pricing.
- A.15. The Auditor shall perform a review of the imaged records, microfilm copies and source documents, if available, to see if there is any indication of fraud.
- A.16. The Auditor shall compare prior years' audit recommendations to current year audit results.
- A.17. The Auditor shall review and ensure that transitional benefits are paid in accordance with the policies and procedures of HealthSelect.
- A.18. The Auditor shall review BCBSTX's most recent SAS 70 report (if applicable), or the organization's equivalent document.
- A.19. The Auditor shall verify and include in the Final Report BCBSTX's Fidelity and Liability bond coverage amount and their AM Best rating.
- A.20. The Auditor shall review HealthSelect weekly claims invoices to verify the accuracy and appropriateness of claims payments. The Auditor shall compare monthly paid claim amounts with total monthly billed amounts from the invoices and against the annual accounting statements for the fiscal year. The evaluation shall be sufficient to ensure that claims payments, administrative fee payments, ERS reimbursements and all other information on the reports are accurately reported and charged or related to the appropriate fiscal years. The review shall also determine whether or not any applicable discounts, recoveries or refunds received by BCBSTX as the administrator from providers were credited to the experience of the HealthSelect plan.

- B. Fort Dearborn Life (“FDL”) Insurance Company Audit:** The audit services to be performed on FDL shall consist of a review of the short term disability (“STD”) and long term disability (“LTD”) claims processed and paid by FDL. Auditor shall conduct certain tests regarding STD and LTD, claims processed by FDL to ensure that these claims are paid in accordance with the appropriate contracts and plan documents. The Audit Methodology and Testing requirements as listed below in B.2. and B.3. shall be applied to all FDL audits.

Each audit measure shall include an analysis of Vendor performance as compared to:

1. Contract standards;
2. Vendor internal standards;
3. Industry standards; and
4. Previous year audit results (if applicable).

Accuracy Audit

- B.1. The Auditor shall review weekly claims invoices to verify the accuracy and appropriateness of all claim payments for the FDL products listed above. The Auditor shall review and verify the accuracy and appropriateness of the annual accounting statements. The evaluation shall be sufficient to ensure that claim payments, premiums, ERS reimbursements, reserves, conversion charges, administrative fee payments, and all other information on the reports are accurately reported and charged or related to the appropriate fiscal years.
- B.2. **Audit Methodology:** Auditor shall test randomly sampled claims and review all claim documentation for payment and processing accuracy. The following elements shall be tested for each claim:
- Legitimacy of submission;
 - Verification of eligibility;
 - Correct application of benefit provisions;
 - Disbursement to correct party or appropriate denial; and
 - Disbursement from correct account.
- B.3. **Audit Test:** Evaluate each sample claim for payment accuracy for the following elements:
- Was the claimant eligible for benefits?
 - Did the correct claimant or assignee receive payment? Was the method of payment correct?
 - Were benefits applied in accordance with the plan requirements?
 - Were the mathematical computations accurate?
 - Were filing limits considered correctly?
 - Was there any evidence of duplicate payments?
 - Did the claim payment response time meet contractual provisions?

Short Term Disability and Long Term Disability: The services required for the management of STD and LTD claims shall include:

- B.4. A representative random sample of 50 STD processed claims.
- B.4.a. Representative random samples of: (a) 50 LTD claims first processed during the applicable fiscal year; and (b) 50 LTD claims open as of August 31 of that same fiscal year and initially processed in prior fiscal years.
- B.4.b. LTD claims shall be further reviewed to assess: (a) subsequent reviews of continued disability, (b) re-evaluation of disability status when the definition changes at twenty-four (24) months.
- B.4.c. Evaluate each sample claim for payment accuracy. For disability payments, each periodic payment during the fiscal year shall be measured, not just the initial payment, to ensure correct payment decisions.

Timeliness Audit

- B.5. Confirm compliance with the timeliness and accuracy standards set out in the Contractual Agreement for Third Party Administrator Services, if applicable. Each sample claim shall be reviewed to assess the time required to complete the processing as follows:
 - From receipt of initial claim document to claim payment or denial.
 - From receipt of initial claim document to request for remaining material.
 - From receipt of remaining material to payment or denial.

Operational Audit

- B.6. Review policies and procedures and evaluate the appropriateness of the policies and procedures for effective claim processing as follows:
 - B.6.a. Review procedures regarding required documentation to assure that all appropriate documents are obtained and those unnecessary items are not requested.
 - B.6.b. Review policies and procedures regarding communications with beneficiaries, insureds, ERS, state agencies and higher education institutions, and providers to determine that such contact is appropriate, protects an individual's rights and is performed in a courteous, professional manner.
 - B.6.c. Review procedures for determining disability based on the individual's condition and job requirements to assess appropriateness of procedures and measurement criteria.
 - B.6.d. Review procedures for subsequent review of disability to assess the effectiveness of the activity and the appropriateness of measurement criteria.
 - B.6.e. Review policies and procedures regarding Social Security disability filing to assess the degree to which FDL works to reduce ERS liability through Social Security benefit awards.

- B.6.f. Review policies and procedures regarding disability re-evaluation after twenty-four (24) months when the definition of total disability changes to assure that appropriate documentation and appropriate measurement criteria are used.
- B.7. To verify that FDL follows its procedures with respect to the identification of potential areas of claims abuse; i.e., fraudulent claims and duplicate claims.
- B.7.a. Verify that an adequate system of program edits and claims processing procedures for disability benefits are in place to monitor and discover fraud and abuse.
- B.7.b. The audit shall summarize areas of claims administration which, if changed or corrected, could result in cost savings to the GBP.
- B.8. Review FDL's Customer Service processes, including the handling of complaints, appeals, and grievances.
- B.9. Verify that FDL conducts background checks on their personnel.
- B.10. Verify that FDL has acceptable written procedures.
- B.11. Review FDL's most recent SAS 70 report (if applicable), or the organization's equivalent document.
- B.12. Verify and include in Final Report FDL's Fidelity and Liability bond coverage amount and their AM Best rating.

C. Health Maintenance Organization Audit: The particular HMO selected for audit shall be determined by ERS post contract award. Services required for the HMO's audit shall include:

Each audit measure shall include an analysis of Vendor performance as compared to:

1. Contract standards;
2. Vendor internal standards; and
3. Previous year audit results (if applicable).

Timeliness Audit

- C.1. Auditor shall verify the HMO's compliance with the HMO's own internal standards.

Operational Audit

- C.2. Auditor shall verify that an adequate system of internal audit and claims processing controls are used by the HMO to ensure the validity and contractually correct processing and payment of health and pharmacy claims.
- C.3. Auditor shall review and confirm that adequate fraud detection processes are in place.
- C.4. Verify that the HMO recommends the election of Medicare Part B to GBP participants in its member communication materials.
- C.5. Auditor shall review the HMO's Customer Service processes, including the handling of complaints and appeals.

- C.6. Auditor shall conduct a walk-through tour of the Vendor's claim processing operations. Auditor shall conduct a facility tour to observe technology and procedures observed applicable to standard industry practices as related to the information reflected in the administrative questionnaire and other reports.
- C.7. Auditor shall test and verify the processing methods for identifying eligibility for Medicare Subsidy participants and capturing current Medicare Part D medications as identified by the Center for Medicare and Medicaid Services ("CMS") on behalf of the GBP.
- C.8. Auditor shall review participant specific coverage on HMO's records compared to the coverage indicated on ERS' records. Verify that the claimant is a state or higher education employee, retiree or other qualified participant and was covered by HMO at the time the claim was incurred.

D. PayFlex Systems USA, Inc. Audit: Services required for the TexFlex audit shall include:

Each audit measure shall include an analysis of Vendor performance as compared to:

1. Contract standards;
2. Vendor internal standards;
3. Industry standards; and
4. Previous year audit results (if applicable).

Accuracy Audit

- D.1. **Audit Methodology:** Auditor shall select a random sample of 500 claims, including 300 Convenience Card claims and 200 traditionally submitted claims. The claims shall be tested from the ERS Fiscal Year population of claims processed from September 1 through December 31 which includes the run out period. The samples shall be stratified by health and dependent care claims, maintaining the proportion of the total number of health and dependent care claims filed.
- D.2. **Audit Test:** Each sampled record shall be tested as if the claim was being fully adjudicated, checking all procedures applied during the adjudication process for payment and procedural errors.
- Was claim submission legitimate and was all supporting expense documentation received?
 - Was the participant eligible for flexible benefit reimbursement on the date(s) of service?
 - Was the supporting claim submitted within the specified time as defined by the plan?
 - Were the expenses covered, billed and paid, and were expenses eligible health care and/or dependent care expenses?
 - Did the claim contain all required information and was it entered properly in the system?
 - Were benefits applied in accordance with plan requirements?
 - Were the correct transaction fees, if any, applied?
 - Were payments within annual participant election limits?
 - Did the correct participant receive payment?

- Was payment disbursed from the correct account?
- Were any adjustments to convenience card transaction expenses accurate?
- Was the claim paid only once?
- Was the claim paid in a timely manner?

Operational Audit

- D.3. During the operational review, a specific focus shall be placed on the following:
- D.3.a. Review of call center activity for courteous and consistent assistance;
- D.3.b. Review of fax receipt process to identify process points where faxes may be lost or be perceived to be lost by the participant; and
- D.3.c. Review process for sending letters to participants for qualifying procedures.
- D.4. The audit shall summarize areas of claims administration which, if changed or corrected, could result in cost savings to the GBP.
- D.5. Verify that PayFlex conducts background checks on their personnel.
- D.6. Verify Program fees are collected appropriately.
- D.7. Verify weekly invoices match cash transferred from ERS.
- D.8. Verify that IIAS information has been thoroughly programmed into the Vendor's adjudication system and that claims are being adjudicated accurately.
- D.9. Review PayFlex's most recent SAS 70 report (if applicable), or the organization's equivalent document.
- D.10. Verify and include in Final Report PayFlex's Fidelity and Liability bond coverage amounts.

- E. HumanaDental Insurance Company Audit: – (Administrator of Self-Funded Dental Program):** The services to be performed shall consist of a review of the dental claims payments and processing procedures used by HumanaDental. The services required for the HumanaDental Indemnity audit shall include but not be limited to:

Each audit measure shall include an analysis of Vendor performance as compared to:

1. Contract standards;
2. Vendor internal standards;
3. Industry standards; and
4. Previous year audit results (if applicable).

Accuracy Audit

- E.1. A representative random sample of 200 dental claims.
- E.1.a. **Audit Test:** Sample records shall be tested as if the claim was being fully adjudicated, checking all procedures applied during the adjudication process for payment and procedural errors.

- Was the paper submission an unaltered original? Did it contain all required information to process the claim?
- Was the claimant eligible for dental benefits on the date(s) of service?
- Was the claim submitted within the specified time as defined by the plan?
- Were managed care discounts, if applicable, and contractual provisions applied correctly?
- Were the procedures covered, billed and paid, and were procedures medically necessary and appropriate according to HumanaDental medical review?
- Were benefit coordination and subrogation accurately determined if the claimant had other coverage available?
- Did the correct claimant or assignee receive payment?
- Did the claim contain all required information and was it coded properly in the claim processing system?
- Were benefits applied in accordance with plan requirements?
- Were the mathematical computations and the application of copayments, out-of-pocket limits, and deductibles accurate?
- Were allowable charge limitations of the plan correctly applied?
- Was the claim paid only once?

E.1.b. The review shall also determine the appropriateness of refunds to the plan as a result of the audits of dental charges negotiated by HumanaDental.

Timeliness Audit

E.2. The Auditor shall supply an analysis of HumanaDental's compliance with the requirement to send ID Cards to all newly enrolled members, including dependents, as required by ERS.

Operational Audit

E.3. Auditor shall conduct a facility tour to observe technology and procedures applicable to standard industry practices.

E.4. Verify that an adequate system of program edits and claims processing procedures for dental benefits are in place to monitor and discover fraud and abuse.

E.5. An analysis of HumanaDental's administration of the complaint and appeal process, including the number of complaints which are referred for additional review; the number of those referred which result in additional payment; the percentage of these to the total number of grievances processed.

E.6. The audit shall summarize areas of claims administration which, if changed or corrected, could result in cost savings to the GBP.

E.7. Verify that HumanaDental conducts background checks on their personnel.

E.8. Review HumanaDental most recent SAS 70 report (if applicable), or the organization's equivalent document.

- F. Dental Health Maintenance Organization Audit:** The services to be performed shall consist of a review of the dental claims payments and processing procedures used by HumanaDental. The services required for the HumanaDental DHMO audit shall include but not be limited to:

Each audit measure shall include an analysis of Vendor performance as compared to:

1. Contract standards;
2. Vendor internal standards; and
3. Previous year audit results (if applicable).

Operational Audit

- F.1. The Auditor shall review process for distribution of capitation payments to providers. Test should include correct capitation amount assigned to the provider, checks are produced to match amount due on roster and that payments are made timely. Review 50 Primary Care Dentist (“PCD”) rosters and payments.
- F.2. Review process of paying supplemental compensation to the providers including required documentation used to support the payments. Review 25 supplemental payments along with documented support of each payment.
- F.3. Auditor shall review and confirm that adequate fraud detection processes are in place.
- F.4. Review total compensation paid to dentists in all forms and match payments to premium development. In accordance with their RFP Response, HumanaDental should retain only 13% of premiums for its administrative profit.
- F.5. Determine how many enrolled participants have not selected a PCD as of August 31.
- F.6. Review and comment on procedures to establish a PCD for each member.

VI. PBM Contract and Claims Audit for Fiscal Years 2009 - 2012

- A. General Information:** Every prescription drug claim paid during the specified audit period(s) shall be subject to electronic review and analysis. The specifics of the HealthSelect prescription drug plan design and PBM contract shall be incorporated into the audit and utilized to validate the adherence to the contract terms. Auditor shall have appropriate software to review a random sample of claims and 100% pharmacy rebates for the audit period for accuracy of pricing and processing procedures. Audit software shall have the ability to review claims and rebates individually to inspect specific contract pricing and also in aggregate to ensure contracted pricing guarantees.
- A.1. The drug pricing and discount analysis shall compare the ingredient cost per unit charged for the National Drug Code (“NDC”) adjudicated on the dispensing date with the Average Wholesale Price (“AWP”) obtained from the Medi-Span Drug Data File in effect on that date. Any differences in price basis and discount level shall be noted and detailed on a per claim basis. This pricing shall be compared to the original claims and each difference shall be documented.

- B. Caremark Rx, L.L.C. - Prescription Drug Program Contract and Claims Audit:**
The services required for the Caremark audit shall include:

Each audit measure shall include an analysis of Vendor performance as compared to:

1. Contract standards;
2. Vendor internal standards;
3. Industry standards; and
4. Previous year audit results (if applicable).

Accuracy Audit

- B.1. Auditor shall select a random sample of 400 claims to be tested from the population of retail and mail order claims processed during the ERS Fiscal Year. In addition, Auditor shall also test approximately 30 claims with the highest dollar amount paid during the ERS Fiscal Year. The claims shall be tested for financial, payment, and procedural accuracy.
- B.2. Auditor shall verify that payment reimbursed to the retail pharmacies is the same amount as shown in the claim record. Auditor shall review a sub-sample of 25 of the 400 randomly selected claims to verify payments.
- B.3. The Auditor shall review a sample of 25 claims to verify that the participant’s mail order copayment was the amount shown on the claim record and was correctly applied to the participant’s account.

B.4. **Audit Methodology:** Auditor of the PBM shall test a random sample of claims and thoroughly review all claim documentation for payment and processing accuracy. The following elements shall be tested for each claim:

- Legitimacy of submission;
- Verification of eligibility;
- Correct application of benefit provisions;
- Deductible;
- Copayment;
- Member pays the difference when a brand drug is dispensed when a generic is available;
- Retail maintenance fee;
- Member cost sharing does not exceed the U&C price of the drug;
- Confirm that MAC at mail pricing was correctly applied;
- Identify duplicate claims;
- Identify scripts filled too early;
- Dispensing accuracy;
- Drug is covered under the plan;
- Days' supply/quantity limitations were correctly applied;
- Prior authorization, if required, was obtained;
- Disbursement to correct party or appropriate denial;
- Disbursement from correct account;
- Timeliness of processing;
- Confirm that the drug was priced in accordance with the terms of the PBM contract in effect as of the Audit period; and
- Identify potential cases of fraud:
 - Controlled substances.
 - Multiple physicians and multiple pharmacies for the same drug.
 - Other tests recommended by the auditor.

B.5. **Audit Test:** Each sampled claim shall be reviewed against all supporting documentation for payment and processing accuracy. The following elements shall be tested for each claim:

- A paper script is provided for all mail order claims. Verify that the information on the paper script matches the information in the system;
- The claimant is eligible for benefits on the date(s) of service;
- The correct claimant or assignee received payment;
- Benefits were applied in accordance with plan requirements;
- Claims were accurately priced using the appropriate AWP, MAC, or U&C pricing in effect at the time of processing;
- The mathematical computations, discounts, application of copayments, and professional fees are accurate; and
- The mail order response time met contractual provisions.

Operational Audit

B.6. Verify that Caremark's payments to its retail pharmacies is identical to what ERS reimburses to Caremark via the weekly invoices, and that Caremark seeks reimbursement from ERS in the manner required by the Contract. Verify that retail pharmacies have been paid prior to Caremark seeking reimbursement from ERS.

- B.7. The audit shall summarize areas of claims administration which, if changed or corrected, could result in cost savings to the GBP.
- B.8. Verify that an adequate system of program edits and claims processing procedures are in place to monitor and discover fraud and abuse.
- B.9. Verify that Caremark conducts background checks on their personnel.
- B.10. Verify that appropriate training procedures are used by Caremark to ensure that recently hired personnel are appropriately trained in claims processing and customer service.
- B.11. Auditor shall test and verify the processing methods for identifying eligibility for Medicare Subsidy participants and capturing current Medicare Part D medications as identified by CMS on behalf of the PDP.
- B.12. Review Caremark's most recent SAS 70 report (if applicable), or the organization's equivalent document.
- B.13. Verify and include in Final Report Caremark's Fidelity and Liability bond coverage amount.
- B.14. The Auditor shall review Caremark's weekly claims invoices to verify the accuracy and appropriateness of claims payments. The Auditor shall compare monthly paid claim amounts with total monthly billed amounts from the invoices.
- B.15. Auditor shall review PBM's procedures to audit individual pharmacies. Verify that the Caremark audit of retail pharmacies does not use extrapolation when determining audit errors and any money overpaid to pharmacy is recovered and returned to ERS promptly. Verify that at least one (1) CVS Pharmacy was audited.
- B.16. **Rebate Audit Methodology:** Auditor of the PBM shall validate that 100% of all GBP Contract rebates have been applied accurately for payment and processing to ERS. The following elements shall be tested for but not be limited to each rebate:
- Verify that PBM has correctly reimbursed ERS for all manufacturer rebates received by the PBM on ERS claims associated with the drugs dispensed through the HealthSelect PDP;
 - Verify that the PBM's rebate adjudication process is in compliance with the PBM contract; and
 - Verify PBM contract adherence, and provide recommended corrective actions if required. This includes an audit of the rebate contracts between PBM and pharmaceutical companies.

Accuracy Audit

- B.17. The Auditor shall verify rebates were received by the PBM from the drug manufacturer on fifty (50) most frequently dispensed retail and mail order drugs. The validation will ensure all rebateable drugs dispensed through the HealthSelect PDP have been accounted for and paid to ERS.

VII. Audit Fee Proposals

A. GBP Audit

A.1. The Auditor shall quote a maximum fee for completion of each Project Segment as described in Article V of this RFP. All necessary travel, lodging, meals, and other out-of-pocket expenses shall be included in the maximum fixed fee as quoted below. The maximum fees shall include preparation and presentation of the Final Report.

A.1.a. The RFP and Contract shall be construed in a manner that promotes and ensures the most effective and efficient service for the GBP participants, ERS and the state of Texas. The cost of the requirements described in Article V shall be recovered only by making provision for such cost in the proposed fees, and such fees must be reasonable and fair.

A.1.b Auditor shall identify the total number of audit hours anticipated to complete each specific audit scope, in the space provided below.

	FY2009	FY2010	FY2011	FY2012
A.2. Health TPA Audit	\$	\$	\$	\$
Audit Hours Required				
A.3. Disability Audit	\$	\$	\$	\$
Audit Hours Required				
A.4. HMO Audit	\$	\$	\$	\$
Audit Hours Required				
A.5. Flex Spending Audit	\$	\$	\$	\$
Audit Hours Required				
A.6. Dental PPO Audit	-----	\$	-----	\$
Audit Hours Required				
A.7. DHMO	-----	\$	-----	\$
Audit Hours Required				
Combined Total for all GBP Audit Expenses:	\$	\$	\$	\$

ERS reserves the right to select none, one or any combination of segments for each annual audit.

B. PBM Contract and Claims Audit

B.1. The Auditor shall quote a fixed maximum fee for completion of the PBM Contract and Claims Audit as described in Article VI. of this RFP. All necessary travel, lodging, meals, and other out-of-pocket expenses shall be included in the maximum fee as quoted below. The maximum fixed fees shall include all cost associated with the preparation and presentation of the Final Report.

B.2. The Auditor may also provide an alternative contingent fee quote for completion of the PBM Contract and Claims Audit. The contingent fee will be based on a percentage of amounts **recovered** on claims and pharmacy rebates inaccurately reflected by the PBM relative to the terms and conditions of the contract between the PBM and ERS. The proposed contingency quote shall individually itemize those proposed recoveries for FY 2009 attributable to claims and pharmacy rebates, respectively. This quote shall include all necessary travel, lodging, meals, and other out-of-pocket expenses. The contingent fee shall also include all cost associated with the preparation and presentation of the Final Report.

B.3. The RFP and Contractual Agreement shall be construed in a manner that promotes and ensures the most effective and efficient service for the GBP participants, ERS and the state of Texas. The cost of the requirements described in Article VI. shall be recovered only by making provision for such cost in the proposed fees, and such fees must be reasonable and fair.

B.4. Combined Total for All PBM Audit expenses:

	FY2009	FY2010	FY2011	FY2012
PBM Contract and Claims Audit	\$	\$	\$	\$
Audit Hours Required				
Total PBM Audit Expenses:	\$	\$	\$	\$

B.5. Contingent fee proposed for the PBM Contract and Claims Audit for FY 2009 - 2012 (All Inclusive) = Claims: _____% - Rebates: _____% of amounts recovered.

VIII. Auditor Organizational Information

A. Provide the following information regarding the Organization responding to this RFP:

A.1. Auditor's full legal name, physical/email address(es), and telephone/facsimile numbers.

Full legal name:
Physical address:
Email address:
Telephone number:
Facsimile number:



A.2. Identify the Auditor's type of incorporation:

Publicly owned Privately owned
 For Profit Not-for-Profit / Non-Profit

A.3. In which State was the Auditor's incorporation or formation? 

A.4. Is the Auditor required to maintain any other license(s)? If so, describe and confirm the validity of any valid license(s).

A.5. Has the Auditor ever had its certificate of authority or license to conduct business in Texas revoked? Yes No

If yes, explain.

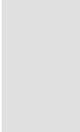
A.6. Provide the date that auditing services were first provided by Auditor. 

A.7. Provide the name, title, mailing/email address(es), telephone/facsimile number(s) and biographical summary for *the person authorized to execute this proposal* and any subsequent contract which may be awarded. **This person shall be a company vice president or higher level in authority.**

Name:
Title:
Mailing address:
Email address:
Telephone number:
Facsimile number:



A.8. Provide the name(s), title(s), mailing/email address(es), and telephone/facsimile number(s) and biographical summary for *the individual(s)* responsible for the preparation of all materials contained in Auditor’s proposal (other than the *Price Proposal*).

Name: 
Title:
Mailing address: 
Email address:
Telephone number:
Facsimile number:

A.9. Provide the firm/attorney names, title, mailing/email address(es), and telephone/facsimile number(s) and biographical summary for the person who shall serve as the *Auditor’s Legal Counsel* and/or all such information as it relates to any outside law firm retained by the Auditor for purposes of the Auditor’s RFP response or Contract performance.

Firm name: 
Attorney name:
Title:
Mailing address: 
Email address:
Telephone number:
Facsimile number:

A.10. Provide the name, title, mailing/email address(es), and telephone/facsimile number(s) and biographical summary for the person who shall serve as the *Auditor Account Management Team Lead*.

Name: 
Title:
Mailing address: 
Email address:
Telephone number:
Facsimile number:

A.11. Provide the name, title, mailing/email address(es), and telephone/facsimile number(s) and biographical summary for the person who shall serve as the *Auditor Account Implementation Team Lead*.

Name: 
Title:
Mailing address: 
Email address:
Telephone number:
Facsimile number:

A.12. Provide the name, title, mailing/email address(es), and telephone/facsimile number(s) and biographical summary for the *individual* responsible for preparation of the *Auditor Fee Proposals* submitted in Article VII.

Name: [Redacted]
Title: [Redacted]
Mailing address: [Redacted]
Email address: [Redacted]
Telephone number: [Redacted]
Facsimile number: [Redacted]

A.13. Provide the name, title, mailing/email address(es), and telephone/facsimile number(s) and biographical summary for the *Auditor's Account Liaison*.

Name: [Redacted]
Title: [Redacted]
Mailing address: [Redacted]
Email address: [Redacted]
Telephone number: [Redacted]
Facsimile number: [Redacted]

A.14. Provide the name(s), title(s), and corporate affiliation to the Auditor's firm of *ALL officers and ALL directors or principals, as applicable*. List each in the following format:

Name: [Redacted]
Title: [Redacted]
Corporate affiliation: [Redacted]

A.15. Does the Auditor propose to utilize subcontractors in the performance, delivery and provision of services and products requested hereunder? Yes No

If yes, provide the information requested in A.14. for each subcontractor and specify what services may be performed by each subcontractor.

A.16. If applicable, provide the information below for each subcontractor and specify what services may be performed by each subcontractor. List each in the following format:

Name: [Redacted]
Mailing address: [Redacted]
Email address: [Redacted]
Telephone number: [Redacted]
Facsimile number: [Redacted]
Services performed: [Redacted]

A.17. Confirm Auditor's understanding, acknowledgement and agreement that Auditor shall be fully liable and responsible for the performance, of any subcontractor that Auditor utilizes to perform any of the services, coverages, etc. required under the RFP and Contractual Agreement. Confirm

A.18. Provide a company-wide organizational chart reflecting employee name(s) and title(s) for the Auditor and any subcontractor(s) (if applicable) to be utilized in support of this Contract. Chart should also identify those positions open but not yet filled.

Auditor organizational chart:
Subcontractor organizational chart:

A.19. Describe the staff (including numbers of full-time equivalent employees) that the Auditor and any subcontractor shall utilize to perform, deliver and provide the services, coverages, benefits, equipment, supplies and products requested herein.

Auditor staff description:
Subcontractor staff description:

A.20. How many of these employees are located in Texas? Describe the functions these employees perform.

Number of Auditor staff in Texas:
Description of Auditor staff functions:
If applicable, number of Subcontractor staff in Texas:
If applicable, description of Subcontractor staff functions:

A.21. Provide a list of individuals who shall comprise the Auditor's proposed Account Service team and submit brief resumes, as applicable, for each team member.

A.22. Provide a list of individuals who shall comprise the Auditor's proposed Implementation Team and submit brief resumes, as applicable, for each team member.

A.23. Provide brief resume(s) identifying key personnel for the Auditor's subcontractor who shall be responsible for any administrative and/or managerial functions of the Contract which shall include a listing of the Auditor-related duties and length of time contracted with the Auditor.

Subcontractor personnel resumes:

A.24. Confirm that ALL relevant personnel's licensure(s), including subcontractors if applicable, shall be validated and current throughout the entire term of the Contract.
 Confirm

A.25. Provide the name, mailing/email addresses, telephone/facsimile numbers and contact person for the professional associations to which Auditor belongs.

Name:
Mailing address:
Email address:
Telephone number:
Facsimile number:
Contact person:



A.26. Auditor shall identify five (5) major employers or organizations of similar Program size for which the Auditor currently provides auditing services. For these five (5) employers or organizations, Auditor shall provide the company name, the Auditor's primary contact, title, and telephone and facsimile numbers of representatives who are familiar with the auditing services Auditor provides for the programs previously identified? How many lives are covered in each audit? Indicate the types of audit services provided to each client.

Note: Auditor's response to this request officially authorizes ERS to contact these organizations or any other entity to discuss the services which Auditor has provided and authorizes the employers to provide such information to ERS, and shall release and hold harmless ERS and the employer of any and all liability whatsoever, in connection with providing and receiving all such information. **Auditor may not provide sponsoring, or parent organizations, subsidiaries, or subcontractors as references.**

Company name:
Account primary contact: 
Title:
Telephone number:
Facsimile number:
Type of audit:

A.27. What are the names of five (5) benefit programs for which the Auditor currently provides claims audits of PBM services? What is the name, title, and telephone number of representatives who are familiar with such services provided by the Auditor? How many lives are covered in each audit?

Note: Auditor's response to this request officially authorizes ERS to contact these employees to discuss the services which Auditor has provided and authorizes the employers to provide such information to ERS, and shall release and hold harmless ERS and the employer of any and all liability whatsoever, in connection with providing and receiving all such information. **Auditor may not provide sponsoring, or parent organizations, subsidiaries, or subcontractors as references.**

A.27.a. What are the names of at least one (1) benefit program for which the Auditor currently provides rebate audits from manufacturer through PBM services? What is the date of the audit and dollar value? How many lives are covered in each audit?

Note: Auditor's response to this request officially authorizes ERS to contact these employees to discuss the services which Auditor has provided and authorizes the employers to provide such information to ERS, and shall release and hold harmless ERS and the employer of any and all liability whatsoever, in connection with providing and receiving all such information. **Auditor may not provide sponsoring, or parent organizations, subsidiaries, or subcontractors as references.**

A.28. Provide the names of **ANY** organizations that have **non-renewed** the Auditor's services, other than because of mergers and acquisitions, within the last five (5) years. What is the name, title and telephone number of the representative of the entity who is familiar with the services and other consideration the Auditor provides? Indicate the types of audit services that were provided to each client.

Note: The Auditor's response to this request officially authorizes ERS to contact these employers to discuss the services and other considerations which the Auditor has provided for its employees and dependents, and authorizes the organizations or any other entities to provide such information to ERS, and shall release and hold harmless ERS and the employers of any and all liability whatsoever, in connection with providing and receiving all such information. **Auditor may not provide sponsoring, or parent organizations, subsidiaries, or subcontractors as references.**

Company name: 
Account primary contact: 
Title: 
Telephone number: 
Facsimile number: 
Type of relationship:

A.29. Provide the names of **ANY** organizations that have **terminated** the Auditor's services, other than because of mergers and acquisitions, within the last five (5) years. What is the name, title and telephone number of the representative of the entity who is familiar with the services and other consideration the Auditor provides? Indicate the types of audit services that were provided to each client.

Note: The Auditor's response to this request officially authorizes ERS to contact these employers to discuss the services and other considerations which the Auditor has provided for its employees and dependents, and authorizes the organizations or any other entities to provide such information to ERS, and shall release and hold harmless ERS and the employee of any and all liability whatsoever, in connection with providing and receiving all such information. **Auditor may not provide sponsoring, or parent organizations, subsidiaries, or subcontractors as references.**

Company name: 
Account primary contact: 
Title: 
Telephone number: 
Facsimile number: 
Type of relationship:

B. Legal Disclosure Requirements

- B.1. Describe any litigation, regulatory proceedings, investigations, and/or inquiries completed, pending or threatened against the Auditor and/or any of its related affiliates, officers, directors or parent companies subcontractors and any individuals identified by Auditor who will be performing any services and providing coverages required under the RFP and Contractual Agreement during the **past ten (10) years** from date of proposal submission. Identify the case number, date filed, full style of each suit, proceeding or investigation including county and state, regulatory body and/or federal district, and provide a brief summary of the matters in dispute, current status and resolution if any. **Auditor shall not refer ERS to any third party websites or other sources in order for ERS to obtain this information. Auditor must address each aspect of the above paragraph in its Response to this question.**

Case Number:

Date filed :

County and State:

Regulatory Body:

Brief summary:

Current status:

Resolution:

- B.2. Provide a schedule and describe in detail previous contract implementation breakdowns, performance assessments, and/or contract breaches for the **past ten (10) years** (if any) by the Auditor, and discuss all measures the Auditor took to rectify the situation or remedy the breach. Please separate by governmental and non-governmental clients indicating the reason for the assessment in the amount paid. **List in most recent chronological order.**

Governmental:

Non-governmental:

Action taken to resolve issue:

Assessment amount paid:

- B.3. Confirm that neither Auditor nor any of its affiliates subsidiaries, employees, principals, directors, or officers, nor, to its knowledge, Auditor's agents, assigns, representatives, independent contractors, and/or subcontractors, who are involved, either directly or indirectly, in Auditor's performance of the Contract, are or may, in the time such parties become involved, be the subjects of any inquiry, investigation, or prosecution by any state or federal regulatory or law enforcement authority, including but not limited to such actions by the U.S. Department of Justice or the offices of any states' attorney general, the U.S. Department of Labor, Department of Health & Human Services, or any self regulatory organization with oversight authorizing over Auditor or such parties concerning any violation of state and federal statutes, rules, regulations, or other laws.

- B.3.a. Describe any investigations, proceedings or disciplinary actions by any state regulatory agency, states' attorney general or any other law enforcement or applicable oversight body against the Auditor and/or any of its related affiliates, officers, directors and any person or subcontractor performing any part of the services or providing any of the coverages, supplies in connection with the Contract during the **past five (5) years**. Identify the full style of each disciplinary action, proceeding or investigation including county and state, regulatory body and/or federal district, and

provide a brief summary of the matters in dispute, current status and resolution, if any. **Auditor shall not refer ERS to any third party websites or other sources in order for ERS to obtain this information. Auditor must address each aspect of the above paragraph in its Response to this question.**

Case Number: [REDACTED]
Date filed : [REDACTED]
County and State: [REDACTED]
Regulatory Body: [REDACTED]
Brief summary: [REDACTED]
Current status: [REDACTED]
Resolution: [REDACTED]

- B.4. Describe any pending agreements, negotiations, and/or offers to merge or sell your organization. This should include any joint ventures or other financial arrangements regarding a pending change in ownership of Auditor's organization that could affect the services described in Auditor's proposal or affect your organization's financial ability to meet its obligations under a contract with ERS.
- B.4.a. Disclose any obligation or arrangement to purchase another firm that would involve substantial commitment of assets or capital.
- B.4.b. If applicable, outline the anticipated timelines for the actions reflected in Auditor's responses to items B.4. and B.4.a.
- B.4.c. Confirm that the Auditor shall notify ERS' Executive Director immediately upon reaching any form of binding agreement in connection with any merger, acquisition or reorganization of the Auditor's management as permitted by applicable law.
 Confirm
- B.5. Confirm that the Auditor shall notify the Director of Benefit Contracts with any anticipated changes to the ERS' Account Management and/or Implementation Team(s) structure and Auditor's Senior Officers. Confirm
- B.6. Does the Auditor sell or report any data from its clients, either specifically or in aggregate, to any organizations? Yes No
- B.6.a. If yes, disclose these arrangements and information shared, in detail. [REDACTED]
- B.7. Provide a copy of the Auditor's fidelity and liability declarations page reflecting the required coverage limits as specified in the Contractual Agreement. [REDACTED]
- B.8. Describe the various types of insurance coverage and indemnification provided to protect clients, including for each insurance type; risks covered, carriers, levels, limits, and deductibles. [REDACTED]
- B.9. Describe the errors and omissions coverage to be provided by the Auditor. [REDACTED]
- B.10. Should ERS award a contract to the Auditor for both the GBP and the PBM Audits, would Auditor's Price Proposal change? Yes No
- If yes, by what amount? [REDACTED]

C. Data and Information Services

C.1. Provide the name, title, mailing/email address(es), and telephone/facsimile number(s) and biographical summary for the *Auditor's Privacy Officer*.

Name: [Redacted]
Title: [Redacted]
Mailing address: [Redacted]
Email address: [Redacted]
Telephone number: [Redacted]
Facsimile number: [Redacted]

C.1.a. Is the Auditor currently in compliance with all HIPAA requirements? Yes No

C.1.b. Please provide a brief description of any HIPAA violations alleged against the Auditor.

C.1.c. Confirm that the Auditor can provide the ability to transmit HIPAA-related data from and to its site via secured direct transmission line or other federally approved means of data transmission. Confirm

C.2. Confirm the Auditor's ability to accept data via SFTP. Confirm

C.3. Provide the name, title, mailing/email address(es), and telephone/facsimile number(s) and biographical summary for the *Security Compliance Officer*.

Name: [Redacted]
Title: [Redacted]
Mailing address: [Redacted]
Email address: [Redacted]
Telephone number: [Redacted]
Facsimile number: [Redacted]

C.4. Confirm that the Auditor can provide the ability to transmit encrypted data from and to its site via secured direct transmission line or other federally approved means of data transmission. Confirm

C.5. Confirm that the Auditor is currently in compliance with requirements of the Privacy Act of 1974, Computer Matching and Privacy Protection Act of 1988, Texas Business and Commerce Code Chapter 48: Unauthorized Use of Identifying Information or the information security standards as specified in Texas Administrative Code § 202.20 – 202.25 & § 202.27. Confirm

C.6. Provide a brief description of any violations alleged against the Auditor on the Privacy Act of 1974, Computer Matching and Privacy Protection Act of 1988, Texas Business and Commerce Code Chapter 48: Unauthorized Use of Identifying Information or the information security standards as specified in Texas Administrative Code § 202.20 – 202.25 & § 202.27.

C.7. Provide the name, title, mailing/email address(es), and telephone/facsimile number(s) and biographical summary for the *Auditor's Technical Consultant* ("TC") contact for SFTP file management and system service concerns.

Name: [REDACTED]
Title: [REDACTED]
Mailing address: [REDACTED]
Email address: [REDACTED]
Telephone number: [REDACTED]
Facsimile number: [REDACTED]

C.8. Related to Auditor's administrative and customer service support functions, what are the Auditor's contingency plans and procedures for providing back-up service in the event of strike, natural disaster, act of God, backlog, or other events that might interrupt, delay or shut-down service?

C.9. Provide a copy of the Auditor's disaster recovery plan and/or business resumption plan including the results of the Auditor's most recent test of the plan.

D. Financial Reporting Requirements

D.1. Auditor shall provide copies of the Auditor's 2007 and 2008 audited financial statement.

D.2. For each year contracted, the Auditor shall submit a copy of its annual audited financial statement, by the last business day of June, beginning June 30, 2010. Affirm that the Auditor will provide financial statements as required.

D.3. Is Auditor's company a subsidiary or affiliate of another company? Yes No

If yes, provide full disclosure of all direct or indirect ownership and include an organization chart depicting the parent company, other companies owned by the parent company, and any subsidiary relationships.

D.4. Does the Auditor have a sponsoring or parent company? Yes No

D.4.a. Does the Auditor have any understandings, legal relationships or financial agreements with any other entity? Yes No

D.4.b. If yes, state the name and address of any sponsoring or parent organization, others who provide financial support to the Auditor and please describe.

Full Legal Name:
Mailing Address:
Type of Support:
Type of Relationship:

D.4.c. Provide an indication of the type of support, i.e., guarantees, letters of credit, etc., if applicable.

D.4.d. Provide the maximum limits of additional financial support from other entities or persons, if applicable.

- D.4.e. Provide a copy of the sponsoring or parent organization's most current audited financial statement, if applicable.
- D.5. Provide a copy of the Auditor's current SAS 70, Level 2, report, if applicable.
- D.5.a. Provide a copy of the Auditor's sponsoring or parent company current SAS 70, Level 2, report, if applicable.
- D.6. Auditor shall confirm compliance with the Sarbanes-Oxley Act of 2002, if applicable.

IX. Deviations

ERS shall interpret any lack of deviation as the Auditor's full agreement to the provisions of the Contractual Agreement(s) and RFP requirements unless specifically noted. ERS shall interpret the Auditor responses to match the specifications herein except for deviations specifically noted and described in response to this item. Deviations will not become a part of the final Contract unless expressly agreed to by ERS in writing and accepted by the Board. In all cases, the RFP and all Contractual Agreement terms shall control. In the event of any conflict between the two, the terms of the Contractual Agreement(s) shall prevail.

- A.1. Affirm that the Auditor shall comply with all of the ***Instructions*** described in **Article I** of this RFP.
 Affirm Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the Auditor proposal and these specifications.
Auditor Requested Deviation Detail:

- A.2. Affirm that the Auditor shall comply with all of the ***Audit Guidelines*** described in **Article IV** of this RFP.
 Affirm Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the Auditor proposal and these specifications.
Auditor Requested Deviation Detail:

- A.3. Affirm that the Auditor shall comply with all of the ***GBP Health & Welfare Audit Requirements*** described in **Article V** of this RFP.
 Affirm Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the Auditor proposal and these specifications.
Auditor Requested Deviation Detail:

- A.4. Affirm that the Auditor shall comply with all of the ***PBM Contract and Claims Audit Requirements*** described in **Article VI** of this RFP.
 Affirm Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the Auditor proposal and these specifications.
Auditor Requested Deviation Detail:

- A.5. Affirm that the Auditor shall comply with all of the ***Audit Fee Proposal Requirements*** described in **Article VII**, and bound to the rates the Auditor provides in response to the Rate Proposal Section of this RFP.
 Affirm Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the Auditor proposal and these specifications.
Auditor Requested Deviation Detail:

- A.6. Affirm that the Auditor shall comply with all of the *Auditor Organizational Information* described in **Article VIII** of this RFP.
 Affirm Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the Auditor proposal and these specifications.

Auditor Requested Deviation Detail:

- A.7. Affirm that the Auditor shall comply with all of the *Interrogatories* described in **Article X** of this RFP.
 Affirm Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each deviation between the Auditor proposal and these specifications.

Auditor Requested Deviation Detail:

- A.8. While deviations to the Contractual Agreement are strongly discouraged, clearly identify any provisions found in the Contractual Agreement, referenced as Appendix B, to which Auditor is unable to agree. ERS is seeking an Auditor that will agree to, and comply with, all provisions of the Contractual Agreement. ERS shall presume Auditor's agreement to the Contractual Agreement except for items specifically noted and described in response to this confirmation. In any event, ERS shall not be required to accept any deviations to the Contractual Agreement or to the terms of this RFP. Any such deviations must be specifically agreed to in writing by ERS before they shall form a part of the final agreement between ERS and the chosen Auditor.

- A.8.a. Affirm that the Auditor shall comply with all of the provisions in the *Contractual Agreement* provided in Appendix B of this RFP.
 Affirm Affirm with the proposed Deviation.

If applicable, enumerate and provide a detailed description of each Contractual Agreement deviation.

Auditor Requested Deviation Detail:

- A.9. Affirm that the Auditor shall comply with all of the provisions provided in *Appendix D, Data Security and Breach Notification* of this RFP.
 Affirm Affirm with the proposed Deviation

If applicable, enumerate and provide a detailed description of each Appendix D, Data Security and Breach Notification deviation.

Auditor Requested Deviation Detail:

X. Interrogatories

Instructions: In order for an Auditor’s proposal to be considered and accepted, the Auditor shall provide true and correct answers to all of the questions presented in this article. Each question shall be answered thoroughly, in detail, and preceded by the question to which the response pertains. References **shall not** be made to a prior response, or to another document, unless the question involved specifically provides such an option. To ensure that the Auditor has a complete understanding of all ERS requirements with respect to the GBP, **carefully read the earlier articles of this RFP, the attached Contract provisions and BAA** before responding to any of the following questions. For purposes of the Contract and the RFP, “Auditor” necessarily includes the Auditor, its officers, directors, employees, representatives, agents, subsidiaries, affiliates and any subcontractors and independent contractors.

Answers to the questions included in this article should be detailed enough to satisfactorily explain Auditor’s position on each particular topic. It is the Auditor’s responsibility to respond to these questions in such a way that ERS has a full and complete understanding of its intent. **It is important that the Auditor carefully define any key words or phrases used in answering these questions.** Auditor’s proposal shall use the terms defined in the Contract and BAA and the RFP only as they are so defined. Certain questions contained herein may require individualized responses to distinguish more than one scope area.

In addition, provide individualized responses to any other questions for which Auditor believes such responses are necessary in order to fully disclose differences in processes or procedures which may exist between the auditing of the TPA and the PBM. Each response shall be thorough and preceded by the question to which the response pertains.

A. General Information

- A.1. Describe any contractual relationships with affiliates and current ERS Vendors that could present a conflict of interest with the Auditor’s role as auditor for the TPA or the PBM Vendor(s).
- A.2. Based on similar audits performed, Auditor shall identify any additional Contract terms and/or conditions Auditor would recommend for inclusion in upcoming Contractual Agreements and/or RFP’s between the TPA and the PBM Vendor(s).
- A.3. Describe the methodology used to identify various types of errors required in this RFP.

B. Administration and Auditing Personnel

- B.1. How does the Auditor propose to administer auditing services to the TPA and the PBM? Include responses to the following:
 - B.1.a. Are all administrative services performed internally? Yes No
 - B.1.b. Where is the administrative facility located?
 - B.1.c. List the administrative services performed at this location.

- B.1.d. How does Auditor verify the legitimacy of submitted claims?
- B.1.e. If Auditor contracts with a management or service company for some or all of Auditor administrative services, what is the name of the company, the services provided, and the method of reimbursement?

Name of Company:
 Services provided:
 Reimbursement Method:

- B.2. If any individuals employed by the Auditor have also been employed by the named TPA Vendor, the named PBM Vendor, third party administrators, HMOs, ERS or other state agency or higher education institutions at any time during the two years preceding the RFP proposal closing date, state the name of the individual, the nature of the previous employment, the date of termination of employment, and the annual rate of compensation at the time of termination.

Name of Individual:
 Nature of Previous Employment:
 Date of Termination:
 Annual Rate of Compensation:

- B.3. Describe Auditor's most effective means to detect fraud, abuse and other improprieties. How is Auditor qualified to perform this task and how does Auditor undertake such a service?
- B.4. How many PBM transparent contract audits has Auditor performed?
- B.4.a. Describe the methods used during this audit and the general outcome reflected in audit report.

C. Systems and Technology

- C.1. Does Auditor warrant and represent that it has a disaster recovery plan in effect for its computer systems and equipment and that of any subcontractor upon whom Auditor relies in performing or providing any services or products to or on behalf of ERS?
 Yes No

If yes, describe generally your disaster recovery plan and the date and results of the most recent test of the plan.

- C.2. Provide the names and a description of the hardware and software systems that the Auditor is currently using.
- C.3. For each system, provide the following information:
 - C.3.a. When was this system implemented?
 - C.3.b. When was the system last updated?
 - C.3.c. Is there a future update being considered?
 - C.3.d. If so, when is the update anticipated?

- C.4. What quality assurance processes are provided in the Auditor's system to ensure accuracy in the application of the audit methodology?
- C.5. What data fields will Auditor require from ERS to set up Auditor's system(s) to prepare for the audit?
- C.6. Data interfaces:
 - C.6.a. What is Auditor's standard interface protocol?
 - C.6.b. What flexibility does Auditor have with Auditor's standard approach?
 - C.6.c. Are Auditor's data files compatible with 834 format?
- C.7. What measures does Auditor take to ensure the security of interfaces Auditor is sending/receiving to/from external sources (whether ERS or a 3rd party)?
- C.8. Please list and describe all security breaches Auditor's organization has experienced, including but not limited to, loss of equipment that contained client information, loss of files, and unauthorized access to your networks.
 - C.8.a. What investments has Auditor made over the past three (3) years in the technology to mitigate security breaches?
- C.9. Is your system capable of supporting a User ID other than Social Security Number ("SSN")? Yes No
 - C.9.a. If Auditor's system can support a User ID other than SSN, can User ID be alphanumeric? Yes No
 - C.9.b. What are Auditor's minimum and maximum User ID lengths?
- C.10. Briefly describe Auditor's back-up procedures for the system(s) to be used in the services proposed to ERS.

Information Security

- C.11. How does the Auditor manage physical security of data center? (Who gets access, which hours?)
- C.12. What technology is in place to manage network and server security?
- C.13. How does the Auditor control access to ERS sensitive data?
- C.14. How does the Auditor secure backup tapes? Who has access to them? (onsite and offsite)
- C.15. How is the Auditor's application security managed and how is client data secured?
- C.16. Does Auditor have a formal information security program in place? Yes No

- C.16.a. If yes: Does Auditor have dedicated resources for information security efforts?
 Yes No
- C.16.b. Does Auditor have formal information security policies, procedures and standards?
 Yes No
- C.16.c. Are employees required to periodically confirm their compliance with Auditor's information security policies? Yes No
- C.16.d. Does Auditor have a user awareness campaign related to information security?
 Yes No
- C.16.e. How does Auditor monitor compliance?
- C.17. Are Auditor's desktop and laptop computers encrypted to protect data in case of theft or lost? Yes No
- C.18. How does Auditor protect the privacy of employees contacted through the audit?

XI. Appendices

- A. Signature Pages
- B. Contractual Agreement
- C. Business Associate Agreement
- D. Data Security and Breach Notification
- E. Performance Assessments

