Cecile E. Young, Executive Commissioner

Request for Offers (RFO)
for
Vendor Drug Program (VDP) Pharmacy Benefit Services (PBS) Modernization (VPM)
HHS0005345

Date of Release: Thursday, December 17, 2020
Responses Due: Thursday, February 18, 2020 by 10:30 a.m. Central Time

NIGP Codes:
915-20 Call Center Services
948-43 Health Information Services
948-48 Health Care Services (Not Otherwise Classified)
948-72 Pharmaceutical Services
948-07 Administrative Services, Health
961-16 Claims Processing Services
963-42 Incentives, Rebates and Refunds

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1.1 EXECUTIVE SUMMARY

The State of Texas, by and through the Health and Human Services Commission (HHSC), seeks a qualified Contractor to provide a Vendor Drug Program (VDP) Pharmacy Benefit Services (PBS) Modernization (VPM) Solution (the "Contractor VPM Solution") in accordance with the Scope of Work (SOW) and other specifications and terms and conditions contained in this Solicitation. HHSC business and technical functions to be provided by the Contractor VPM Solution include pharmacy claims processing and rebate administration, Managed Care Organizations (MCOs) encounter data processing, Preferred Drug List (PDL) management, formulary management, Drug Utilization Review (DUR), call center management, and Prior Authorization (PA) management.

The Contractor VPM Solution refers to the Contractor's combined business and technology managed services approach for addressing the SOW requirements and any other specifications, terms, or conditions contained in this Solicitation. As part of the Contractor's VPM Solution, the Contractor must provide all Services to the State of Texas pursuant to the terms in this SOW.

The SOW includes extensive performance standards and technical requirements that the Contractor System must meet, as well as HHSC's right to monitor the Contractor's performance, including multiple user read-only capability and assessing the Contractor System and related documentation for contract management, audit, reporting, and enforcement purposes. The SOW in **Article II - Scope of Work, Article VII - Cost Proposal,** and all Attachments and Exhibits set forth herein will become part of any Contract awarded under this Solicitation.

Contractors are further advised that this Solicitation does not anticipate or include time or funding for a software Design, Development, and Implementation (DDI) phase. The Contract timelines assume minimal time and effort for implementation of the Contractor System and establishing full operational readiness of the Contractor VPM Solution. All risk for cost overruns and additional development efforts discovered after Contract Award shall be borne exclusively by the Contractor and may be grounds for termination for cause. As this Solicitation involves the pharmaceutical benefits for HHSC's Medicaid, Children's Health Insurance Program (CHIP), Children with Special Health Care Needs (CSHCN), Kidney Health Care (KHC), and Healthy Texas Women (HTW) populations, Contractors are advised that some VDP components of the Services involve potential impact to human life, for example, timely access to life-saving medications.

The Contract resulting from this Solicitation must be between HHSC and **one (1)** Contractor who will be responsible and accountable for providing all Services. Therefore, a Solicitation Response that proposes a joint venture of **two (2)** or more Contractors, a joint response from more than **one (1)** Respondent, or any other similar group arrangement will be disqualified. A Contractor may team with multiple firms to provide the requested Services under a prime Contractor-Subcontractor arrangement.

In accordance with **Section 1.7, Solution Infrastructure** of this Solicitation, the Contractor System component of the Contractor VPM Solution will be provided in one of following ways: (1) Option 1, as a Software as a Service (SaaS) solution as defined by the National Institute of Standards and Technology (NIST), or (2) Option 2, as a Custom/Hosted Solution operated and maintained through the Texas Data Center Services (DCS) program managed by the Texas Department of Information Resources (DIR) as required by Texas Government Code, Title 10, Subtitle B, Chapter 2054, Section 2054.391.

If a Respondent submits a Proposal for more than **one (1)** option, HHSC may elect to disqualify all Proposals from the Respondent as nonresponsive to the requests of this Solicitation or may randomly select **one (1)** Proposal from the Respondents' multiple submissions for consideration. The Proposal submission requirements are described more fully in **Article V –Business/Technical Proposal** and **Article VII – Cost Proposal** of this Solicitation. See also **Attachment F – Data Center Services Requirements**.

To be considered for Award, Respondents must execute **Exhibit A – HHSC Solicitation Affirmations** and federal assurances and certifications **Exhibit B – HHSC Federal Assurances Non-Construction** and **Exhibit C – HHSC Certification Regarding Lobbying** of this Solicitation and provide all other required information and documentation as set forth in this Solicitation.

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

1.2 DEFINITIONS

Refer to **Exhibit D - HHS Uniform Terms and Conditions (Vendor)**, and **Attachment C – VPM Acronyms and Glossary** for additional definitions.

Additionally, as used in this Solicitation, unless the context clearly indicates otherwise, the following terms and conditions have the meanings assigned below:

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

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

"Health and Human Services Commission" or "HHSC" has the same meaning as the definition in **Exhibit D - HHS Uniform Terms and Conditions (Vendor)**

"HUB" has the same meaning as the definition in **Exhibit D - HHS Uniform Terms and Conditions (Vendor)**.

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

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

"Request for Offer" or "RFO" means this Solicitation including any Exhibits, Attachments and Addenda, if any.

"Respondent" means the entity responding to this Solicitation.

"Software as a Service" or "SaaS" means the solution provided to HHSC to use the provider's applications running on a cloud infrastructure, as further defined by the National Institute of Standards and Technology (NIST). The applications are accessible from various HHSC devices through either a thin Client interface, such as a web browser (e.g., web-based email), or a program interface. HHSC does not manage or control the underlying cloud infrastructure including network, Servers, operating systems, storage, or even individual application capabilities, with the possible exception of limited user-specific application configuration settings.

"Solicitation" has the same meaning as the definition in **Exhibit D - HHSC Uniform Terms and Conditions (Vendor)**.

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

"System Agency" has the same meaning as the definition in **Exhibit D - HHSC Uniform Terms and Conditions (Vendor)**.

1.3 AUTHORITY

HHSC is soliciting the Services listed herein under Title 10, Subtitle D, Chapter 2155, Section 2155.144 of the Texas Government Code and Title 10, Subtitle D, Chapter 2157 of the Texas Government Code. See also **Attachment F – Data Center Services Requirement**, for authority and infrastructure requirements related to the State's Data Center Services.

1.4 MISSION STATEMENT

The mission of HHSC, in general, is to administer all HHSC programs in Texas using the highest standards of service, transparency, and accountability for the effective use of funds. HHSC seeks to accomplish this by fostering the spirit of innovation while providing the leadership and direction needed to achieve efficient and effective delivery of Services to the State of Texas.

1.5 VENDOR DRUG PROGRAM BACKGROUND

Congress established the Medical Assistance Program, Medicaid under Title XIX of the Social Security Act of 1965 to pay medical bills for low-income persons who have no other way to pay for care. On September 1, 1971, Texas implemented the optional

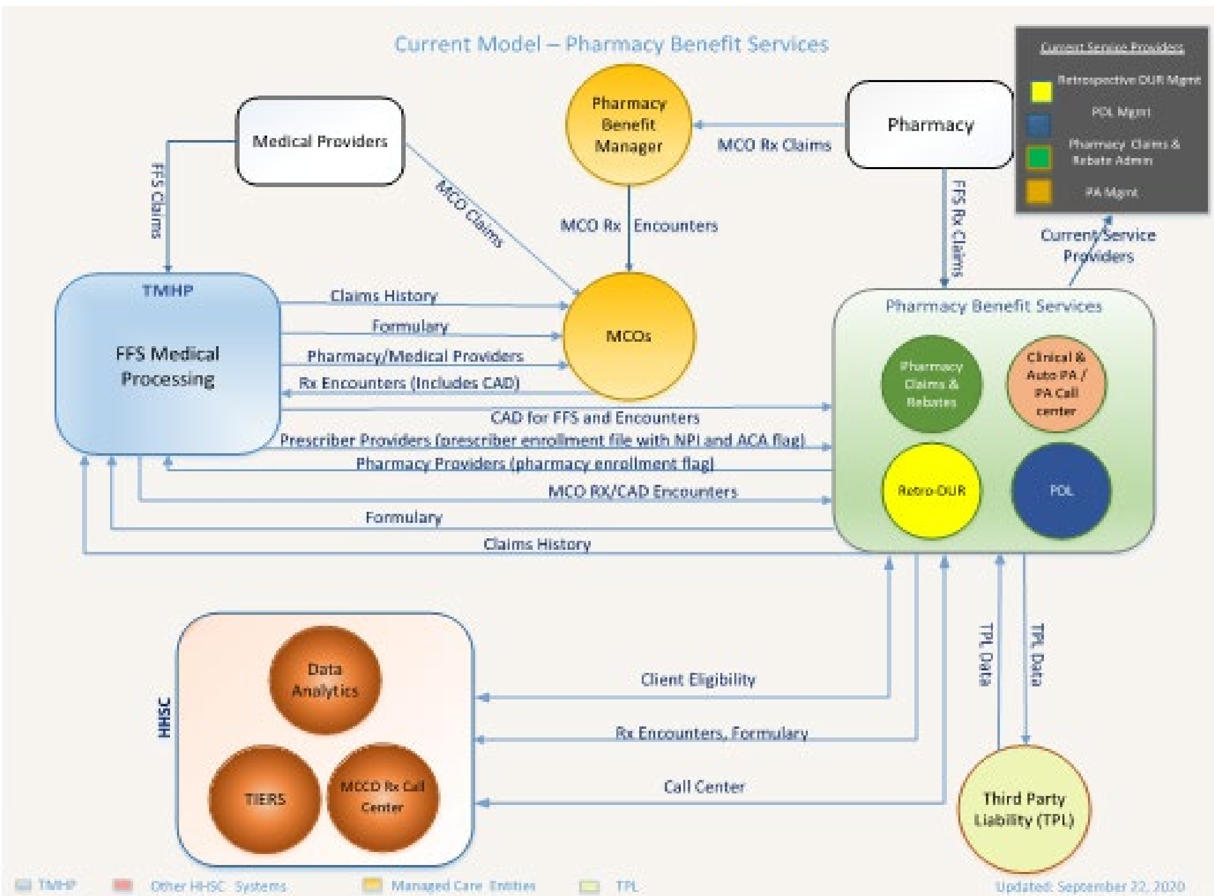
Medicaid drug benefit as the VDP. For additional information, see documents titled **VDP Drug Program Background** in the **Procurement Library**.

1.6 HHSC MODERNIZATION INITIATIVE

1.6.1 Current State

The VDP PBS are currently being provided by **four (4)** independent service providers and HHSC staff. The Pharmacy Provider call center is currently managed by HHSC staff.

The diagram below provides a high-level visual depiction of the current model of the VDP PBS for Texas Medicaid Management Information System (TMMIS).



A summary of the VDP business and technical functions performed by current service providers follows:

1. **Pharmacy Claims and Rebate Administration**

   The service provider provides:

a. Online, real-time fee-for-service (FFS) pharmacy claims processing;
b. Drug rebate administration, including invoicing and reconciliation of federal drug rebates, State supplemental rebates and value-based agreements;
c. FFS pharmacy and medical clinician administered claims and drug encounter data;
d. Managed care pharmacy and medical clinician administered claims and drug encounter data; and
e. Software to support related business and technical functions.

2. **Formulary Management and Preferred Drug List Management**

   The service provider manages the Texas Drug Code Index (TDCI) for the following programs:

   a. Medicaid;
   b. CHIP;
   c. CSHCN;
   d. HTW; and
   e. KHC.

   Each formulary includes legend and over-the-counter drugs, vitamins and minerals, and home-health supplies. Drugs on the Medicaid formulary are subject to one or both types of Prior Authorizations (PAs): clinical and non-preferred.

   The service provider provides preferred drug list (PDL) services, which include negotiating rebates and agreements with drug manufacturers on behalf of HHSC. The service provider provides information quarterly to the Drug Utilization Review (DUR) board on the clinical efficacy, safety, and cost-effectiveness of drug products to support HHSC and the DUR board with the development and maintenance of the PDL.

3. **Retrospective Drug Utilization Review and DUR Board Support Management**

   The service provider performs retrospective clinical reviews of claims and managed care encounter data for both FFS and MCOs. The service provider also issues intervention letters to Prescribers, whose FFS Clients appear to be receiving pharmaceutical care outside of recommended prescribing norms, to help ensure Prescribers are delivering appropriate prescription pharmaceutical drugs to FFS Clients.

   The service provider provides necessary services to perform tasks and activities to assist HHSC in managing the processes of the quarterly DUR board meetings held in Austin, Texas. The quarterly DUR board support services include, but are not limited to, the following:

a. Providing quarterly DUR board presentation materials (e.g. clinical information, utilization, and financial data) for HHSC approval;
b. Attending, in-person, all quarterly and off-cycle DUR board meetings and presenting therapeutic drug information for PDL classes, PA criteria proposals, and Retro-DUR intervention proposals that are under consideration by the DUR board or required by HHSC;
c. Attending, in-person, all new DUR board member's orientation meetings; and
d. Providing any additional information as requested during the quarterly and off-cycle DUR board meetings.

4. **Prospective Drug Utilization Review/Prior Authorization**

The service provider provides prospective outpatient prescription DUR services, which are categorized as PA services for VDP. VDP PA services include, but are not limited to, the following:

a. Managing a PA call center;
b. Evaluating and processing manual and automated PA requests submitted through the PA call center and from the FFS pharmacy point-of-sale (POS) system, for drugs that are non-preferred or have been selected for clinical PAs;
c. Providing PA management services, which include clinical support to help VDP staff develop new and modify existing PA criteria, including assessment of projected therapeutic benefits, impact to Clients, and cost savings;
d. Implementing the PDL, including rebate analysis; and
e. PDL reporting and other HHSC required PDL services.

1.6.2 Future State

For the future model of the VDP PBS, **one (1)** Contractor shall administer and modernize all aspects of the VDP described in this Solicitation by providing a flexible, integrated, and clinical evidence-based approach to manage drug utilization. In addition, the Contractor VPM Solution infrastructure will be provided by either (1) as a SaaS (Option 1- SaaS) or (2) as a Custom/Hosted Solution through the Texas DCS program managed by DIR (Option 2 – Custom/Hosted Solution) as defined by **Section 1.7, Solution Infrastructure**.

1.7 SOLUTION INFRASTRUCTURE

Respondents are permitted to submit a proposal for either Option 1 (SaaS) or Option 2 (Custom/Hosted Solution). If a Respondent submits a proposal for more than **one (1)** option, HHSC may elect to disqualify all Proposals from the Respondent as nonresponsive to the requests of this Solicitation or may randomly select **one (1)** proposal from the Respondents' multiple submissions for consideration. Multiple proposals from a single

Respondent will not be considered. If a Respondent does not accurately identify the solution's infrastructure, the Respondent's proposal will be disqualified.

Respondent must fully review this section to ensure it is appropriately identifying the infrastructure of its proposed solution as Option 1 (SaaS) or Option 2 (Custom/Hosted Solution) which requires the use of DCS as described in **Attachment F – Data Center Services Requirements.**

ARTICLE II. SCOPE OF WORK

2.1 DESCRIPTION OF SERVICES/STATEMENT OF WORK/SPECIFICATIONS

The Contractor must take a collaborative, innovative, cooperative, flexible, and customer-oriented approach to the Contractor VPM Solution and must work with HHSC as necessary, to achieve successful outcomes in completing the requirements under this SOW. Using the Contractor VPM Solution, which will interface with the TMMIS, the Contractor will provide a complete and comprehensive view of pharmaceutical use and cost for the population served by VDP to meet its program goals of better health, better care, and lower costs through improvement of business operations and technical functions. Subject to the terms and conditions set forth in this SOW and **Exhibit D - HHSC Uniform Terms and Conditions (Vendor)**, the Contractor may utilize **one (1)** or more Subcontractors to meet all requirements within the SOW.

The Contractor must provide a comprehensive Contractor VPM Solution, comprising both business functions and the Contractor System components, including federal drug rebates, State supplemental rebates and value-based agreements, and Services for all covered outpatient drugs administered for FFS and managed care Clients. VDP provides statewide access to covered outpatient drugs for individuals enrolled in the following VDP programs: Medicaid, CHIP, CSHCN, HTW, and KHC. The Contractor's primary objectives under this SOW include, but are not limited to the following:

1. Provide a Contractor VPM Solution under the Contract for the following business functions to minimize VDP administrative costs and reduce benefit expenditures without negatively impacting Clients:

    a. Perform online, real-time FFS POS pharmacy claims processing.

    b. Perform encounter data processing for managed care pharmacy and medical clinician administered drug encounter data.

    c. Perform drug rebate administration, including invoicing and reconciliation of federal drug rebates, State supplemental rebates and value-based agreements, and provide software to support related business and technical functions, and processes rebates for the following:

        i. FFS pharmacy and medical clinician administered claims and drug encounter data; and

ii. Managed care pharmacy and medical clinician administered claims and drug encounter data.

d. Manage the TDCI for the following VDP programs:

i. Medicaid;
ii. CHIP;
iii. CSHCN;
iv. HTW; and
v. KHC.

e. Provide PDL services, which include, but are not limited to, the following:

i. Negotiate rebates and agreements with drug manufacturers on behalf of HHSC; and
ii. Provide information quarterly to the DUR board on the clinical efficacy, safety, and cost-effectiveness of drug products to support HHSC and the DUR board with the development and maintenance of the PDL.

f. Perform retrospective clinical reviews of claims and managed care encounter data for both FFS and MCOs, including issuing intervention letters to Prescribers, whose FFS Clients appear to be receiving pharmaceutical care outside of recommended prescribing norms, to help ensure that Prescribers are delivering appropriate prescription pharmaceutical drugs to FFS Clients.

g. Provide prospective outpatient prescription DUR services, which are categorized as PA services for VDP. VDP PA services include, but are not limited to, the following:

i. Evaluating and processing manual and automated PA requests submitted through the PA call center and from the FFS pharmacy POS system, for drugs that are non-preferred or have been selected for clinical PAs;
ii. Providing PA management services, which include clinical support to help VDP staff develop new and modify existing PA criteria, including assessment of projected therapeutic benefits, impact to Clients, and cost savings;
iii. Implementing the PDL, including rebate analysis; and
iv. PDL reporting and other HHSC required PDL services.

h. Provide services necessary to perform tasks and activities to assist HHSC in managing the processes of the quarterly DUR board meetings to be held in Austin, TX. The DUR board support services include, but are not limited to, the following:

i. Providing quarterly DUR board presentation materials (e.g. clinical information, utilization, and financial data) for HHSC approval;
ii. Attending, in-person, all quarterly and off-cycle DUR board meetings and

present therapeutic drug information for PDL classes, PA criteria proposals, and Retro-DUR intervention proposals that are under consideration by the DUR board or required by HHSC;

iii. Attending, in-person, all new DUR board member's orientation meetings, and
iv. Providing any additional information as requested during the quarterly or off-cycle DUR board meetings.

i. Manage call centers for the following functions:

   i. Pharmacy claims call center;
   ii. PA call center; and
   iii. Technical call center.

2. Provide HHSC with data to support analytic activities and decision making for VDP oversight and administration.

HHSC may, at any time throughout the Contract Term, commence modernization activities that could result in HHSC decoupling or replacing business functions or functionality within the Contractor VPM Solution with updated business and technology components. The Contractor must work with HHSC through the approved change management process to update, integrate, and implement the transition of any business or technology components at the request of HHSC.

HHSC, at its sole discretion, reserves the option to request early Contract termination, to separate or disengage functionality, or to remove business functions from the Contractor, if it is in the best interest of HHSC. The Contractor will commence turnover activities for any in-scope functionality at the request of HHSC.

2.2 CONTRACT AWARD, TERM, AND HISTORICAL USAGE

2.2.1 Contract Award and Execution

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

If, for any reason, a final Contract cannot be executed with a Respondent selected for Award within **forty (40)** calendar days of HHSC's determination to seek to contract with that Respondent, HHSC may negotiate a Contract with the next highest scoring Respondent or may withdraw, modify, or partially award this Solicitation.

2.2.2 Contract Term

HHSC anticipates the initial duration of any Contract resulting from this Solicitation shall be for a period of **five (5)** years (Base Contract Term), beginning on the date of the Effective Date. HHSC, at its sole option, may renew the Contract up to **three (3)**, additional **one (1)** year terms. Renewal is contingent upon the availability of funds and the satisfactory performance of the Contractor during the prior Contract period.

Following the Base Contract Term and any allowable extensions, HHSC may extend any resulting Contract for not more than **one (1)** additional option period to address immediate operational or service delivery needs. If the resulting Contract does not include a defined option period, the extension is limited to **one (1)** year.

Table – 1 Contract Term below provides anticipated start and end dates for each Contract period, assuming an Effective Date of April 1, 2022, and including the **three (3)**, additional **one (1)** year terms making the overall Contract Term for **eight (8)** years.

Table 1 - Contract Term

Phase / Milestone	**Duration (Calendar)**	**Anticipated Start Date**	**Anticipated End Date**
Base Contract Term	**Five (5)** years	April 1st 2022	March 31st, 2027
Transition Phase	**Estimated twelve (12)** Months	April 1st 2022	March 31st, 2023
Operations Phase	**Four (4)** years	April 1st, 2023	March 31st, 2027
Optional Contract Extension #1	**One (1)** Year	April 1st, 2027	March 31st, 2028
Optional Contract Extension #2	**One (1)** Year	April 1st, 2028	March 31st, 2029
Optional Contract Extension #3	**One (1)** Year	April 1st, 2029	March 31st, 2030
Turnover Phase	Commences **nine (9)** to **twelve (12)** months prior to the end of the Contract Term. Alternatively, upon HHSC's request for Contract termination, turnover must be completed as directed by HHSC.		
*Note: All dates, including and after the Transition Phase date, are estimated and dependent upon when Transition is completed and accepted by HHSC.			

2.2.3 Historical Utilization and Contract Amount

HHSC currently contracts with **four (4)** vendors to provide pharmacy benefits services at an estimated total cost of **SIXTEEN MILLION FOUR HUNDRED THOUSAND And 00/100 DOLLARS ($16,400,000.00)** annually. HHSC's goal in procuring these Services through a single contract is to realize significant savings. The final Contract amount will be negotiated with the successful Respondent.

2.3 Data Use Agreement

By entering into a Contract with HHSC as a result of this Solicitation, Respondent agrees to be bound by the terms of the Data Use Agreement (DUA) attached as **Exhibit F1 - HHSC Data Use Agreement (DUA)**, and **Exhibit F2 – HHSC Security and Privacy Inquiry (SPI)**.

2.4 No Guarantee of Volume, Usage, or Compensation

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

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

2.5 Government Entities

The selected Respondent shall be bound to specific terms and conditions found in **Exhibit D - HHSC Uniform Terms and Conditions (Vendor).** However, to the extent Respondent is a governmental entity, responding to this Solicitation in its capacity as a governmental entity, certain terms and conditions may not be applicable. Furthermore, to the extent permitted by law, if a Solicitation response is received from a governmental entity, HHSC reserves the right to enter into an interagency or interlocal agreement with the governmental entity in lieu of awarding a Contract as a result of this Solicitation.

2.6 Compliance with Applicable Laws and Policies

2.6.1 General

It is the Contractor's obligation to perform the Services in compliance with all applicable State and federal laws, rules, and regulations (and related regulations promulgated thereunder), including but not limited to, regulations identified in **Exhibit J - Applicable State and Federal Laws**. In the event of changes to applicable laws, rules, and regulations, Contractor must make all changes necessary to the Contractor VPM Solution for the Services to remain compliant. All such changes, including changes to the Contractor System, shall be at Contractor's sole cost and made without negative impact to Contractor operations or performance of Services. In the event the Contractor determines that changes necessary to render the Contractor VPM Solution compliant with changes to applicable laws, rules, and regulations are infeasible for any reason, Contractor shall provide written notice of Contractor's potential future non-compliance to HHSC within **one (1)** Business Day of Contractor's determination of infeasibility.

2.6.2 Texas Specific Elements

In addition to federal laws, rules, and regulations for the VDP, the Contractor VPM Solution includes requirements in the SOW for Texas specific rules and policies including, but not limited to:

1. Electronic Certificate of Information (eCOI) – use of eCOI in general formulary management and automated eCOI functionality;
2. PDL – the use of Texas therapeutic classes in the development of the PDL and automation of PDL PA logic in automatic claims processing;
3. Prospective clinical PAs – the increased complexity and a high number of automated clinical PAs;
4. Rebates – eighteen (18) complex and different rebate programs;
5. National Drug Code (NDC) to Healthcare Common Procedure Coding System (HCPCS) crosswalk - maintain the NDC HCPCS crosswalk for clinician-administered drugs; and
6. External Trading Partners (data transfers) – higher number of external Trading Partners and frequency of data transfers in or out.

2.6.3 Process Guide

The VDP Process Guide is a collection of processes and procedures that document the activities VDP staff conduct daily to complement the current automated processes and services delivered by current service providers to fulfill the VDP's daily operations. The VDP Process Guide is organized by business subject areas and is included in the Procurement Library as a reference. In addition to operational business processes and procedures, the VDP Process Guide includes processes and procedures implemented by VDP to monitor the services delivery and performance of the current service providers. References to the VDP Process Guide in the SOW indicate that additional information regarding a process may be found in the VDP Process Guide. The VDP Process Guide will be maintained by VDP.

A new VPM Solution Process Guide to complement the VDP Process Guide will be provided by the Contractor to document daily operational processes and procedures for the Contractor's VPM Solution. The VPM Solution Process Guide will require revisions of and additions to the Contractor's processes and procedures to reflect the changes that occur in the VPM Solution throughout the Contract Term. The VPM Solution Process Guide will be maintained by the Contractor.

The VDP Process Guide and the VPM Solution Process Guide will represent VDP operations in its entirety, both by the Contractor and HHSC.

2.6.4 Domains and Subdomains

The table below contains the functional grouping (Domains and Subdomains) of Services the Contractor will provide under the awarded Contract. The functional groupings of Services are called Domains with the related subgroupings of Services called Subdomains.

The Domain and Subdomain acronyms used throughout the Contract are listed in **Table 2, - Domain and Subdomain Acronyms**.

Table 2 - Domain and Subdomain Acronyms

Domain and Subdomain Acronyms		
Domain	**Domain Acronym**	**Subdomain with Acronym**
Transition Services	TRA	
Project Management Office	PMO	Change Management (CGM) Performance Evaluation (PER) Contractor Key Personnel (KPL) Contractor Staff (CSF)
Pharmacy Operations	POP	Security (SEC) Oversight (OST) User Login (ULN) Audit (AUD) Clinical Pharmacy and Clinician Administered Drugs (CAD) Communication (COM) Customer Relationship Management (CRM) Fraud, Waste, and Abuse Investigations and Litigations (FWA) Data Governance Management (DGM) Reports (RPT)
Claims	CLM	Claims Processing (CLP) Managed Care Encounter Data (ENC) Prescriber (PSR) Pharmacy Provider (PPR)
Formulary	FRM	Electronic Certificate of Information (COI)
Drug Utilization Review	DUR	Retrospective DUR (RET) Prospective DUR (PRO) Prior Authorization (PRA) Preferred Drug List (PDL) Drug Utilization Review Board Support (DBS)
Rebates	REB	

Call Center	CCR	Pharmacy Call Center (PCC) Prior Authorization Call Center (PAC) Technical Call Center (TCC)
Financial Operations	FIN	
Technical Solution Services	TSS	VPM Solution Maintenance (SLM) Centers for Medicare and Medicaid Services (CMS) Medicaid Management Information System (MMIS) Certification and Medicaid Information Technical Architecture (MITA-CMS) Testing (TST)
Turnover Services	TUR	Plan (PLN)

2.7 PHASES

2.7.1 Phase I – Transition

After Contract execution, the Contractor must commence, in accordance with the SOW timeline in the Phase I, Transition activities, including transferring all VDP PBS operational services and data from the incumbent service providers and HHSC to the Contractor VPM Solution. The following Domains have requirements applicable to Phase I - Transition:

1. Transition Services Domain; and
2. Project Management Office Domain.

2.7.2 Phase II – Operations

The Operations Phase will not commence until after the Contractor's successful completion of the Transition Phase, and HHSC provides a written notice to Contractor to proceed with commencement of Phase II Operations.

The following Domains have requirements that are applicable to Phase II - Operations:

1. Project Management Office Domain;
2. Pharmacy Operations Domain;
3. Claims Domain;
4. Formulary Domain;
5. Drug Utilization Review Domain;
6. Rebates Domain;
7. Call Center Domain;

8. Financial Operations Domain; and
9. Technical Solution Services Domain.

2.7.3 Phase III – Turnover

The Turnover Phase will begin **nine (9)** to **twelve (12)** months prior to the end of the then-current Contract Term or on a date otherwise specified by HHSC's written request. The following Domains have requirements that are applicable to Phase III – Turnover:

1. Project Management Office Domain;
2. Pharmacy Operations Domain;
3. Claims Domain;
4. Formulary Domain;
5. Drug Utilization Review Domain;
6. Rebates Domain;
7. Call Center Domain;
8. Financial Domain;
9. Technical Solution Services Domain; and
10. Turnover Services Domain.

2.8 SOW Reference Guide

The purpose of this section is to provide guidance for navigating through the Solicitation requirements found in these **two (2)** attachments, **Attachment A - Deliverables,** and **Attachment B - Key Performance Measures and Liquidated Damages**.

References to **Attachment A - Deliverables** and **Attachment B - Key Performance Measures and Liquidated Damages** in the Domain requirements indicate that the Respondent can find additional information regarding KPMs and Deliverables descriptions associated with the Domain requirement.

Each Domain requirement has a unique REQ ID that is used to facilitate the tracking of requirements across multiple documents.

Examples of the REQ ID traceability between a Domain requirement, **Attachment A - Deliverables**, and **Attachment B - Key Performance Measures and Liquidated Damages** are shown below.

REQ ID in the SOW

POP-REQ-018	The Contractor must develop and submit to HHSC for approval all Operations Phase plans within HHSC-approved timeframes. Refer to **Attachment A, Deliverables (See Deliverable IDs: DEL-OPS-001 through DEL-OPS-021)** and **Attachment B, Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-007)**.

REQ ID in Attachment A – Deliverables

Deliverable ID	REQ ID	Deliverable Name	Description	Frequency/Due Date
DEL-OPS-001	POP-REQ-018	Annual Business Plan (ABP)	Includes a review and assessment of the previous year's services focusing on processes, procedures, documentation, and industry best practices and key measure performance. Includes a depiction of how to achieve goals for optimal financial and operational functions in conjunction with HHSC's required processes and procedures for the coming year. The ABP will be an interactive and flexible working document and will be revised with HHSC approval to reflect changes throughout the year as directed by HHSC.	Annually on September 1st.

REQ ID in Attachment B – Key Performance Measures and Liquidated Damages

KPM ID	REQ ID and Description	Key Measure Type	Measure	Liquidated Damage
KPM-001	**TRA-REQ-002 -** The Contractor must complete Transition Phase activities outlined in the HHSC-approved PWP no later than the Operations Start Date, unless otherwise specified.	Timeliness	The Contractor must provide documentation of all Transition Phase activities that have been completed and approved by HHSC.	HHSC will assess $50,000 per Business Day beyond the Operations Start Date for any Transition Phase activities preventing the Contractor VPM Solution from starting operations.

2.9 Key Performance Measures and Associated Remedies

HHSC has identified a number of Key Performance Measures (KPMs) for the Contract as set forth in **Attachment B - Key Performance Measures and Liquidated Damages**. HHSC will monitor the KPMs to ensure the Contractor is achieving the specified outcomes and requirements of the Contract.

In the event that any KPMs are not met, HHSC may elect to assess Liquidated Damages (LDs) set forth in **Attachment B - Key Performance Measures and Liquidated Damages**. Contractor acknowledges and agrees that the LDs described in **Attachment B - Key Performance Measures and Liquidated Damages** are not intended to be a penalty, but rather an approximation of damages to HHSC that would otherwise be difficult to quantify. HHSC's election not to assess LDs in one or more of the instances described in **Attachment B - Key Performance Measures and Liquidated Damages** will not waive HHSC's right to assess liquidated or actual damages, institute any other remedy available under the Contract, or act as acceptance of Contractor's performance. Nothing in this section shall be construed to require HHSC to assess any LDs remedies in lieu of other remedies available to HHSC at law, at equity, or under the Contract.

HHSC may obtain payment for LDs by offsetting such assessed amounts against payments otherwise due to Contractor hereunder. At HHSC's election, through written notice to Contractor advising of the assessed amounts hereunder, HHSC may demand payment from Contractor, in which case Contractor shall issue payment to HHSC in accordance with HHSC's written instructions and within **thirty (30)** calendar days of receipt of HHSC's notice. If HHSC issues such written notice, Contractor's failure to pay HHSC the amounts assessed is a material breach of the Contract

2.10 Transition (TRA) Domain

During the Phase I Transition, the primary objectives are for the Contractor to complete all necessary set-up and implementation activities to enable the Contractor to take over performance of Services, which are outlined in **Section 1.6.1, Current State,** from the incumbent service providers with no adverse impact on the performance of VDP operations. Transition activities occur between the Effective Date and the Operations Start Date.

Transition activities include, but are not limited to, the transfer, onboarding, and orientation of Contractor staff; timely completion of all Transition Phase Deliverables; configuration and implementation of the Contractor System; data migration and conversion; setup of the Contractor PMO, and implementation of HHSC VDP processes, procedures, and policies.

The Contractor, at a minimum, must provide the Services described in **Table 3 - Transition Requirements.**

Table 3 - Transition Requirements

REQ ID	Transition Requirements
TRA-REQ-001	The Contractor must implement in-flight Projects from the incumbent service providers in addition to all Contractor System functionality within the SOW in accordance with timeframes outlined in the Contractor's HHSC-approved Transition Plan (TRP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-007)** and the **Inflight Projects document in the Procurement Library.**
TRA-REQ-002	The Contractor must complete Transition Phase activities outlined in the HHSC-approved PWP no later than the Operations Start Date, unless otherwise specified. Refer to **Attachment A - Deliverables (See Deliverable ID DEL-TRA-007)** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-001).**
TRA-REQ-003	The Contractor must complete all data conversions and cutover activities from all incumbent service provider systems and TMMIS with **one hundred (100%) percent** accuracy and within timeframes outlined in the Contractor's HHSC-approved Data Conversion Plan (DCP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-002)**.
TRA-REQ-004	The Contractor must complete operational readiness activities with HHSC and Trading Partners in accordance with the Contractor's HHSC-approved Operational Readiness Review Plan (ORRP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-014)**.
TRA-REQ-005	The Contractor must transfer the management of the existing HHSC-owned PCC toll-free telephone line (1-800-435-4165) at least **two (2)** calendar days prior to Operations Start Date. Refer to **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-001)**
TRA-REQ-006	The Contractor must transfer the management of the existing HHSC-owned PAC toll-free telephone line (1-877-728-3927) at least **two (2)** calendar days prior to Operations Start Date. Refer to **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-001)**.
TRA-REQ-007	The Contractor must transfer the management of HHSC-owned TCC toll-free telephone line at least **two (2)** calendar days prior to Operations Start Date. Refer

	to **<u>Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-001)</u>**.
TRA-REQ-008	The Contractor must prepare and distribute HHSC-approved stakeholder and Trading Partner notices related to all transition activities in accordance with the Contractor's HHSC-approved TRP or as directed by HHSC. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TRA-007)</u>**.
TRA-REQ-009	The Contractor must submit to HHSC the Contractor's initial maintenance schedule no later than **one-hundred twenty (120)** calendar days prior to Operations Start Date in accordance with the Contractor's HHSC-approved System Maintenance Plan (SMP). Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TRA-022)</u>**
TRA-REQ-010	The Contractor must develop and submit for HHSC approval all documentation as outlined in the CMS Medicaid Enterprise Certification Toolkit (MECT) website and any other CMS required pre-deployment certification documentation, including but not limited to: a. Certification plan **<u>(Refer to Attachment A – Deliverables (See Deliverable ID DEL-TRA-023)</u>**; b. User Interface Style Guide **<u>(Refer to Attachment A – Deliverables (See Deliverable ID DEL-TRA-024)</u>**; and c. Certification crosswalk **<u>(Refer to Attachment A – Deliverables (See Deliverable ID DEL-TRA-025)</u>**.
TRA-REQ-011	The Contractor must complete all testing prior to implementation in accordance with the Contractor's HHSC-approved Test Management Plan (TMP). Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TRA-009)</u>**.
TRA-REQ-012	The Contractor must provide a demonstration of the functionality of the Contractor System components/modules, along with full end-to-end claim processing including Trading Partner testing, and provide all documentation, including, but not limited to, use cases, test cases, test data, scenarios used, and report results to HHSC for approval in accordance with the Contractor's HHSC-approved Operational Readiness Review Plan (ORRP). Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TRA-014)</u>**.
TRA-REQ-013	The Contractor must create and provide the MITA training materials to HHSC for review and approval **ninety (90)** calendar days prior to the Operations Start Date in accordance with the Contractor's HHSC-approved CMS and MITA Training Materials deliverable. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TRA-027)</u>**.

TRA-REQ-014	The Contractor must develop and submit to HHSC for approval all Transition Phase plans within HHSC-approved timeframes. Refer to **Attachment A – Deliverables (See Deliverable IDs: DEL-TRA-001 through DEL-TRA-023, and DEL-TRA-028)** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-002)**.
TRA-REQ-015	The Contractor must provide HHSC with a tool that traces applicable business requirements throughout the software development life cycle and to the MECT checklist criteria. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-023)**
TRA-REQ-016	The Contractor must produce all documents, including but not limited to, requirements, design, test, and implementation documents required by CMS during the Transition Phase in addition to the operational documentation required.
TRA-REQ-017	The Contractor must develop and submit for HHSC approval a process for enrolling a new Switch Company requesting access to the pharmacy claims processing system **ninety (90)** calendar days from Effective Date and maintain for the Contract Term.
TRA-REQ-018	The Contractor must develop and submit the processes and procedures for new or existing PA criteria at the Operations Start Date. Refer to the **VDP Process Guide in the Procurement Library**.
TRA-REQ-019	The Contractor must include version control as part of any document maintenance throughout the Contract Term.
TRA-REQ-020	The Contractor must develop and submit, for HHSC approval, a completed VPM Solution Process Guide no later than **ninety (90)** calendar days prior to the Operations Start Date. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-029)** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-031).**

2.11 PROJECT MANAGEMENT OFFICE (PMO) DOMAIN

2.11.1 General

The Contractor must establish a PMO appropriate for all Domains described in Phase I – Transition, Phase II – Operations, and Phase III – Turnover. The Contractor's PMO structure must enhance collaboration and delivery of all Services within the SOW. The Contractor's PMO must ensure that adequate plans are developed and executed, activities are monitored, and solutions are identified for escalated issues. The Contractor's submission of the same Deliverable that does not conform with HHSC-approved Acceptance Criteria **three (3)** or more times is a material breach of the Contract.

The Contractor must also provide the Services described in **Table 4 - Project Management Office Requirements**.

Table 4 - Project Management Office Requirements

REQ ID	Project Management Office Requirements
PMO-REQ-001	The Contractor PMO must be responsible for managing the tasks, Deliverables, risks, and issues throughout the Contract Term.
PMO-REQ-002	The Contractor must lead the development and documentation of project management and support processes for HHSC review and approval.
PMO-REQ-003	The Contractor must implement a project management methodology that follows the Project Management Institute's (PMI) Project Management Body of Knowledge (PMBOK® Guide) and other project management industry best-practices, as appropriate, and will be used as a tool to consistently plan, initiate, control, and implement all HHSC-approved Projects. The Contractor must: a. provide project manager(s) with demonstrated experience in the methodology; b. coordinate with HHSC to gain approval for use of the methodology prior to deployment; and c. coordinate and negotiate a target completion date with HHSC and other Trading Partners involved in delivery of the Project. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-003)**.
PMO-REQ-004	The Contractor must utilize the change management procedures to address any changes in scope, requirements, schedules, or cost with respect to ongoing Projects in accordance with the Contractor's HHSC-approved Change Management Plan (CMP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-011)**.
PMO-REQ-005	The Contractor must coordinate with HHSC and Trading Partners to determine business directions, review ongoing Projects, and improve project management.
PMO-REQ-006	The Contractor must coordinate the Contractor's project management process with the project management processes of HHSC and Trading Partners, including, but

REQ ID	Project Management Office Requirements
	not limited to, change management, configuration management, and IT Financial Management where the processes intersect.
PMO-REQ-007	The Contractor must facilitate Change Order Request (COR) review meetings with HHSC and Trading Partners as directed by HHSC.
PMO-REQ-008	The Contractor must develop, submit for HHSC approval, and perform Quality Assurance (QA) procedures to ensure that the Contractor VPM Solution complies with quality standards as outlined in the Contractor's HHSC-approved Quality Management Plan (QMP) for all Services. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-018** and **DEL-OPS-007)**.
PMO-REQ-009	The Contractor must provide HHSC, monthly or within **five (5)** Business Days of request, with a Deliverable status, including but not limited to, schedules, risks, issues, and mitigation for each status. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-003)**.
PMO-REQ-010	The Contractor must provide a dedicated project manager(s) as a single Point of Contact (POC) for Projects.
PMO-REQ-011	The Contractor must assist HHSC in planning, preparing, and implementing any transition or changes related to Services, resulting from a business addition, merger, or other reorganization by Contractor or HHSC (e.g. divestiture, acquisition, consolidation, and relocation).
PMO-REQ-012	The Contractor must submit all Deliverables to HHSC Contract Manager in the specified format by the Deliverable due date and provide notice that the Deliverable is available and accessible for review. Refer to **Attachment A – Deliverables (See Table 1 – Transition Phase Deliverables, Table 2 – Operations Phase Deliverables, Table 3 – Turnover Phase Deliverables,** and **Table 4 – Reports)**.
PMO-REQ-013	The Contractor must provide Deliverables that conform to HHSC-approved content and format. Refer to **Attachment A – Deliverables (See Table 1 – Transition Phase Deliverables, Table 2 – Operations Phase Deliverables, Table 3 – Turnover Phase Deliverables,** and **Table 4 – Reports)**.
PMO-REQ-014	The Contractor must correct any Deliverable(s) within **seven (7)** calendar days of receipt of notice of HHSC's rejection of the Deliverable.

2.11.2 Change Management (CGM) Subdomain

The Contractor's PMO is responsible for addressing all changes to the Contractor VPM Solution.

The Contractor, at a minimum, must provide the Services described in **Table 5 – Project Management Office Change Management Requirements**.

Table 5 - Project Management Office Change Management Requirements

REQ ID	Project Management Office Change Management Requirements
PMO-CGM-001	The Contractor must complete all system changes to the Contractor System as outlined in the Contractor's HHSC-approved CMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-008** and **DEL-OPS-011)**.
PMO-CGM-002	The Contractor must communicate HHSC-approved planned changes to the maintenance schedule to Pharmacy Providers, Prescribers, Trading Partners, and HHSC staff at least **ten (10)** Business Days in advance of implementing the change. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-022** and **DEL-OPS-014)**.
PMO-CGM-003	The Contractor must submit all requests for unscheduled Contractor System maintenance and considerations to waive the minimum **ten (10)** Business Day notification period to HHSC for approval. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-022** and **DEL-OPS-014)**.

2.11.3 Performance Evaluation (PER) Subdomain

The Contractor's PMO must provide information to measure how effectively the Contractor is achieving key business objectives.

The Contractor, at a minimum, must provide the Services described in **Table 6 - Project Management Office Performance Evaluation Requirements**.

Table 6 - Project Management Office Performance Evaluation Requirements

REQ ID	Project Management Office Performance Evaluation Requirements
PMO-PER-001	The Contractor must provide HHSC detailed supporting information, monthly, for each KPM and Deliverable report including: a. Supporting information allowing HHSC to reproduce the calculations made by Contractor to validate the results reported;

REQ ID	Project Management Office Performance Evaluation Requirements
	b. Supporting KPM/LDs information online and in real-time, as required by HHSC; and c. Ability for HHSC to review and audit all raw data collection associated with the Services. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-RPT-175)</u>**.
PMO-PER-002	The Contractor must create and maintain detailed procedure documentation of each KPM monthly in accordance with the VPM Solution Performance Report for HHSC approval ensuring the following: a. The procedure documentation must include QA reviews and verification procedures; b. The measurement process must be automated, and manual data collection steps must be clearly documented, verified, and auditable; and c. All changes must be documented and provided to HHSC for approval within HHSC-approved timeframes. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-RPT-175)</u>**.

2.11.4 Contractor Key Personnel (KPL) Subdomain

The Contractor shall provide dedicated Key Personnel for the Contract Term.

The Contractor, at a minimum, must provide the Services described in **Table 7 – Project Management Office Contractor Key Personnel Requirements**.

Table 7 – Project Management Office Contractor Key Personnel Requirements

REQ ID	Project Management Office Contractor Key Personnel Requirements
PMO-KPL-001	The Contractor must provide all Key Personnel and an organizational chart as outlined in the Contractor's HHSC-approved Staffing Plan (STP). Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TRA-005)</u>**.
PMO-KPL-002	The Contractor must provide HHSC with written notice prior to any changes in Key Personnel as soon as Contractor becomes aware of the need for a change during the Contract Term and any extension thereof.
PMO-KPL-003	The Contractor must receive HHSC's prior written approval before any reduction of the staffing levels or replacement of any Key Personnel identified

REQ ID	Project Management Office Contractor Key Personnel Requirements
	in HHSC-approved STP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TRA-005** and **DEL-OPS-005)**.
PMO-KPL-004	The Contractor must investigate the matters forming the basis for HHSC's request to remove Contractor Key Personnel and correct any deficient performance within **thirty (30)** calendar days of request.
PMO-KPL-005	The Contractor must remove and replace Key Personnel found deficient by HHSC and submit all replacement Key Personnel resumes within **ten (10)** Business Days of request for HHSC review and approval.
PMO-KPL-006	The Contractor must ensure the Key Personnel are **one hundred (100%) percent** allocated to the Contract.

2.11.5 Contractor Staff (CSF) Subdomain

The Contractor shall provide staff to deliver all Services related to the VPM Solution SOW for the Contract Term.

The Contractor, at a minimum, must provide the Services described in **Table 8 - Project Management Office Contractor Staff Requirements**.

Table 8 - Project Management Office Contractor Staff Requirements

REQ ID	Project Management Office Contractor Staff Requirements
PMO-CSF-001	The Contractor must assign qualified Contractor staff to perform the Services in accordance with this SOW. Contractor staff must possess competence, ability, and be educated and trained for the Services they are assigned to perform by the Contractor.
PMO-CSF-002	The Contractor staff must clearly identify themselves as Contractor staff and not as employees or representatives of HHSC, unless and solely to the extent specifically authorized in writing in advance by HHSC, including in all communications, whether oral, written, or electronic.
PMO-CSF-003	The Contractor and Contractor staff must not perform any unsolicited marketing to HHSC employees or Contractors, to users of the Contractor System, or at HHSC facilities.

2.12 PHARMACY OPERATIONS (POP) DOMAIN

2.12.1 General

The Contractor shall provide pharmacy operations necessary to support the operation and administration of HHSC VDP during Phase II – Operations and Phase III – Turnover.

The Contractor, at a minimum, must provide the Services described in **Table 9 – Pharmacy Operations Requirements**.

Table 9 – Pharmacy Operations Requirements

REQ ID	Pharmacy Operations Requirements
POP-REQ-001	The Contractor must develop, implement, and maintain an HHSC-approved automated performance management tool (dashboard) to collect, measure, and report on performance measures for all business and technical functions performed in the Contractor System.
POP-REQ-002	The Contractor must establish and manage an HHSC-approved program management tool that includes a time-keeping system, which tracks all Contractor personnel time for all Work performed under the Contract.
POP-REQ-003	The Contractor must ensure the Contractor System processes **one hundred (100%) percent** of inbound and outbound files within timeframes approved by HHSC. Refer to **Attachment G – Data Exchanges** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-003)**.
POP-REQ-004	The Contractor must ensure the Contractor System maintains a monthly **ninety-nine and nine hundred ninety-nine thousandths (99.999%) percent** uptime for all Contractor System components, except for Planned Downtime, as outlined in the Contractor's HHSC-approved Business Continuity and Contingency Plan (BCCP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-002)**.
POP-REQ-005	The Contractor must restore all Services in accordance with timeframes outlined in the Contractor's HHSC-approved BCCP in the event the Contractor System becomes unavailable. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-002)** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-005)**.
POP-REQ-006	The Contractor System must provide web-based interactive portals and: a. adhere to HHSC-approved accessibility and security, as outlined

REQ ID	Pharmacy Operations Requirements
	at https://hhs.texas.gov/policies-practices-privacy; b. adhere to HHSC-approved branding, as outlined in the HHS Brand Guide located in the **VPM Procurement Helpful Links in the Procurement Library**; c. write in plain language and follow person-first principles; d. comply with HHSC-approved version of Web Content Accessibility Guidelines (WCAG) for accessibility standards: https://www.access-board.gov/guidelines-and-standards/communications-and-it/about-the-ict-refresh/final-rule/text-of-the-standards-and-guidelines; e. support multiple current web browsers (browser agnostic); f. use administrative tools to identify usage/analytics and broken links; and g. include a test environment for usability testing. Refer to **Attachment L - VDP Communication Guide**
POP-REQ-007	The Contractor must provide all technical support (i.e. virtual and on-site) to users of the Contractor System (i.e. CRM, performance management or reporting tool, etc.) during the hours of **7:00 a.m.** to **7:00 p.m.** Central Time, Monday through Friday, or as directed by HHSC (i.e. hours may increase during legislative sessions without additional charge to HHSC).
POP-REQ-008	The Contractor must identify and propose automated replacement of current or future manual processes for HHSC review and consideration to assist HHSC's ongoing modernization and efficiency efforts.
POP-REQ-009	The Contractor must provide and maintain the VPM Solution Process Guide throughout the Contract Term and submit the updated VPM Solution Process Guide to HHSC for approval within **ten (10**) Business Days following the month in which the changes occur. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-031)**.
POP-REQ-010	The Contractor must comply with HHSC records management policy and Retention Schedule(s), as specified in the applicable HHSC Retention Schedule, as it may be amended from time to time. Refer to **Attachment D –Retention Schedule**.
POP-REQ-011	The Contractor must provide HHSC-approved tele-conferencing tools (i.e. web-based conferencing and toll-free line access) for conducting VDP activities (i.e. meetings, training, etc.).

REQ ID	Pharmacy Operations Requirements
POP-REQ-012	The Contractor must provide, at no cost to HHSC, orientation and ongoing training for all Pharmacy Providers, Prescribers, and HHSC staff, in accordance with the Contractor's HHSC-approved Training Plan (TGP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-012)**.
POP-REQ-013	The Contractor must document meeting minutes as outlined in the Contractor's HHSC-approved Communication Plan (COMP) and submit to HHSC for approval within **five (5)** calendar days of the meeting or as directed by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-013)**.
POP-REQ-014	The Contractor must provide responses to all HHSC requests (i.e. High-Level Estimates (HLE), CORs, etc.) within HHSC-approved timeframes. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-011)**.
POP-REQ-015	The Contractor must coordinate, schedule, facilitate, prepare, and distribute all materials for meetings identified in the VDP Communication Guide at least **five (5)** Business Days prior to each regularly scheduled meeting. Refer to **Attachment L - VDP Communication Guide.**
POP-REQ-016	The Contractor must update and provide the MITA training materials to HHSC for review and approval at the Operations Start Date and annually thereafter. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-033)**.
POP-REQ-017	The Contractor must submit post-meeting materials (e.g. agendas, minutes, action items, etc.) to HHSC for approval and maintain in accordance with the VDP Communication Guide. Refer to **Attachment L - VDP Communication Guide**.
POP-REQ-018	The Contractor must develop and submit to HHSC for approval all Operations Phase plans within HHSC-approved timeframes. Refer to **Attachment A – Deliverables (See Deliverable IDs: DEL-OPS-001 through DEL-OPS-021)** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-006)**.
POP-REQ-019	The Contractor must staff all call centers from **7:30 a.m.** to **6:30 p.m.** Central Time, Monday through Friday **("Call Center Hours")** excluding HHSC-approved holidays, unless otherwise approved by HHSC.
POP-REQ-020	The Contractor must ensure the Contractor System processes **one hundred (100%) percent** of both inbound and outbound files accurately. Refer to **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-004)**.

2.12.2 Security (SEC) Subdomain

The Contractor shall provide Services for security management to reduce the risk of unauthorized information disclosure, modification, and destruction.

The Contractor, at a minimum, must provide the Services described in **Table 10 - Pharmacy Operations Security Requirements.**

Table 10 - Pharmacy Operations Security Requirements

REQ ID	Pharmacy Operations Security Requirements
POP-SEC-001	The Contractor must comply with all applicable State and federal laws, rules, and guidelines regarding data security, including, but not limited to, HHSC's information security policies, standards, and controls. Refer to **Attachment E – HHSC Security Controls,** **Exhibit F1 – HHSC Data Use Agreement (DUA),** and **Exhibit F2 – HHSC Security and Privacy Inquiry (SPI).**
POP-SEC-002	The Contractor must integrate security protocols and safeguards prior to implementation or deployment of any changes to the Contractor VPM Solution. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-011)**.
POP-SEC-003	The Contractor must coordinate security management across all Contractor business and technical functions of the Contractor VPM Solution including, but not limited to, the following: a. Participate and collaborate with HHSC in evaluation and risk assessment for impact to security vulnerabilities of HHSC-approved Contractor System Software and third-party software and to: i. provide updates and security patches in accordance with the Contractor's HHSC-approved SMP; and ii. remediate moderate to critical issues of the security evaluation and assessment, as approved by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-014)**. b. Perform security audits, provide incident investigation support, including reports, and initiate corrective actions to minimize and prevent data and security breaches in accordance with the Contractor's HHSC-approved System Security Plan (SSP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-019)** and **Exhibit F1 – HHSC Data Use Agreement (DUA)** and **Exhibit F2 – HHSC Security and Privacy Inquiry (SPI)**.

REQ ID	Pharmacy Operations Security Requirements
POP-SEC-004	The Contractor must establish, monitor, and maintain reasonable administrative, technical, and physical safeguards against unauthorized access, destruction, loss, or alteration of HHSC data or information in the possession of Contractor, where the safeguards must be equal to those required by the Contract and applicable laws.
POP-SEC-005	The Contractor must report each security incident to HHSC within the timeframes outlined in the Contractor's HHSC-approved SSP. Refer to **Attachment A – Deliverables (see Deliverable ID DEL-OPS-019).**
POP-SEC-006	The Contractor must ensure the Contractor System encryption applies to laptop computers, desktop computers, and other mobile devices and portable media that store or process sensitive information at rest or in transit.

2.12.3 Oversight (OST) Subdomain

The Contractor must provide information necessary for HHSC to effectively perform contract management and oversight activities to monitor and verify Contractor's performance of the Services in compliance with the Contract.

The Contractor is strictly prohibited from withholding requested information, access to Contractor's facilities, and read-only capability to the Contractor System related to the Contractor's performance under the Contract. Such prohibitions include the Contractor's withholding requested information on the basis of the proprietary nature of the information or access requested, or by characterizing the requested information as "internal" to the Contractor.

The Contractor, at a minimum, must provide the Services described in **Table 11 - Pharmacy Operations Oversight Requirements.**

Table 11 - Pharmacy Operations Oversight Requirements

REQ ID	Pharmacy Operations Oversight Requirements
POP-OST-001	The Contractor must provide real-time, online, and read-only capability to the Contractor System as requested by HHSC, including all records and functionality pertaining to Contractor's performance, within **one (1)** Business Day of HHSC's request.
POP-OST-002	The Contractor must provide HHSC access to Contractor facilities and operations as requested by HHSC for on-site visits and internal and external audits.
POP-OST-003	The Contractor must provide all documentation relating to the Contractor VPM Solution, including results of Contractor System performance and the performance profile used for testing and Statement on Standards for Attestation Engagement No. 19 system security audits, schematics, architecture, procedures, processes, policies, strategies, and services delivery methodology.
POP-OST-004	The Contractor must enforce all action logs in accordance with the Retention Schedule or as directed by HHSC. Refer to **Attachment D – Retention Schedule**.

2.12.4 User Login (ULN) Subdomain

The Contractor shall allow authorized HHSC staff and Trading Partners successful inquiry-only capabilities within the Contractor System. Refer to **Exhibit F1 – HHSC Data Use Agreement (DUA)** and **Exhibit F2 – HHSC Security and Privacy Inquiry (SPI).**

The Contractor, at a minimum, must provide the Services described in **Table 12 - Pharmacy Operations User Login Requirements**.

Table 12 - Pharmacy Operations User Login Requirements

REQ ID	Pharmacy Operations User Login Requirements
POP-ULN-001	The Contractor must provide each user with a secure username and password (user role). Upon validation of user role(s), each user must be capable of navigating the Contractor System.
POP-ULN-002	The Contractor must ensure the Contractor System validates the user role(s) and has the capability to view functionality corresponding to the specific user role login.

2.12.5 Audit (AUD) Subdomain

The Contractor shall provide information necessary to evaluate the Contractor VPM Solution, protect HHSC's information, and ensure alignment with State and federal requirements.

The Contractor, at a minimum, must provide the Services described in **Table 13 - Pharmacy Operations Audit Requirements**.

Table 13 - Pharmacy Operations Audit Requirements

REQ ID	Pharmacy Operations Audit Requirements
POP-AUD-001	The Contractor must comply and cooperate with all State and federal entities performing inspections, audits, and reviews of Contractor's activities under the Contract and provide assistance to personnel as directed. Refer to **Article VIII of Exhibit D - HHSC Uniform Terms and Conditions (Vendor)**.
POP-AUD-002	The Contractor must ensure the Contractor System generates and maintains audit logs of all change and configuration activities identified, at a minimum, by user login ID, date and time, and type of activity.
POP-AUD-003	The Contractor must retain audit logs of systems and user activity as directed by HHSC and in accordance with HHSC-approved SSP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-019)** and **Attachment D – Retention Schedule**.

2.12.6 Clinical Pharmacy and CAD Operations (CAD) Subdomain

The Contractor shall provide Services to ensure pharmacists provide Client care that optimizes medication therapy, promotes health, and disease prevention.

The Contractor, at a minimum, must provide the Services described in **Table 14 – Pharmacy Operations Clinical Pharmacy and CAD Operations Requirements**.

Table 14 – Pharmacy Operations Clinical Pharmacy and CAD Operations Requirements

REQ ID	Pharmacy Operations Clinical Pharmacy and CAD Operations Requirements
POP-CAD-001	The Contractor must ensure the Contractor System receives extract(s) that contain all non-risk payment (NRP) drugs from the TMMIS claims administrator based on NRP payment schedule. Refer to the **VDP Process Guide in the Procurement Library** and **Attachment G – Data Exchanges**.

REQ ID	Pharmacy Operations Clinical Pharmacy and CAD Operations Requirements
POP-CAD-002	The Contractor must ensure the Contractor System sends NRP files to HHSC accounting office within timeframes outlined in the VPM Solution Process Guide. **Refer to Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and **VDP Process Guide in the Procurement Library**.
POP-CAD-003	The Contractor must create a report with data from the TMMIS extract(s) that contains all NRP drugs and attach budget codes to the dollar amounts for HHSC's approval in accordance with the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034, DEL-RPT-148, DEL-RPT-149,** and **DEL-RPT-150)** and the **VDP Process Guide in the Procurement Library**.
POP-CAD-004	The Contractor must develop, submit, and maintain a clinician administered NDC to HCPCS crosswalk with content and format, and within timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
POP-CAD-005	The Contractor must ensure the Contractor System provides the functionality to post and reconcile the Benefit Value of Program Benefit Agreements (PBA) in the Contractor System (i.e. create new program, remove program) in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
POP-CAD-006	The Contractor must assist HHSC with developing and revising supplemental rebates and value-based agreements as directed by HHSC.
POP-CAD-007	The Contractor must negotiate initial and renewed supplemental rebates and value-based agreements, amendments, and modifications and determine the best value and present to HHSC for final determination in accordance with the processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
POP-CAD-008	The Contractor must provide an analysis of the fiscal and strategic impact of value-based agreements. Analysis must include program benefits of the submitted value-based proposals based on criteria, direction, and format in accordance with the Contractor's HHSC-approved Data Quality Plan (DQP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-020)**.

REQ ID	Pharmacy Operations Clinical Pharmacy and CAD Operations Requirements
POP-CAD-009	The Contractor must ensure the timely execution of supplemental rebates, value-based agreements, and amendments prior to the implementation of the PDL. This includes the monitoring of termination dates, pricing changes, or other activities which result in a change of rebates in accordance with the Contractor's HHSC-approved DQP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-020)**.

2.12.7 Communication (COM) Subdomain

The Contractor shall provide Services to facilitate communication between the Contractor, HHSC staff, and Trading Partners.

The Contractor, at a minimum, must provide the Services described in **Table 15 – Pharmacy Operations Communication Requirements.**

Table 15 – Pharmacy Operations Communication Requirements

REQ ID	Pharmacy Operations Communication Requirements
POP-COM-001	The Contractor must facilitate and participate with HHSC and Trading Partners in all Projects and initiatives, kick-off and status meetings, and any trainings as directed by HHSC.
POP-COM-002	The Contractor must develop and maintain an HHSC-approved process to receive, review, write, publish, and distribute notices, website content, and correspondence in accordance with the Contractor's HHSC-approved COMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-009)**, **VDP Process Guide,** and **Attachment L - VDP Communication Guide.**
POP-COM-003	The Contractor must submit all document update requests for HHSC approval prior to distribution or publication and maintain version control.
POP-COM-004	The Contractor must ensure all public facing materials are written in plain language, following person-first principles, and adhere to HHSC-approved writing style as outlined in the HHS Brand Guide and Web Content Accessibility Guidelines standard. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-009)**, **VPM Procurement Helpful Links** and **Attachment L - VDP Communication Guide**.
POP-COM-005	The Contractor must create and maintain an HHSC-approved process to receive, review, write, publish, and distribute HHSC identified public facing procedural documents and manuals in accordance with the Contractor's HHSC-approved

REQ ID	Pharmacy Operations Communication Requirements
	COMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-009)** and **Attachment L - VDP Communication Guide**.
POP-COM-006	The Contractor must create and maintain an electronic Document Repository, accessible to HHSC, to store publicly shared or published documents with built in filtering and search functionalities in accordance with the Contractor's HHSC-approved Document Management Plan (DMP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-010)**.

2.12.8 Customer Relationship Management (CRM) Subdomain

The Contractor shall provide technology solutions to manage relationships and interactions with customers.

The Contractor, at a minimum, must provide the Services described in **Table 16 – Pharmacy Operations Customer Relationship Management Requirements**.

Table 16 – Pharmacy Operations Customer Relationship Management Requirements

REQ ID	Pharmacy Operations Customer Relationship Management Requirements
POP-CRM-001	The Contractor must provide and maintain a searchable CRM application that tracks and reports information, including, but not limited to, calls, complaints, problems, issues, incidents, CORs, resolutions, and role-based permissions for the Contractor System. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library.**
POP-CRM-002	The Contractor must ensure the Contractor System provides the functionality for the CRM application to attach documentation for all requests. Refer to the **VDP Process Guide in the Procurement Library.**
POP-CRM-003	The Contractor must ensure the CRM application is configured to allow authorized user(s) to log into the application.
POP-CRM-004	The Contractor must ensure the CRM application performs data analytics or interfaces with another HHSC-approved data analytic application(s).
POP-CRM-005	The Contractor must develop and maintain all correspondence templates necessary to support HHSC requirements related to the Contract. Refer to the

REQ ID	Pharmacy Operations Customer Relationship Management Requirements
	VDP Process Guide and **Attachment L - VDP Communication Guide**.

2.12.9 Fraud, Waste, and Abuse Investigations and Litigation (FWA) Subdomain

The Contractor shall comply with all State and federal laws and regulations relating to fraud, waste, and abuse in the health care industry.

The Contractor, at a minimum, must provide the Services described in **Table 17 – Pharmacy Operations Fraud, Waste, and Abuse Investigation and Litigation**.

Table 17 - Pharmacy Operations Fraud, Waste, and Abuse Investigation and Litigation

REQ ID	Pharmacy Operations Fraud, Waste, and Abuse Investigation and Litigation Requirements
POP-FWA-001	The Contractor must cooperate with and assist the Texas Office of the Attorney General's (OAG) Civil Medicaid Fraud Division (CMF), or any State or federal agency charged with the duty of identifying, investigating, sanctioning, or prosecuting individuals or entities allegedly involved in fraud, waste, and abuse in relation to the scope of the Contract.
POP-FWA-002	The Contractor must provide documents or records relating to the SOW of the Contract, for an investigation into or litigation of allegations of fraud, waste and abuse, upon receipt of a Civil Investigative Demand (CID) or a litigation hold from CMF, or any other request from a State or federal agency.
POP-FWA-003	The Contractor must provide knowledgeable staff to ensure the requested information provided by Contractor is accurate and relevant, and provided within the timeframes established by the requesting Party.
POP-FWA-004	The Contractor must assist the State or federal agencies in due diligence required for paper or electronic discovery requests that may arise in litigation as it relates to the SOW of the Contract.
POP-FWA-005	The Contractor must maintain any documents, records, or data that the Contractor creates in the course of business for Work performed under the Contract and within **Attachment D – Retention Schedule** incorporated into the Contract, until the conclusion of the investigation or litigation to which the requested documents, records, or data relate. Refer to **Attachment D - Retention Schedule**.

REQ ID	Pharmacy Operations Fraud, Waste, and Abuse Investigation and Litigation Requirements
POP-FWA-006	The Contractor must designate an analyst to run data requests identified by the State or federal agency for discovery production that relate to the SOW of the Contract upon receipt of a litigation hold.
POP-FWA-007	The Contractor must provide a designated person to respond to specific requests outlined in each request by the State or federal agency submitted to the Contractor regarding the investigation and prosecution of fraud, waste, or abuse in the Contractor System that relate to the SOW of the Contract.
POP-FWA-008	The Contractor must designate an individual and backup knowledgeable of litigation and discovery to be responsible for receiving and executing notice of litigation holds or investigations from the State or federal agencies; and responding to investigation or discovery requests and other related inquiries as specified in the individual requests that relate to the SOW of the Contract.
POP-FWA-009	The Contractor must update the State or federal agency with new contact information upon receipt of a litigation hold or notice of investigation for any designated points of contacts or back-up personnel, as necessary, within **ten (10)** calendar days of the change.
POP-FWA-010	The Contractor must ensure the Contractor staff and Subcontractors maintain the confidentiality, including internal confidentiality, of all matters under investigation or litigation by the State or federal agency.
POP-FWA-011	The Contractor must supply all reports, files, copies, and other documentation requested by the State or federal agencies as the reports, files, copies, and other documentation relate to a litigation hold or investigation into fraud, waste, and abuse related to the SOW of the Contract.

2.12.10 Data Governance Management (DGM) Subdomain

The Contractor must employ a data management strategy to implement architectures, tools, and processes necessary to achieve stated data governance objectives.

The Contractor, at a minimum, must provide the Services described in **Table 18 – Pharmacy Operations Data Governance Management Requirements**.

Table 18 - Pharmacy Operations Data Governance Management Requirements

REQ ID	Pharmacy Operations Data Governance Management Requirements
POP-DGM-001	The Contractor must adhere to data governance practices in compliance with HHSC's Enterprise Data Governance (EDG) processes and procedures, maintained by HHSC's Center for Analytics and Decision Support (CADS) and as directed by HHSC. Refer to **Circular C-049 in the Procurement Library**.
POP-DGM-002	The Contractor must provide comprehensive metadata, logical data models, and additional requested artifacts for the Contractor VPM Solution as specified in the MITA Data Management Strategy document. Refer to the **VPM Procurement Helpful Links in the Procurement Library**.
POP-DGM-003	The Contractor must ensure that all data exchanges (real-time, near real-time, and batch) are executed with HHSC and Trading Partners in a manner that is secure, timely, accurate, and in full compliance with State and federal laws, rules, regulations, and guidelines.
POP-DGM-004	The Contractor must provide and maintain a comprehensive Data Dictionary along with detailed documentation of cross references for all Contractor System related data elements.
POP-DGM-005	The Contractor must ensure all hard-copy documents received, processed by, or accessible to the Contractor are reproduced using optical character recognition (OCR) with no loss of data and are searchable and readable within **ten (10)** Business Days of receipt of said documents. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-020).**
POP-DGM-006	The Contractor must store and maintain hard copies of any records in a secured and accessible climate-controlled location and maintain a searchable automated current index of stored records.
POP-DGM-007	The Contractor must participate and present, as needed, in the data stewardship workgroup(s) of the HHS data governance council. Refer to **Attachment A – Deliverables (see Deliverable ID DEL-OPS-017).**
POP-DGM-008	The Contractor must update and submit metadata, data quality reporting results, and status of remediation efforts in timeframes determined by the HHS data governance council, its functional data stewardship workgroups, or IT governance processes as directed by HHSC. Refer to **Attachment A – Deliverables (see Deliverable ID DEL-OPS-020).**

2.12.11 Reports (RPT) Subdomain

The Contractor shall provide the reports and report administration services to support the applicable Domains described in Phase I – Transition, Phase II – Operations, and Phase III – Turnover.

The Contractor, at a minimum, must provide the Services described in **Table 19 – Pharmacy Operations Report Requirements**.

Table 19 – Pharmacy Operations Report Requirements

REQ ID	Pharmacy Operations Report Requirements
POP-RPT-001	The Contractor must provide and maintain an electronic, searchable, and retrievable reports repository for all reports. The Contractor must provide an index for each online report that includes at a minimum: a. Report business owner; b. Change history description; c. Report distribution list; d. Notice list; e. Run schedule; f. Report name; g. Report number; h. Report run date; and i. Report frequency. Refer to **Attachment A – Deliverables (See Section 5 Reports - Table 4**.)
POP-RPT-002	The Contractor must develop and submit all reports related to the SOW Domains and Subdomains within timeframes approved by HHSC. Refer to **Attachment A – Deliverables (See Section 5 Reports - Table 4 and Deliverable ID DEL-TRA-026)** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-007)**.
POP-RPT-003	The Contractor must provide a report generation tool that allows HHSC staff to create Ad Hoc reports or generate canned reports on demand.
POP-RPT-004	The Contractor must develop and maintain all reports related to the SOW Domains and Subdomains with **one hundred (100%) percent** accuracy. Refer to **Attachment A – Deliverables (See Section 5 Reports Table 4 and Deliverable ID DEL-TRA-026)** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-008)**.

2.13 CLAIMS

2.13.1 General

The Contractor shall provide Services necessary to support the operation and administration of claims processing for HHSC VDP during Phase II – Operations and Phase III - Turnover.

2.13.2 Claims Processing (CLP) Subdomain

The Contractor shall ensure that pharmacy claims are accurately processed and adjudicated when received from enrolled Pharmacy Providers for covered services and supplies provided to eligible Clients in accordance with State and federal laws, rules, regulations, and guidelines.

The Contractor, at a minimum, must provide the Services described in **Table 20 – Claims Processing Requirements.**

Table 20 – Claims Processing Requirements

REQ ID	Claims Processing Requirements
CLM-CLP-001	The Contractor must ensure the Contractor System provides the functionality to accept batch pharmacy claims using the current NCPDP batch standard format and all subsequent CMS-named standards upon enactment.
CLM-CLP-002	The Contractor must ensure the Contractor System accepts the CMS-approved NCPDP telecommunications standard format, as directed by HHSC, to process all claims.
CLM-CLP-003	The Contractor must ensure the Contractor System assigns a unique transaction identifier for all processed claims, managed care encounter data, and eligibility verification transactions.
CLM-CLP-004	The Contractor must ensure the Contractor System adjudicates, with **ninety-nine and nine hundred ninety-nine thousandths (99.999%) percent** accuracy, all pharmacy FFS claims transactions (POS and batch) in accordance with HHSC-approved program specific business edits, and processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034), Attachment I – Claims Processing Edits**, **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-009),** and the **VDP Process Guide in the Procurement Library**.
CLM-CLP-005	The Contractor must ensure the Contractor System adjudicates **ninety-nine and nine hundred ninety-nine thousandths (99.999%) percent** of all POS pharmacy FFS claim transactions within **five (5)** seconds after receipt into the claims processing system. Refer to **Attachment A – Deliverable (See**

REQ ID	Claims Processing Requirements
	Deliverable ID DEL-RPT-175 and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-010)**.
CLM-CLP-006	The Contractor must ensure the Contractor System has the functionality to return HHSC-approved custom messaging to Pharmacy Providers in NCPDP transaction responses.
CLM-CLP-007	The Contractor must ensure the Contractor System accepts, processes, and stores Client eligibility data and files received from all HHSC program eligibility-related systems.
CLM-CLP-008	The Contractor must ensure the Contractor System has functionality to add or disable benefit programs and their associated business edits for claims processing as directed by HHSC. Refer to **Attachment I – Claims Processing Edits**.
CLM-CLP-009	The Contractor must ensure the Contractor System has the functionality to load Medicare information and identify and load third party coverage information in accordance with HHSC-approved business edits and processes and procedures in the VPM Solution Process Guide to ensure that Medicaid is the payer of last resort. Refer to **Attachment I – Claims Processing Edits** and the **VDP Process Guide in the Procurement Library**.
CLM-CLP-010	The Contractor must ensure the Contractor System has the functionality to implement HHSC-approved mass adjustments and mass updates. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
CLM-CLP-011	The Contractor must ensure the Contractor System provides online, real time, searchable inquiry functionality of all pharmacy claims and eligibility verification transactions for HHSC staff and Trading Partners in accordance with HHSC-approved parameters. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
CLM-CLP-012	The Contractor must ensure the Contractor System creates and maintains a web-based interactive portal for Pharmacy Provider staff to submit Client eligibility transactions.
CLM-CLP-013	The Contractor must ensure the Contractor System sends to the true out of pocket (TrOOP) facilitator all eligible Medicare Part D claims in HHSC-approved format. Refer to **Attachment G – Data Exchanges**.

REQ ID	Claims Processing Requirements
CLM-CLP-014	The Contractor must ensure the Contractor System generates monthly HHSC eligibility systems match information and delivers the results to the KHC and CSHCN programs electronically in HHSC-approved format. Refer to **Attachment G– Data Exchanges**.
CLM-CLP-015	The Contractor must ensure the Contractor System maintains and archives an online history of all claims transactions and managed care encounter data in a searchable and retrievable format in accordance with the Retention Schedule. Refer to **Attachment D - Retention Schedule**.
CLM-CLP-016	The Contractor must ensure the Contractor System captures and stores all claims transactions and eligibility verification transactions, as they are received from Switch Companies in the standard NCPDP transaction format (raw data) and retains records for the duration of HHSC-approved timeframes. Refer to **Attachment D– Retention Schedule**.

2.13.3 Managed Care Encounter Data (ENC) Subdomain

The Contractor shall ensure that the managed care encounter data received from MCOs is accurately processed in accordance with State and federal laws, rules, regulations, and guidelines.

The Contractor, at a minimum, must provide the Services described in **Table 21 – Claims Managed Care Encounter Data Requirements**.

Table 21 – Claims Managed Care Encounter Data Requirements

REQ ID	Claims Managed Care Encounter Data Requirements
CLM-ENC-001	The Contractor must ensure the Contractor System provides the functionality to receive and validate all processed managed care pharmacy encounter data in accordance with HHSC-approved business edits, and processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034), Attachment H – Pharmacy Encounters Edits** and the **VDP Process Guide in the Procurement Library**.
CLM-ENC-002	The Contractor must ensure the Contractor System processes and loads managed care pharmacy encounter data records in the order received.

REQ ID	Claims Managed Care Encounter Data Requirements
CLM-ENC-003	The Contractor must ensure the Contractor System provides the functionality to differentiate between pharmacy FFS claims and managed care pharmacy encounter data.
CLM-ENC-004	The Contractor must ensure the Contractor System creates and sends a response file of accepted and rejected encounters to Trading Partner(s) in accordance with the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034),** the **VDP Process Guide in the Procurement Library** and **Attachment G – Data Exchanges**.
CLM-ENC-005	The Contractor must ensure the Contractor System stores all managed care pharmacy encounter data in a searchable and retrievable format.

2.13.4 Prescriber (PSR) Subdomain

The Contractor shall provide Services necessary to enable a Prescriber to submit prescriptions for adjudication.

The Contractor, at a minimum, must provide the Services described in **Table 22 – Claims Prescriber Requirements**

Table 22 – Claims Prescriber Requirements

REQ ID	Claims Prescriber Requirements
CLM-PSR-001	The Contractor must ensure the Contractor System has the functionality to receive, store, and process the most readily available Prescriber enrollment information from HHSC source system(s) in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
CLM-PSR-002	The Contractor must ensure the Contractor System receives, stores, and processes all HHSC-approved Prescriber licensing board files (e.g., podiatry board file, optometry board file and prescribing pharmacist board file). Refer to **Attachment G – Data Exchanges**.
CLM-PSR-003	The Contactor must ensure the Contractor System provides HHSC staff and Trading Partners online, real-time, inquiry capability for all Prescriber information.
CLM-PSR-004	The Contractor must provide e-prescribing services to Trading Partners that includes, but it is not limited to, requests for eligibility status, pharmacy

REQ ID	Claims Prescriber Requirements
	benefit limitations, medication history, formulary coverage, and PA requirements for Clients.

2.13.5 Pharmacy Provider (PPR) Subdomain

The Contractor shall ensure approved pharmacies are correctly enrolled in the VDP and can successfully submit claims.

The Contractor, at a minimum, must provide the Services described in **Table 23 – Claims Prescriber Requirements**.

Table 23 – Claims Pharmacy Provider Requirements

REQ ID	Claims Pharmacy Provider Requirements
CLM-PPR-001	The Contractor must ensure the Contractor System has the functionality to receive, store, and process the most readily available Pharmacy Provider enrollment information from HHSC source system(s) in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
CLM-PPR-002	The Contractor must ensure the Contractor System provides HHSC staff and Trading Partners online, real-time inquiry capability for all Pharmacy Provider information, in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.

2.14 Formulary (FRM) Domain

2.14.1 General

The Contractor shall perform the daily tasks and activities to efficiently and effectively manage the TDCI for VDP programs during Phase II – Operations and Phase III - Turnover. Refer to the **VPM Procurement Helpful Links in the Procurement Library** for the most recent version of the TDCI.

The Contractor, at a minimum, must provide the Services described in **Table 24 - Formulary Requirements**

Table 24 - Formulary Requirements

REQ ID	Formulary Requirements
FRM-REQ-001	The Contractor must ensure the Contractor System accurately associates and marks **one hundred (100%) percent** of all drugs in the TDCI with all clinical and PDL PA(s) in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034), Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-011),** the **VDP Process Guide in the Procurement Library,** and **Attachment I – Claims Processing Edits**.
FRM-REQ-002	The Contractor must ensure the Contractor System provides the functionality and flexibility to group drugs in the TDCI in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FRM-REQ-003	The Contractor must ensure the Contractor System provides Texas Medicaid, CHIP, KHC, CSHCN, and HTW formulary data, including PA specifications and descriptions, in a mobile medical reference application. (e.g., Epocrates is available and used by Pharmacy Providers and Prescribers).
FRM-REQ-004	The Contractor must ensure the Contractor System provides the functionality and flexibility to implement and maintain multiple HHSC-approved drug price types, fields, and methodologies for drugs in the TDCI in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FRM-REQ-005	The Contractor must ensure the Contractor System provides functionality to implement and maintain formularies for multiple VDP programs in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FRM-REQ-006	The Contractor must perform real-time updates to formulary data in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FRM-REQ-007	The Contractor must ensure the Contractor System provides role-based, online inquiry access to real-time formulary data in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A –**

REQ ID	Formulary Requirements
	Deliverables (See Deliverable ID DEL-OPS-034) and the **VDP Process Guide in the Procurement Library**.
FRM-REQ-008	The Contractor must monitor HHSC Rate Hearings for changes to LHHS and non-drug rates and report changes to HHSC within **ten (10)** Business Days of the Rate Hearings in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FRM-REQ-009	The Contractor must identify and mark individual drugs and drug categories for exclusion from regularly scheduled automated updates including, but not limited to, NDC auto-termination and pricing updates, using HHSC-approved drug compendia sources and the processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FRM-REQ-010	The Contractor must develop, maintain, and deliver a weekly report that identifies all discrepancies between HHSC-approved clinical and PDL PAs business rules and implemented clinical and PDL PAs associations for newly added drugs and modified drugs in the TDCI. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-RPT-197)**.

2.14.2 Electronic Certificate of Information (COI) Subdomain

The Contractor shall allow HHSC to electronically process COI forms submitted by drug manufacturers and to determine eligibility of drugs for inclusion in TDCI.

The Contractor, at a minimum, must provide the Services described in **Table 25 – Formulary Electronic Certificate of Information Requirements**.

Table 25 – Formulary Electronic Certificate of Information Requirements

REQ ID	Formulary Electronic Certificate of Information Requirements
FRM-COI-001	The Contractor must develop and maintain a secure, web-based interactive portal (COI Portal) to provide drug manufacturers a method for electronically submitting the COI documentation and tracking the status of the COI in accordance with processes and procedures in the VPM Solution Process Guide.

REQ ID	Formulary Electronic Certificate of Information Requirements
	Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FRM-COI-002	The Contractor must develop and maintain an electronic Document Repository to store and manage, in a searchable and retrievable format, all submitted COI documentation from the COI Portal in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FRM-COI-003	The Contractor must develop and maintain a drug company (drug manufacturers and others) registry to authorize and manage access to the secure COI Portal in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FRM-COI-004	The Contractor must ensure the Contractor System processes COIs by reviewing submitted information for completeness, validating information, and recording activity throughout the COI process in accordance with processes and procedures, and within timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.

2.15 Drug Utilization Review (DUR) Domain

2.15.1 General

During Phase II – Operations and Phase III – Turnover, the Contractor shall identify and monitor appropriate use of prescription medications and products based on Client safety, therapeutic efficacy, and cost effectiveness as well as provide educational outreach to Prescribers with the goal of improving prescribing or dispensing practices and increasing prescription medication compliance and overall health.

The Contractor, at a minimum, must provide the Services described in **Table 26 - Drug Utilization Review Requirements**.

Table 26 - Drug Utilization Review Requirements

REQ ID	Drug Utilization Review Requirements
DUR-REQ-001	The Contractor must provide HHSC-approved qualified individuals to perform tasks and functions of the DUR program in accordance with the Contractor's HHSC-approved STP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-005).**
DUR-REQ-002	The Contractor must initiate and develop for HHSC approval, prospective clinical and PDL PA criteria proposals for new PA criteria in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-REQ-003	The Contractor must deliver clinical criteria proposals to HHSC for approval in accordance with timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034),** the **VDP Process Guide in the Procurement Library** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-012)**.
DUR-REQ-004	The Contractor must deliver PDL PA criteria proposals to HHSC for approval in accordance with timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034),** the **VDP Process Guide in the Procurement Library** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-013)**.
DUR-REQ-005	The Contractor must implement approved clinical PA or PDL PA criteria or changes to existing or current Pro-DUR criteria in accordance with timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-REQ-006	The Contractor must ensure the Contractor System provides functionality to send Client, pharmacy claims, medical claims, and PA histories to Trading Partners in accordance with processes and procedures (e.g. FFS Client moves to an MCO) outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library** and **Attachment G – Data Exchanges**.

2.15.2 Retrospective DUR (RET) Subdomain

The Contractor shall ensure Retro-DUR criteria are utilized for outpatient use.

The Contractor, at a minimum, must provide the Services described in **Table 27 – Drug Utilization Review Retrospective DUR Requirements**.

Table 27 – Drug Utilization Review Retrospective DUR Requirements

REQ ID	Drug Utilization Review Retrospective DUR Requirements
DUR-RET-001	The Contractor must ensure the Contractor System maintains all supporting information used in the analysis for Retro-DUR intervention proposals in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-RET-002	The Contractor must provide clinical support and expertise in collaboration with HHSC for development and delivery of innovative Retro-DUR intervention strategies and solutions.
DUR-RET-003	The Contractor must deliver to HHSC for approval **seven (7)** final Retro-DUR intervention topic proposals for presentation to the quarterly DUR board within HHSC-approved timeframes. The number of topic proposals is subject to change based on HHSC discretion or as required by the State of Texas Legislature. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-RET-004	The Contractor must create and maintain a secure, web-based, interactive portal for the targeted Prescribers to respond to the Retro-DUR intervention communications in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034** and the **VDP Process Guide in the Procurement Library**.
DUR-RET-005	The Contractor must present HHSC-approved Retro-DUR intervention proposals to the quarterly DUR board for approval prior to performing the intervention(s). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**.
DUR-RET-006	The Contractor must present HHSC-approved Retro-DUR post intervention analysis for fiscal and clinical outcomes and prescribing trends to the quarterly DUR board for review in accordance with the processes and procedures outlined in the VPM Solution Process Guide or as directed by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.

REQ ID	Drug Utilization Review Retrospective DUR Requirements
DUR-RET-007	The Contractor must deliver to HHSC for approval a minimum of **seven (7)** final Retro-DUR intervention topic proposals for presentation to the quarterly DUR board within HHSC-approved timeframes. The minimum of **seven (7)** topic proposals is subject to change based on the HHSC's discretion or as required by the State of Texas Legislature. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**, and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-014)**.
DUR-RET-008	The Contractor must perform no more than **twenty (20)** calls per each Retro-DUR intervention written mail-out per year in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-RET-009	The Contractor must analyze poly-pharmacy utilization patterns to identify Clients who may be abusing resources and notify Prescribers about possible drug abuse in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034** and the **VDP Process Guide in the Procurement Library**.

2.15.3 Prospective DUR (PRO) Subdomain

The Contractor shall ensure the development of clinical PAs for the outpatient prescription drugs. The Contractor, at a minimum, must provide the Services described in **Table 28 – Drug Utilization Review Prospective DUR Requirements**.

Table 28 – Drug Utilization Review Prospective DUR Requirements

REQ ID	Drug Utilization Review Prospective DUR Requirements
DUR-PRO-001	The Contractor must publish HHSC-approved PA criteria guides within **ten (10)** Business Days after the quarterly DUR board meeting or as requested by HHSC and maintain in accordance with the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**, the **VDP Process Guide in the Procurement Library** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-015)**.

REQ ID	Drug Utilization Review Prospective DUR Requirements
DUR-PRO-002	The Contractor must provide the MCO PA plan information to the requestor (i.e. Prescriber) for all PA denials involving managed care Clients.
DUR-PRO-003	The Contractor must ensure the Contractor System provides the functionality for Prescribers to submit a request for a PA appeal through all HHSC-approved submission formats. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-PRO-004	The Contractor must update and maintain the processes and procedures for new or existing PA criteria each time a new drug, new indication, or new FDA guideline changes in accordance with the VPM Solution Process Guide or as directed by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-PRO-005	The Contractor must identify, and report issues related to PA criteria and submit solutions to HHSC for approval within **seven (7)** Business Days of discovery of any issue or as directed by HHSC.

2.15.4 Prior Authorization (PRA) Subdomain

The Contractor, as applicable to certain prescription drugs, must ensure that eligible Clients have access to care through the therapeutically prudent use of pharmaceuticals, while optimizing the use of HHSC-approved VDP program funds.

The Contractor, at a minimum, must provide the Services described in **Table 29 – Drug Utilization Review Prior Authorization Requirements**

Table 29 – Drug Utilization Review Prior Authorization Requirements

REQ ID	Drug Utilization Review Prior Authorization Requirements
DUR-PRA-001	The Contractor must ensure the Contractor System provides functionality for a real-time PA rules engine to process requests for clinical and PDL PA determinations and return a PA result in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-PRA-002	The Contractor must provide HHSC-designated staff with real-time inquiry to the PA determination process including, but not limited to, all criteria rule results and messages, supplemental notes, and Prescriber supplied information. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**, the **VDP**

REQ ID	Drug Utilization Review Prior Authorization Requirements
	Process Guide in the Procurement Library and **Attachment A – Deliverables (See Deliverable ID DEL-OPS-005)**
DUR-PRA-003	The Contractor must provide HHSC with fair hearing support services in cases resulting from the Contractor's PA determination, including documentation, attendance, and testimonies, or any other support services required by HHSC or related HHSC divisions (e.g. OAG, Office of Inspector General (OIG) etc.).
DUR-PRA-004	The Contractor must ensure the Contractor System provides functionality to accept PA requests from all HHSC-approved sources (e.g. Switch Companies, e-prescribing network providers) and formats (e.g. fax, phone) in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-PRA-005	The Contractor must determine and document the final disposition of manual PA requests (i.e. approve, deny, modify, return to Prescriber, or duplicate) within **twenty-four (24)** hours of receipt of the manual PA in accordance with the processes and procedures outlined in the VPM Solution Process Guide or as directed by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-PRA-006	The Contractor must ensure the Contractor System provides the functionality to generate and store, in a searchable and retrievable format, PAs for groups of individuals that meet HHSC-specified criteria (e.g. "grandfathered" Medicaid Clients to allow them to continue successful drug therapy for a product that will become non-preferred) in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-PRA-007	The Contractor must develop and maintain a PA submission manual for Trading Partners with content, format, and within timeframes approved by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034** and **DEL-OPS-009)**, and **Attachment L - VDP Communication Guide.**
DUR-PRA-008	The Contractor must create and maintain a secure, web-based, interactive PA portal for Prescribers to submit PA requests or appeals, view PA status, or to submit supporting documentation for PA justification in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and **Attachment L - VDP Process Guide**.

REQ ID	Drug Utilization Review Prior Authorization Requirements
DUR-PRA-009	The Contractor must ensure the Contractor System provides functionality to identify and apply all PDL or clinical PA criteria when a drug is subject to multiple clinical PAs for DUR in accordance with the processes and procedures outlined in the VPM Solution Process Guide or as directed by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and **Attachment L - VDP Process Guide**.
DUR-PRA-010	The Contractor must notify requesting Prescribers and impacted Clients every time a manual PA is denied in a format and within timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and **Attachment L - VDP Process Guide**.

2.15.5 Preferred Drug List (PDL) Subdomain

The Contractor shall ensure the Contractor VPM Solution supports the administration of the PDL for all VDP programs. The Contractor shall also provide PDL recommendations and information to the quarterly DUR board based on the clinical efficacy, safety, and cost-effectiveness of preferred drug products on the PDL. Refer to **Attachment K – PDL Criteria Guide** for business rules used to evaluate PDL PA requests submitted by Prescribers. Refer to **VPM Procurement Helpful Links in the Procurement Library** for the latest version of the PDL.

The Contractor, at a minimum, must provide the Services described in **Table 30 – Drug Utilization Review Preferred Drug List**.

Table 30 – Drug Utilization Review Preferred Drug List Requirements

REQ ID	Drug Utilization Review Preferred Drug List Requirements
DUR-PDL-001	The Contractor must ensure the Contractor System provides the PDL daily file to the MCOs in accordance with processes and procedures and timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**, the **VDP Process Guide in the Procurement Library** and **Attachment G – Data Exchanges**.
DUR-PDL-002	The Contractor must provide quarterly financial projection analysis related to PDL or clinical changes for HHSC approval, including grace-period criteria within timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.

REQ ID	Drug Utilization Review Preferred Drug List Requirements
DUR-PDL-003	The Contractor must develop and maintain the PDL and PA Criteria and document quarterly in accordance with the processes and procedures in the VPM Solution Process Guide or as directed by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-PDL-004	The Contractor must negotiate, in the best interest of HHSC, supplemental rebates and value-based agreements, with drug manufacturers in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
DUR-PDL-005	The Contractor must submit any changes to supplemental rebates and value-based agreements for HHSC approval in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034** and the **VDP Process Guide in the Procurement Library**.
DUR-PDL-006	The Contractor must continuously review and analyze utilization report data and provide recommendations to HHSC for improvement on the PDL and the resulting clinical impact as directed by HHSC.
DUR-PDL-007	The Contractor must provide PDL proposals upon analysis of utilization data and subsequent results of PDL negotiations with drug manufacturers for HHSC and quarterly DUR board review and approval in accordance with the processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.

2.15.6 Drug Utilization Review Board Support (DBS) Subdomain

The Contractor shall perform tasks and activities to assist HHSC in managing the processes of the quarterly DUR board meetings held in Austin, Texas.

The Contractor, at a minimum, must provide the Services described in **Table 31 - Drug Utilization Review Board Support Requirements**.

Table 31 - Drug Utilization Review Board Support Requirements

REQ ID	Drug Utilization Review Board Support Requirements
DUR-DBS-001	The Contractor must submit quarterly DUR board presentation materials (e.g. clinical information, utilization, and financial data) for HHSC approval in accordance with timeframes and processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-016)**.
DUR-DBS-002	The Contractor must attend in-person all quarterly and off-cycle DUR board meetings and present therapeutic drug information for PDL classes, PA criteria proposals, and Retro-DUR intervention proposals that are under consideration by the board or required by HHSC.
DUR-DBS-003	The Contractor must attend in-person all new DUR board member's orientation meetings.
DUR-DBS-004	The Contractor must provide any additional information as requested during the quarterly DUR board meetings.

2.15.7 Rebates Domain

The Contractor shall perform the daily tasks and activities for the operation and administration of all drug rebates, supplemental rebates, value-based agreements, and CMS-approved Medicaid waivers for the Contractor VPM Solution during Phase II – Operations and Phase III - Turnover.

The Contractor, at a minimum, must provide the Services described in **Table 32 - Rebates Requirements**.

Table 32 - Rebates Requirements

REQ ID	Rebates Requirements
REB-REQ-001	The Contractor must develop and implement a process to capture usage and rate information from multiple sources (e.g. drug manufacturers, CMS, PDL, etc.) and calculate the total amount to be invoiced in accordance with the appropriate rebate contract.

REQ ID	Rebates Requirements
REB-REQ-002	The Contractor must ensure the Contractor System provides functionality to create or terminate rebate programs in accordance with the processes and procedures outlined in the VPM Solution Process Guide or as directed by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
REB-REQ-003	The Contractor must have the capability to exclude claims and encounter data from rebate invoice processing (i.e. 340B drug program, Health Insurance Portability and Accountability Act of 1996 (HIPAA), etc.) in accordance with the processes and procedures outlined in the VPM Solution Process Guide or as directed by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
REB-REQ-004	The Contractor must deliver quarterly rebate invoices to HHSC Trading Partners as required by HHSC and CMS, in accordance with timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**, **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-017)** and the **VDP Process Guide in the Procurement Library**.
REB-REQ-005	The Contractor must ensure the Contractor System generates quarterly rebate invoices with **one hundred (100%) percent** accuracy in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**, **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-018)** and the **VDP Process Guide in the Procurement Library**.
REB-REQ-006	The Contractor must reconcile rebate collections received to the accounts receivable (A/R) each calendar quarter and provide outstanding balances not reconciled, including an action plan for reconciliation **six (6)** months after the invoice quarter. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-RPT-177)** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-019)**.
REB-REQ-007	The Contractor must propose strategies to assist in achieving HHSC's annual savings goal by providing ongoing rebate analysis and suggestions for enhancing rebates or lowering net pharmacy program costs on an annual basis and as directed by HHSC.
REB-REQ-008	The Contractor must develop and implement HHSC-approved invoice dispute resolution processes that comply with CMS dispute resolution guidance in accordance with processes and procedures outlined in the VPM Solution Process

REQ ID	Rebates Requirements
	Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
REB-REQ-009	The Contractor must attend and actively participate in rebate dispute resolution meetings attended by CMS, on behalf of HHSC, and notify HHSC within **five (5)** Business Days of registration of the rebate dispute resolution meetings.
REB-REQ-010	The Contractor must provide budget forecasting data (e.g. historical data, trend analysis) to predict future rebate invoice amounts using historical rebate collections as directed by HHSC.
REB-REQ-011	The Contractor must respond to all rebate inquiries (e.g. drug manufacturers, claims level detail, HHSC staff, auditors, etc.) within HHSC-approved timeframes and formats in accordance with the processes and procedures in the VPM Solution Process Guide. Refer to the **VDP Process Guide in the Procurement Library**.
REB-REQ-012	The Contractor must ensure the Contractor System provides online real-time, inquiry capability for HHSC-designated staff to view listings, federal drug rebates, State supplemental rebates and value-based agreements, and supporting documentation for current and historically contracted drug manufacturers by VDP program.
REB-REQ-013	The Contractor must create and maintain a secure, web-based, interactive portal for drug manufacturers to submit payment documentation, respond to federal drug rebates, State supplemental rebates and value-based agreements, and view rebate invoicing information.

2.16 Call Center (CCR) Domain

2.16.1 General

During Phase II – Operations and Phase III – Turnover, the Contractor shall perform the daily tasks and activities related to staff, equipment, and Services related to the operation, maintenance, and enhancement of one or more call centers handling all inquiries for the Contractor VPM Solution.

The Contractor call center must be comprised of the following:

1. Pharmacy call center;
2. PA call center; and
3. Technical call center.

The Contractor, at a minimum, must provide the Services described in **Table 33 - Call Center Requirements**.

Table 33 - Call Center Requirements

REQ ID	Call Center Requirements
CCR-REQ-001	The Contractor must develop, implement, and maintain call center processes and procedures in accordance with the VPM Solution Process Guide and ensure all call center staff are knowledgeable of and can communicate all VDP call center policies. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
CCR-REQ-002	The Contractor must develop and submit, for HHSC approval, processes to resolve complaints received telephonically or electronically from Pharmacy Providers, Prescribers, or Trading Partners in accordance with the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
CCR-REQ-003	The Contractor must develop and submit interactive voice response (IVR) messages to HHSC for approval **thirty (30)** calendar days prior to implementation of any changes to the IVR phone menu for the toll-free lines.
CCR-REQ-004	The Contractor must maintain Call blockage at a rate of less than **two (2%) percent** for all Calls during Call Center Hours. Refer to **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-020)**.
CCR-REQ-005	The Contractor must resolve **ninety-eight (98%) percent** of all Calls within **five (5)** minutes in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
CCR-REQ-006	The Contractor must ensure Call abandonment rate is less than **five (5%) percent** during Call Center Hours. Refer to **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-021)**.
CCR-REQ-007	The Contractor must ensure at least **ninety-nine (99%) percent** of all Calls are answered on or before the **fourth (4^{th})** ring by a live agent or the call center queue in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**, **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-022)** and the **VDP Process Guide in the Procurement Library**.

REQ ID	Call Center Requirements
CCR-REQ-008	The Contractor must ensure **ninety-eight (98%) percent** of Calls from the call center queue are answered within **two (2)** minutes by a live call center agent during Call Center Hours in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**, **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-023)** and the **VDP Process Guide in the Procurement Library**.
CCR-REQ-009	The Contractor must provide interpreter services to meet the cultural and linguistic needs of callers including a minimum of the **ten (10)** most common languages in Texas: English, Spanish, Vietnamese, Arabic, Mandarin, Hindi/Urdu, Bengali, Portuguese, Russian, and Japanese.
CCR-REQ-010	The Contractor must develop and provide overflow and Business Continuity processes and procedures for all call center systems in accordance with the Contractor's HHSC-approved BCCP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-002)**.
CCR-REQ-011	The Contractor must ensure callers to the call center have the option to leave a message during periods outside of Call Center Hours or as directed by HHSC.
CCR-REQ-012	The Contractor must ensure the Contractor's staff responds to all call center messages within **one (1)** Business Day upon receipt of message.
CCR-REQ-013	The Contractor must ensure the Contractor System provides the functionality for HHSC staff to monitor live and recorded Calls.
CCR-REQ-014	The Contractor must ensure the Contractor System allows outbound Calls from the call center.
CCR-REQ-015	The Contractor must allow HHSC staff to participate in all Contractor call center training classes.
CCR-REQ-016	The Contractor must ensure the Contractor System electronically records, stores, and makes available all incoming and outgoing telephonic correspondence in accordance with the Retention Schedule. Refer to **Attachment D – Retention Schedule**.
CCR-REQ-017	The Contractor must ensure the Contractor System automatically calculates total talk time, hold times, and hold time for abandoned Calls, each separately, in accordance with Contractor's HHSC-approved Call Center Performance Management Plan (CCPM). Refer to **Attachment A -Deliverables (See Deliverable ID DEL-OPS-004)**.

REQ ID	Call Center Requirements
CCR-REQ-018	The Contractor must provide any call center recording, in an HHSC-approved format, within **five (5)** Business Days of HHSC's request.
CCR-REQ-019	The Contractor must conduct and analyze Call traffic to assess the need for additional lines for all toll-free telephone lines and deliver the results within HHSC-approved timeframes. Refer to **Attachment A – Deliverable (See Deliverable ID DEL-RPT-176)**.
CCR-REQ-020	The Contractor must ensure the Contractor System provides the functionality for all callers to complete an HHSC-approved post-Call customer satisfaction survey, and store and make survey results available to HHSC upon request.
CCR-REQ-021	The Contractor must provide monthly quantitative analysis of survey results on the **fifth (5th)** calendar day of the following month to measure caller satisfaction drivers, trend analysis, and service improvement priorities in accordance with the Contractor's HHSC-approved CCPM. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-004)**.
CCR-REQ-022	The Contractor must provide announcement scripts for notification of non-standard Call Center Hours and holiday messages to HHSC for approval **fifteen (15)** calendar days prior to use.

2.16.2 Pharmacy Call Center (PCC) Subdomain

The Contractor shall ensure call center representatives respond to Calls from Pharmacy Providers who call for assistance in processing pharmacy claims.

The Contractor, at a minimum, must provide the Services described in **Table 34 – Pharmacy Call Center Requirements**.

Table 34 – Pharmacy Call Center Requirements

REQ ID	Pharmacy Call Center Requirements
CCR-PCC-001	The Contractor must ensure the pharmacy call center staff is trained to perform all POS functions available to Pharmacy Providers in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
CCR-PCC-002	The Contractor must ensure the Contractor System provides the online, real time functionality for pharmacy call center staff to assist Pharmacy Providers with claims

REQ ID	Pharmacy Call Center Requirements
	processing inquiries and issues in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.

2.16.3 Prior Authorization Call Center (PAC) Subdomain

The Contractor shall ensure all PA requests are managed and processed.

The Contractor, at a minimum, must provide the Services described in **Table 35 – Prior Authorization Call Center Requirements**.

Table 35 – Prior Authorization Call Center Requirements

REQ ID	Prior Authorization Call Center Requirements
CCR-PAC-001	The Contractor must develop and maintain HHSC-approved customer service processes in the VPM Solution Process Guide that provide data on: a. all complaints broken out by PA call center function and satisfaction thereof; b. all processes broken out by PA call center function; and c. all recommendations for PA call center functions quality improvements. The Contractor must provide this information in a timeframe approved by HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
CCR-PAC-002	The Contractor must provide a PA resolution to Prescriber(s) for all PA requests submitted in HHSC-approved format (i.e. phone, fax, online, and email) and document all supporting information within **one (1)** Business Day after receipt of the PA request in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)**, the **VDP Process Guide in the Procurement Library** and **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-024)**.
CCR-PAC-003	The Contractor must ensure at least **ninety (90%) percent** of PA requests will have a final determination made during the original Call from the Prescriber. Refer to **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-025)**.

2.16.4 Technical Call Center (TCC) Subdomain

The Contractor shall ensure Trading Partners get technical support when needed.

The Contractor, at a minimum, must provide the Services described in **Table 36 – Technical Call Center Requirement**.

Table 36 – Technical Call Center Requirement

REQ ID	Technical Call Center Requirement
CCR-TCC-001	The Contractor must provide technical support for Trading Partners via a dedicated toll-free telephone line in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.

2.17 FINANCE OPERATIONS (FIN) DOMAIN

During Phase II – Operations and Phase III – Turnover, the Contractor shall perform all financial services necessary to manage the cash receipts and handling, budgeting, forecasting, and reporting related to HHSC funding for the Contractor VPM Solution.

The Contractor, at a minimum, must provide the Services described in **Table 37 - Financial Requirements**.

Table 37 - Financial Requirements

REQ ID	Financial Requirements
FIN-REQ-001	The Contractor must coordinate all fiscal duties and payments to remain in compliance with HHSC's payment cycle in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-002	The Contractor must maintain HHSC-approved internal controls to ensure the integrity and security of all payments in accordance with Security Controls. Refer to **Attachment E – HHSC Security Controls**.
FIN-REQ-003	The Contractor must develop and submit for HHSC approval QA procedures to ensure the financial management system disburses, tracks, and accounts for VDP payments and recoveries accurately.

REQ ID	Financial Requirements
FIN-REQ-004	The Contractor must ensure the Contractor System submits separate voucher files for each applicable VDP program and provide voucher files to HHSC on a weekly cycle, by **10:00 a.m**. Central Time, on a day of the week specified by HHSC. Refer to **Attachment G – Data Exchanges**.
FIN-REQ-005	The Contractor must include claim voucher holds on the vouchers at the time the claim voucher holds occur and exclude the claim voucher holds from the vouchers at the time the claim voucher holds are dispositioned in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-006	The Contractor must develop and implement an HHSC-approved process to test the weekly payment voucher files to ensure mapping to the correct federal financial participation (FFP) rates and State Fiscal Year (SFY) in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-007	The Contractor must ensure the Contractor System dispositions recoupments and systematically determines the fiscal year, budget code, and agency for each recoupment, using the most currently available information in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-008	The Contractor must map all recoupments, rebate payments, and other funds received to the correct FFP rate, HHSC budget codes, and SFY in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-009	The Contractor must report all negative hold recoupments monthly to HHSC by the **tenth (10th)** Business Day of the month after reported of the following month. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-RPT-180)**.
FIN-REQ-010	The Contractor must identify refunds related to payment errors including, but not limited to, duplicate payments, over payments, and excessive payments by applicable service year and service month, and include lost interest calculated from the date of payment using the **thirteen (13)** week U.S. Treasury Bill (T-Bill) coupon equivalent rate in accordance with the processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.

REQ ID	Financial Requirements
FIN-REQ-011	The Contractor must provide HHSC with accurate and timely charge, expenditure, Client eligibility, and utilization data to support HHSC budget forecasts, tracking, and modeling including, but not limited to: a. participating and non-participating eligible Client counts and trends by VDP program and category of eligibility; b. utilization patterns by VDP program, Client pharmacy coverage group, provider type, and summary and detailed category of service charges, expenditures, and trends by VDP program and by summary and detailed category of service; and c. lag factors between date of service and date of payment to determine billing and cash flow trends.
FIN-REQ-012	The Contractor must generate HIPAA and Committee on Operating Rules for Information Exchange (CORE) compliant Electronic Data Interchange (EDI) 835 electronic remittance advices (RAs) and HHSC-defined payment registers in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-013	The Contractor must create and maintain a secure, web-based, interactive portal for Pharmacy Providers, Trading Partners, and HHSC staff to download and print weekly payment registers and RAs.
FIN-REQ-014	The Contractor must provide HHSC staff with support, online inquiry, and the ability to create Ad Hoc copies of RAs and payment registers.
FIN-REQ-015	The Contractor must establish a process, including timeframes, for collecting outstanding negative hold claim balances in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-016	The Contractor must comply with the legal requirements of any liens and levies received from HHSC-specified agencies or stakeholders and any other legal notice of liens against Pharmacy Providers.
FIN-REQ-017	The Contractor must ensure the Contractor System is updated, within HHSC-specified timeframes, with receipt of any liens and levies from HHSC-specified agencies or stakeholders.

REQ ID	Financial Requirements
FIN-REQ-018	The Contractor must provide clarification or additional documentation, as needed, to assist HHSC with the Advanced Planning Document (APD) Process, as it relates to the preparation of HHSC's public assistance cost allocation plan (PACAP).
FIN-REQ-019	The Contractor must ensure the Contractor System provides and maintains flexibility to track different types of A/R and the related A/R activity for rebates and claims.
FIN-REQ-020	The Contractor must establish and maintain a process for rebates and claims for bucketing, assigning, mapping, and cross walking program codes or designations to HHSC for federal financial matching in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-021	The Contractor must report any amounts collected on A/R older than **three hundred sixty-five (365)** calendar days to HHSC for rebates and claims monthly, either by budget or revenue code, and as directed by HHSC, and in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-022	The Contractor must report rebates and claims, at HHSC's direction, for any downward adjusted A/R or when a Pharmacy Provider has been flagged as terminated, out-of-business, or bankrupt in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-023	The Contractor must report A/R category criteria using HHSC-established budget or revenue codes and submit each time financial data is submitted by the Contractor to HHSC in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-024	The Contractor must ensure the Contractor System provides and maintains functionality, which is flexible enough to accommodate new budget codes, financial bucketing, and reporting to identify claims processed for specific disasters or special requests in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.

REQ ID	Financial Requirements
FIN-REQ-025	The Contractor must identify each claim with the account and budget, or revenue codes required for tracking to HHSC's accounting system in accordance with processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-026	The Contractor must ensure the Contractor System transmits complete claims payment files to the appropriate Pharmacy Provider in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-027	The Contractor must develop and maintain an HHSC-approved contingency plan for creating payment vouchers for Pharmacy Provider reimbursements, if the voucher details are not available on Monday mornings, as outlined in the Contractor's HHSC-approved BCCP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-002** and **DEL-TRA-015).**
FIN-REQ-028	The Contractor must include identifying information for all claims recouped via check that indicates that the Pharmacy Provider refunded HHSC the amount originally paid for the claim and ensure claims recouped by check are not included in future automated payments in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-029	The Contractor must ensure the Contractor System provides the functionality to apply full vendor payment holds to be used as offsets to Pharmacy Provider payments by program, dollar amount, or percentage, within timeframes approved by HHSC in accordance with the processes and procedures outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-030	The Contractor must establish a process, including timeframes, for collecting outstanding rebate balances in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-031	The Contractor must ensure the Contractor System dispositions rebate invoice payments and systematically determines the fiscal year, budget code, and agency for each payment, using the most readily available information.

REQ ID	Financial Requirements
FIN-REQ-032	The Contractor must report all rebate invoice corrections monthly to HHSC by the **tenth (10th)** Business Day of the month following the corrections. Refer to **Attachment A – Deliverables** **(See Deliverable ID DEL-RPT-179)**.
FIN-REQ-033	The Contractor must reconcile monthly drug rebate payment data against HHSC's fiscal reports with **one hundred (100%) percent** accuracy and generate the monthly drug redistribution report in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-RPT-168** and **DEL-OPS-034)**, **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-026)**, and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-034	The Contractor must post and reconcile manufacturer's Reconciliation of State Invoice (ROSI) and prior quarter adjustment (PQA) forms against the amount invoiced in accordance with the processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034)** and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-035	The Contractor must generate and submit to HHSC both the CMS 64-9R and CMS-21R Quarterly Rebate Report with **one-hundred (100%)** percent accuracy in accordance with processes and procedures in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034, DEL-RPT-171** and **DEL-RPT-172)**, **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-027)**, and the **VDP Process Guide in the Procurement Library**.
FIN-REQ-036	The Contractor must generate and submit to HHSC both the CMS 64-9R and CMS-21R Quarterly Rebate Report in accordance with timeframes outlined in the VPM Solution Process Guide. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-034**, **DEL-RPT-171** and **DEL-RPT-172)**, **Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-028)**, and the **VDP Process Guide in the Procurement Library**.

2.18 TECHNICAL SOLUTION (TSS) DOMAIN

2.18.1 General

During Phase II – Operations and Phase III – Turnover, the Contractor shall ensure the Contractor VPM Solution provides non-proprietary Services and Deliverables capable of being adapted and modified to meet HHSC's needs through configuration rather than customization.

The Contractor, at a minimum, must provide the Services described in **Table 38 - Technical Solution Requirements**.

Table 38 - Technical Solution Requirements

REQ ID	Technical Solution Requirements
TSS-REQ-001	The Contractor must ensure the Contractor System is accessible through multiple current web browsers (browser agnostic) and supports HHSC-approved web browsers including, but not limited to, browsers on tablets, smartphones, laptops, and other mobile devices.
TSS-REQ-002	The Contractor must ensure the Contractor System provides an HHSC-approved automated performance management tool accessible by HHSC which includes, at a minimum, the following: a. System defects; b. Technical requirements; c. Business requirements; d. Use cases; and e. Traceability to test scenario and results.
TSS-REQ-003	The Contractor must submit updates to the VPM maintenance schedule within **ten (10)** Business Days of any change in accordance with the Contractor's HHSC-approved SMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-014)**.
TSS-REQ-004	The Contractor must provide documentation to HHSC for any test results in accordance with the Contractor's HHSC-approved TMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-018)**.
TSS-REQ-005	The Contractor must notify HHSC and maintain any data restoration or recovery activities within timeframes outlined in the Contractor's HHSC-approved Disaster Recovery Plan (DRP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-015)**.
TSS-REQ-006	The Contractor must demonstrate disaster recovery functionality and provide results in accordance with the Contractor's HHSC-approved DRP. The disaster recovery results must include any new functionality implemented during the SFY. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-015)**.
TSS-REQ-007	The Contractor must develop and submit, for HHSC approval, electronic documentation on all system modifications regarding the Contractor System as described in the Contractor's HHSC-approved CMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-011)**.

REQ ID	Technical Solution Requirements
TSS-REQ-008	The Contractor must maintain an online and searchable electronic joint interface plan (JIP) repository that includes all HHSC-approved external interfaces to and from all components of the Contractor System. Refer to **Attachment G – Data Exchanges**.
TSS-REQ-009	The Contractor must perform cutover tests, including, but not limited to, running transactions at the backup site, and provide the results to HHSC as described in the Contractor's HHSC-approved DRP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-015)**.
TSS-REQ-010	The Contractor System must be able to successfully interface with the TMMIS and Trading Partners in accordance with the Data Exchanges. Refer to **Attachment G – Data Exchanges**.

2.18.2 VPM Solution Maintenance (SLM) Subdomain

The maintenance of the Contractor System is a fundamental Contractor responsibility that could result from various conditions and must be funded from the fixed administrative fees.

The Contractor, at a minimum, must provide the Services described in **Table 39 – Technical Solution VPM Solution Maintenance Requirements**.

Table 39 – Technical Solution VPM Solution Maintenance Requirements

REQ ID	Technical Solution VPM Solution Maintenance Requirements
TSS-SLM-001	The Contractor must ensure the Contractor System performs and tracks all routine maintenance as specified in the Contractor's HHSC-approved SMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-014)** and the **Samples of Historical Requests** artifact located in the **Procurement Library**.
TSS-SLM-002	The Contractor must notify HHSC and Trading Partners of the Contractor System and application Downtimes and outages as outlined in the Contractor's HHSC-approved COMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-009)** and **Attachment L - VDP Communication Guide**.
TSS-SLM-003	The Contractor must ensure the Contractor System is available for transaction processing **24/7/365**, except for HHSC-approved planned Downtime or maintenance windows as specified in the Contractor's HHSC-approved SMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-014)**.

REQ ID	Technical Solution VPM Solution Maintenance Requirements
TSS-SLM-004	The Contractor must notify HHSC within **fifteen (15)** minutes of discovery of any unplanned Contractor System Downtime issues in accordance with the Contractor's HHSC-approved Incident Notification and Resolution Plan (INRP). Refer to **Attachment A – Deliverables (See Deliverables ID DEL-OPS-13)**.
TSS-SLM-005	The Contractor must notify HHSC **ninety (90)** calendar days prior to the planned installation or implementation of new or existing hardware, software, Network, or data center environmental changes that affect the Contractor System utilized by Clients, Pharmacy Providers, HHSC staff, and Trading Partners. **Refer to Attachment A – Deliverables (See Deliverables ID DEL-OPS-11 and DEL-OPS-034)**.

2.18.3 CMS MMIS Certification and MITA (CMS) Subdomain

The Contractor must comply with all HHSC, HIPAA, and CMS security requirements, and the applicable laws set forth in the Contract. The Contractor shall ensure HHSC's data will be **one hundred (100%) percent** secure. At any time during the Contract Term, the Contractor will enable HHSC to monitor, audit, and verify all data protection and security measures in place.

The Contractor, at a minimum, must provide the Services described in **Table 40 – Technical Solution CMS MMIS Certification and MITA Requirements**.

Table 40 – Technical Solution CMS MMIS Certification and MITA Requirements

REQ ID	Technical Solution CMS MMIS Certification and MITA Requirements
TSS-CMS-001	The Contractor must document and maintain CMS MMIS certification of systems and make CMS MMIS certification documentation available to HHSC upon request.
TSS-CMS-002	The Contractor must provide a qualified POC to coordinate all certification activities and who meets the following qualifications: a. minimum of **three (3)** years of experience certifying systems against industry standards for projects similar in size and scope; and b. in-depth understanding of the most current MECT certification lifecycle required to successfully validate all CMS MMIS certification activities.
TSS-CMS-003	The Contractor must provide business process models for all Contractor VPM Solution operational activities required for CMS certification within **ninety (90)**

REQ ID	Technical Solution CMS MMIS Certification and MITA Requirements
	calendar days following the Operations Start Date and revisions every **six (6)** months thereafter or upon request by HHSC.
TSS-CMS-004	The Contractor must analyze and interpret State and federal rules and regulations that would impact the Contractor VPM Solution and assist HHSC staff with the planning, development, and implementation of those rules and regulations.
TSS-CMS-005	The Contractor must correct all required remediation deficiencies related to findings identified during the CMS MMIS certification process on a schedule to be approved by CMS and HHSC.
TSS-CMS-006	The Contractor must complete milestone updates of the CMS MMIS certification checklists as directed by HHSC.
TSS-CMS-007	The Contractor must provide to HHSC the CMS checklist documentation used to validate the Contractor System against the CMS MMIS certification checklists.
TSS-CMS-008	The Contractor must provide staff resources to support MECT milestone review and CMS MMIS certification activities, including participating in planning activities, meetings, and other CMS MMIS certification activities.
TSS-CMS-009	The Contractor must assist HHSC in preparing certification artifacts, evidence, and presentation materials (e.g., requirements, user stories, or use cases) for functional and non-functional requirements, data, business, capacity and performance, security and privacy, and HIPAA compliance, usability, maintainability, interface, 508-compliance, disaster recovery, and traceability to test plans or test cases.
TSS-CMS-010	The Contractor must participate and provide support in CMS MMIS certifications of other modules as directed by HHSC.
TSS-CMS-011	The Contractor must provide a Corrective Action Plan (CAP) for identified CMS MMIS certification deficiencies for HHSC approval within **three (3)** Business Days of written notification of the discovery of a CMS MMIS deficiency or potential deficiency and the Contractor must correct all required remediation activities in accordance with HHSC-approved CAP.
TSS-CMS-012	The Contractor must use appropriate testing, configuration, and Change Control procedures for all changes made to the Contractor VPM Solution during the CMS MMIS certification process. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-011)**.
TSS-CMS-013	The Contractor must update the Contractor System, user, and training documentation as necessary to support the CMS MMIS certification process and

REQ ID	Technical Solution CMS MMIS Certification and MITA Requirements
	to reflect changes that have been made to the Contractor VPM Solution during the CMS MMIS certification process.
TSS-CMS-014	The Contractor must ensure the Contractor VPM Solution meets all CMS MMIS Certification requirements through correct design, implementation, documentation, and compliance with the MECT.
TSS-CMS-015	The Contractor must ensure the Contractor System populates the CMS MMIS certification Document Repository immediately or by close of business of the day of HHSC approval as each required item/artifact is completed.
TSS-CMS-016	The Contractor must present status of checklist development and overall Contractor System compliance with CMS MMIS certification at milestone reviews and other CMS MMIS certification meetings as directed by HHSC.
TSS-CMS-017	The Contractor must support HHSC and its Trading Partners in Independent Verification & Validation (IV&V) activities associated with the Contractor VPM Solution as outlined in the MECT.
TSS-CMS-018	The Contractor must provide technical, functional, and performance documentation required by the IV&V service provider for the Contractor VPM Solution to support IV&V reporting needs identified in the most current version of MECT.
TSS-CMS-019	The Contractor must cooperate with HHSC's PMO and the IV&V service provider to give an accurate and industry standard reporting of the Contractor VPM Solution's overall status.
TSS-CMS-020	The Contractor must ensure the Contractor System provides sufficient environments and resources for the following: a. Synchronize the software and the data from the production environment and testing and impact analysis environment at a minimum on an SFY quarter or at the direction of HHSC; b. Synchronize the software and the data from the production environment and testing environment following any software deployments; c. Provide a fully functioning online test environment, which includes batch and online programs, files, and supporting systems; d. Provide technical and functional support to create and analyze "what-if" scenarios and compare results between scenarios in the impact analysis environment; e. Provide an analysis of outcomes in an impact analysis environment and an alternate test environment, such as production or test;

REQ ID	Technical Solution CMS MMIS Certification and MITA Requirements
	f. Provide HHSC-approved staff read-only access to all environments and tools; g. Provide resources to support the execution of automated regression testing; h. Provide comparative analysis support of regression testing results; i. Conduct testing of approved system configuration changes, corrections, or enhancements on or before implementation; and j. Provide Contractor staff, designated by HHSC, to create and edit appropriate data to support testing efforts, including Pharmacy Provider, Client, and reference data.
TSS-CMS-021	The Contractor must provide training and support to HHSC staff and Trading Partners, on the use of the Contractor System. This may include traceability tools, document repositories, and testing tools.
TSS-CMS-022	The Contractor must ensure the Contractor VPM Solution has full integration of the MITA initiative with business processes, Technical Architecture, and data required to support HHSC's VDP programs.
TSS-CMS-023	The Contractor must provide resources and information to assist with HHSC's activities in support of the "To-Be" vision of the CMS standards and conditions and the MITA framework, as directed by HHSC, to improve MITA maturity for business architecture, information architecture, and Technical Architectures.
TSS-CMS-024	The Contractor must ensure the Contractor's staff has extensive industry standard knowledge of the MITA framework including the business architecture, information architecture, and Technical Architecture such that the Contractor can determine MITA maturity impacts associated with business process redesign, software development, and maintenance.
TSS-CMS-025	The Contractor must provide all information requested by HHSC's IV&V service provider including, but not limited to, the following: a. Incorporation of the CMS conditions and standards into system and business process design and development; and b. Incorporation of HHSC's MITA goals and roadmap into actual design and development.
TSS-CMS-026	The Contractor must meet future MITA or other external architecture requirements as required by State or federal laws, rules, and guidelines.
TSS-CMS-027	The Contractor must provide Contractor staff and information as requested by HHSC to assist with MITA State self-assessment and MITA roadmap activities. Information must be provided in a format, media, content, and within timeframes

REQ ID	Technical Solution CMS MMIS Certification and MITA Requirements
	approved by HHSC. Refer to the **MITA 3.0 2019 State Self-Assessment** information in the **Procurement Library**.
TSS-CMS-028	The Contractor must ensure that all Contractor's staff with responsibility for business analysis or systems analysis shall receive training covering the MITA framework including the business architecture, information architecture, and Technical Architecture.
TSS-CMS-029	The Contractor must update and submit, for HHSC approval, all documentation as outlined on CMS MECT website and any other post-deployment certification documentation as required by CMS including, but not limited to: a. CMS Certification plan - Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-030)**; b. User Interface Style Guide - Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-031)**; and c. CMS Certification crosswalk - Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-032)**.

2.18.4 Testing (TST) Subdomain

The Contractor shall ensure that Network infrastructure and Contractor System modifications are successfully performed prior to implementation.

The Contractor, at a minimum, must provide the Services described in **Table 41 – Technical Solution Testing Requirements**.

Table 41 – Technical Solution Testing Requirements

REQ ID	Technical Solution Testing Requirements
TSS-TST-001	The Contractor must provide a test environment that adequately represents the production environment to allow HHSC staff to review and approve changes prior to moving the changes to production in accordance with the Contractor's HHSC-approved TMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-018)**.
TSS-TST-002	The Contractor must test all Contractor System modifications before moving into production and maintain environments for all UAT (i.e. walkthroughs) in accordance with the Contractor's HHSC-approved TMP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-018)**.

REQ ID	Technical Solution Testing Requirements
TSS-TST-003	The Contractor must provide testing for any Contractor System change in accordance with the Contractor's HHSC-approved TMP and report results to HHSC for approval. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-018)**.

2.19 TURNOVER (TUR) DOMAIN

2.19.1 General

The Contractor must plan and transfer the Services and all related VDP data and information from the Contractor VPM Solution to its successor or to HHSC. During the Turnover Phase, the Contractor must continue to provide Phase II – Operations Services until the orderly transfer and efficient transition of all Services occurs to the successor service provider or HHSC.

The Contractor, at a minimum, must provide the Services described in **Table 42 - Turnover Requirements.**

Table 42 - Turnover Requirements

REQ ID	Turnover Requirements
TUR-REQ-001	The Contractor must coordinate with HHSC and Trading Partners to successfully plan and transfer the management and operations of the Contractor VPM Solution and HHSC's assets and related business and technical functions in a format, media, content, and within timeframes approved by HHSC to its successor or to HHSC in a commercially reasonable form.
TUR-REQ-002	The Contractor must maintain all Key Personnel and required Contractor staff during the Turnover Phase.
TUR-REQ-003	The Contractor must collaborate with HHSC and successor to interpret and analyze test results and resolve all identified issues from turnover activities as outlined in the Contractor's HHSC-approved Turnover Plan (TOP). Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TUR-001)**.
TUR-REQ-004	The Contractor must conduct and document turnover knowledge transfer sessions with HHSC-designated staff, successor, and Trading Partners for all current Contractor System functionality and Services as outlined in the Contractor's HHSC-approved TOP. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-TUR-001)**.
TUR-REQ-005	The Contractor must purge all HHSC data from the Contractor System and all backups once HHSC has confirmed receipt of all the data and certify in writing

REQ ID	Turnover Requirements
	data has been destroyed. Refer to **<u>Exhibit F1 – HHSC Data Use Agreement (DUA)</u>**, **<u>Exhibit F2 – HHSC Security and Privacy Inquiry (SPI)</u>** and **<u>Attachment D – Retention Schedule</u>**.
TUR-REQ-006	The Contractor must provide all Turnover Phase Deliverables within timeframes outlined in the Contractor's HHSC-approved TOP. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TUR-001)</u>** and **<u>Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-029)</u>**.
TUR-REQ-007	The Contractor must continue providing support for the Contractor VPM Solution Services for **ninety (90)** Business Days after turnover activities are complete to address technical questions or any unresolved activities from HHSC, HHSC's designee, or successor.

2.19.2 Turnover Plans (PLN) Subdomain

The Contractor must ensure all turnover activities and tasks are completed.

The Contractor, at a minimum, must provide the Services described in **Table 43 - Turnover Plans Requirements.**

Table 43 - Turnover Plans Requirements

REQ ID	Turnover Plans Requirements
TUR-PLN-001	The Contractor must develop and submit the initial TOP to HHSC for approval within **six (6)** months after the Operations Start Date, annually thereafter, and as directed by HHSC. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TUR-001)</u>** and **<u>Attachment B – Key Performance Measures and Liquidated Damages (See Key Performance Measure ID KPM-030)</u>**.
TUR-PLN-002	The Contractor must submit all modifications to the Contractor's HHSC-approved TOP in writing to HHSC for approval. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TUR-001)</u>**.
TUR-PLN-003	The Contractor must submit an updated TOP within **ninety (90)** calendar days from notification of Contract termination or as directed by HHSC. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-TUR-001)</u>**.

2.20 FINANCIAL APPROACH

2.20.1 Overview of Financial Approach

This Section presents the rights, requirements, and responsibilities of HHSC and the Contractor for monitoring, recording, and reporting of financial transactions during the Contract. All costs and expenses incurred by the Contractor or any of its Subcontractors for the completion of any contractual requirement will be included in the Cost Proposal submitted by the Respondent. Additional costs or expenses not contained in the Cost Proposal will not be allowed under the Contract, unless approved in advance by HHSC. Approval shall be limited to matters falling under **Sections 2.22.5, Change to Existing Services** and **2.22.9, Service Provider Labor Rates for Changes to Services and Task** of this Contract.

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

Any expenses incurred by the Contractor or any of the Contractors Subcontractors for the completion of any contractual requirement deemed by HHSC or any State, federal, or HHSC auditors to be inefficient or uneconomical will be deemed unallowable under the Contract resulting from this Solicitation. HHSC reserves the right to reduce the Contractor's administrative payments for the duration of the Contract for any contractual requirement deemed to be inefficient or is not being provided economically.

The reduction of a Contractor's payments from HHSC for any contractual requirement deemed to be inefficient or is not being provided economically will be determined based on facts related to each specific circumstance. The basis for determining the efficiency or economic value will be based on numerous elements including, but not limited to, specific audit findings, additional research performed by HHSC subsequent to an audit finding, and discussions with the Contractor related to the finding. The Contractor has the right to review, challenge, and dispute any audit findings. Any such dispute will be managed through the dispute resolution process contained in **Article XI Section 11.14 of Exhibit D - HHSC Uniform Terms and Conditions (Vendor).**

2.20.2 Business Objective

The objective of the Financial Approach is to describe the financial components that will enable HHSC to achieve the objectives described in **Article II - Scope of Work**. This approach will also ensure that all Services required of the successful Contractor are provided as efficiently and effectively as possible and assist HHSC in its responsibility for efficient and effective administration of federal awards through the application of sound management practices.

2.21 Financial Accounting and Reporting Requirements

2.21.1 Overview

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

2.21.2 Business Objective

The business objectives relating to accounting and reporting requirements include:

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

    a. Generally Accepted Accounting Principles (GAAP);

    b. Title 48 CFR, Subchapter E, Chapter 1, Parts 30 and 31, and Title 48 CFR, Chapter 99 (FAR regulations);

    c. Federal and State regulations, rules, and guidelines, applicable to programs within the scope of the Solicitation;

    d. HHSC guidelines, rules, regulations, and provisions applicable to programs within scope of this procurement; and

    e. Providing authorized representatives of HHSC and the federal government full access to all information needed to conduct financial reviews and audits required by law or by the Contract resulting from this Solicitation in accordance with applicable standards.

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

2. Effectively regulating costs. To this end, Allowable Costs are costs that are:

    a. Necessary and reasonable for the proper and efficient performance and administration of applicable State and federal awards;

    b. Allocable to applicable federal awards under the provisions of the federal standards or any other accounting provisions included in the Contract resulting from this Solicitation;

c. Authorized or not prohibited under State laws, State regulations, or any provision included in the Contract resulting from this Solicitation;

d. In conformity with any limitations or exclusions set forth in applicable accounting principles, current and future State and federal laws, terms and conditions of HHSC and federal award(s) to HHSC, or the Contract resulting from this Solicitation;

e. Consistent with policies, regulations, and procedures that apply uniformly to State and federal awards impacting the Contract resulting from this Solicitation;

f. Determined in accordance with GAAP;

g. Adequately documented; and

h. Consistent with a prospective Contractor's normal treatment of the expense.

NOTE: A cost may not be assigned to a federal award or a Contract resulting from this Solicitation as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a federal award or a different Contract with HHSC as an indirect cost.

2.21.3 Financial Accounting Requirements

2.21.3.1 Contractor Responsibilities

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

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

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

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

1. Local and state taxes paid to local or state governments outside of Texas (other than hotel, airline, and sales taxes expended specifically for the Contract resulting from this Solicitation);
2. Federal taxes (other than hotel and airline taxes expended specifically for the Contract resulting from this Solicitation);
3. Bid and Proposal costs of any type;
4. Employee bonuses in excess of **ten (10%) percent** of the employee's base pay;
5. Public relations and selling costs;
6. Actual costs, remedies, or damages due to HHSC for the Contractor not meeting HHSC performance requirements;
7. Any monies owed to the federal government due to the Contractor not meeting federal performance requirements;
8. Dispute resolution and arbitration costs, including legal fees and expert witness expenses;
9. Contingency funding costs;
10. Pre-Contract costs;
11. Indirect expenses (overhead, general and administrative charges, etc.) and Administrative Service Fees related to pass-through items;
12. As indicated in Title 48 CFR, Chapter 1, Subchapter E, Part 31, Section 31.203, any indirect costs and associated profit applicable to Subcontract costs where the Contractor does not provide "added value" (e.g., Subcontract management functions) are considered excessive pass-through costs which are unallowable; and
13. Inter-company profits and margins related to all transactions with any parent, affiliate, or subsidiary organization, including inter-company profits and margins related to all transactions the Contractor or the Contractor's subsidiary has with any parent, affiliate, or subsidiary organization.

In addition to the requirements stated above, the successful Contractor is responsible for maintaining an accounting system in compliance with the requirements stipulated in **Table 44 – Contractor Responsibilities for Financial Accounting** below.

Table 44 – Contractor Responsibilities for Financial Accounting

REQ ID	Contractor Responsibilities for Financial Accounting
PFR-REQ-001	Maintain and keep separate financial records for each of the Domains listed in **Article II – Scope of Work**.
PFR-REQ-002	Establish and maintain an accounting system in accordance with the following standards and as they may be amended during the term of the Contract: a. FAR Title 48 CFR, Chapter 1, Subchapter E, Parts 30 and 31, and Title 48 CFR, Chapter 99; b. Applicable federal guidelines, rules, and regulations; c. HHSC guidelines, rules, regulations, and provisions of this procurement; and d. GAAP. Title 48 CFR Chapter 99, Subchapter B, Part 9904, Section 9904.401 relates to cost accounting standards regarding the consistency in estimating, accumulating, and reporting costs. The Contractor's methods used in estimating/projecting costs in the Contractor's Cost Proposal (including the Administrative Service Fee) must be consistent with these cost accounting practices used in accumulating and reporting actual costs. **NOTE**: Where HHSC guidelines, rules, regulations, and provisions of this procurement set a stricter or more demanding standard than GAAP; Title 48 CFR, Chapter 1, Subchapter E, Part 30; Title 48 CFR, Chapter 1, Subchapter E, Part 31; or Title 48 CFR, Chapter 99; then the HHSC guidelines, rules, regulations, and provisions of this procurement will prevail. The Contractor's accounting system must: a. Maintain accounting records related directly to the performance of the Contract resulting from this Solicitation; and b. Maintain accounting records related to the Contract resulting from this Solicitation separate and apart from other corporate accounting records. The Contractor's methods used in estimating/projecting costs, including the Administrative Service Fee in the Contractor's Cost Proposal, must be consistent with the cost accounting practices in Title 48 CFR Chapter 99, Subchapter B, Part 9904, Section 9904.401 and used in accumulating and reporting actual costs, including the Administrative Service Fee.
PFR-REQ-003	Maintain an accounting system that provides an audit trail containing sufficient financial documentation to allow for the reconciliation of billings, reports, and financial statements with all general ledger accounts and

REQ ID	Contractor Responsibilities for Financial Accounting
	specific Domain and Subdomains as defined in **Sections 2.6.4, Domains and Subdomains** and **7.3, Cost Proposal Instructions**.
PFR-REQ-004	Retain sufficient documentation and persuasive audit evidence (e.g. PFR 04) to support and verify all costs submitted to HHSC for reimbursement, including proper invoices, underlying accounting records, or other documents to support all payables and intercompany charges.
PFR-REQ-005	Maintain, document, and submit operations cost data in accordance with HHSC, State, and federal requirements, manuals, and directives. Documentation must support and differentiate between functional operational costs for Services provided by the Respondent for any of the programs supported by the Contract resulting from this Solicitation. The format of these reports must allow HHSC to comply with State and federal reporting requirements and to compare Operations cost data to the Cost Proposal and Price Summary information for each applicable Domain administered under the Contract resulting from this Solicitation.
PFR-REQ-006	Submit an initial accounting policy manual with the Contractor's Cost Proposal that includes all proposed accounting policies and procedures (including cost allocations) the Contractor utilized to calculate the Contractor's Fixed Prices and Hourly Rates that are included in the Contractor's Cost Proposal.
PFR-REQ-007	Submit a copy of the Contractor's Cost Accounting Standards Board Disclosure Statement (form CASB DS-1) (Refer to Title 48 CFR Chapter 99, Subchapter B, Part 9903, Section 9903.202.) a. Prospective Contractors that already have a Federal Disclosure Statement in use by one or more federal agencies would need to submit a copy of the current Federal Disclosure Statement with their Proposal; and b. Prospective Contractors that do not currently do business with the federal government or are not required to have a Federal Disclosure Statement will not be required to create/submit one to HHSC with their Cost Proposal. **NOTE:** A Disclosure Statement could be required to be completed by the Contractor if a Contractor's total amount of business with one or more federal entities, including the annual values of the final resulting Contract, exceeds the thresholds contained in Title 48 CFR, Chapter 99, Subchapter B, Part 99, Section 9903.202. As required in Solicitation **Exhibit M or M1 VPM Cost Workbooks**, all Contractors must fully complete and provide a detailed analysis of all indirect rates (**Exhibit M or M1 - VPM Cost Workbooks**, OPS_6, Table-24), and Administrative Services Rates (**Exhibit M or M1 - VPM Cost Workbooks**, OPS_7, Table 25) developed specifically for and utilized in the Contractor's Cost Proposal.

REQ ID	Contractor Responsibilities for Financial Accounting
PFR-REQ-008	Submit a final accounting policy manual and Disclosure Statement (Cost Accounting Practices Statement Title 48 CFR, Chapter 99, Subchapter B Part 9903 Section 9903.101–) within **forty-five (45)** calendar days of Effective Date which includes any modifications necessary due to Contract negotiations and all of the proposed accounting policies and procedures the Contractor must follow during the duration of the Contract. Any modifications included in the final accounting policy manual submitted within **forty-five (45)** calendar days of Effective Date must be approved in writing by HHSC prior to implementation of any change. Any modifications to the final accounting policy manual approved by HHSC must be approved in writing by HHSC prior to implementation of any change. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-022)**.

2.21.4 General Access to Accounting Records

The successful Contractor must provide authorized representatives of HHSC full access to all financial and accounting records related to the performance of a Contract resulting from this Solicitation, including all requested Subcontractor financial and accounting records. The financial and accounting records will be provided to the authorized representatives of HHSC in an electronic format when requested.

In addition to the requirements stated above, the Contractor and its Subcontractor(s) must comply with providing access to accounting records requirements stipulated in **Table 45 – Accounting Records Requirements** below.

Table 45 – Accounting Records Requirements

REQ ID	Accounting Records Requirements
PFR-REQ-009	Cooperate with HHSC and authorized representatives in their inspections, audits, and reviews, and provide all necessary records and information. As required by Title 48 CFR, Chapter 1, Subchapter E, Part 30; Title 48 CFR, Chapter 1, Subchapter E, Part 31; and Title 48 CFR, Chapter 99; it is the responsibility of the Contractor to provide adequate documentation and justification to the authorized representatives of HHSC during the inspection, audit, or review process for all expenses included in the Contractor's accounting records.
PFR-REQ-010	Permit authorized representatives of HHSC full access, both online (on a read-only basis) and in person, during normal business hours, to the accounting

REQ ID	Accounting Records Requirements
	records that HHSC or its authorized representatives determine are relevant to any Contract resulting from this Solicitation. Such access is guaranteed at all times during the performance and retention period of any Contract resulting from this Solicitation, and will include both announced and unannounced inspections, on-site audits, and the review, analysis, or reproduction of reports produced by the Contractor. If any report cannot be accessed online then Contractor will deliver to HHSC any reports or records that cannot be accessed online by HHSC personnel in a format, media, content, and within timeframes approved by the State. The Contractor shall support audits past the end of the Contact as long as required to complete any outstanding audit and meet any appropriate agency's retention policies.
PFR-REQ-011	Make accounting records or supporting documentation relevant to any resulting Contract available to HHSC or its agents within **ten (10)** Business Days of receiving a written request from HHSC for specified records or information.
PFR-REQ-012	Pay all additional costs, including any applicable professional fees, incurred by HHSC resulting from the Contractor's failure to provide the requested accounting records or financial information within the specified **ten (10)** Business Days of receiving a written request from HHSC for specified accounting records or information.
PFR-REQ-013	Provide authorized representatives of HHSC with access to accounting and financial records of all Subcontractors, suppliers, or other parties the Contractor hires, retains, or otherwise employs or pays for Goods or Services related to the performance of a Contract resulting from this Solicitation. This requirement is limited to those records that relate to the performance of any applicable functions of a Contract resulting from this Solicitation. The Contractor must include this requirement in any Contract(s) it enters with such Subcontractors, suppliers, or other parties related to this Solicitation.
PFR-REQ-014	Provide authorized representatives of HHSC with access to the accounting and financial records of the Contractor's parent company, Contractor's affiliates, Contractor's subsidiaries, and to any individual, partnership, firm, or corporation of the Contractor or parent company of the Contractor that transacts business with any department, board, commission, institution, or other HHSC or federal agency connected with a Contract resulting from this RFO. This requirement is limited to those records that relate to the performance of a Contract resulting from this Solicitation.

2.21.5 Financial Reports Requirements

2.21.5.1 Contractor Responsibilities

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

The Contractor is responsible for providing financial reports to satisfy the requirements stipulated in **Table 46 – Contractor Responsibilities for Financial Reporting** below.

Table 46 – Contractor Responsibilities for Financial Reporting

REQ ID	Contractor Responsibilities for Financial Reporting Requirements
PFR-REQ-015	Provide monthly financial statements, including but not limited to, an Income Statement outlining the Contractor's operation under the Contract no later than the **twenty-fifth (25th)** calendar day following the end of the previous month. HHSC reserves the right to request financial information in a format that will allow HHSC to most efficiently comply with its State and federal financial reporting requirements. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-023)**.
PFR-REQ-016	Provide a separate monthly expense summary, detailing operations under a Contract resulting from this Solicitation for each of the Domains of the Contract, no later than the **twenty-fifth (25th)** calendar day after the end of each reporting month period. Each summary will include accounts in conformance with GAAP and the FAR contained in this **Article II - Scope of Work.** In addition to an expense account listing, the reports will also identify total expenditures by Domain. The Contractor will identify and eliminate any expenses not allowed by State or federal laws and regulations and any applicable provisions included in this Solicitation. HHSC reserves the right to request modifications to monthly financial reports if, in HHSC's sole determination, such changes are in HHSC's best interest. Requested modifications to monthly financial reports will be completed by the Contractor or any Contractor Subcontractor with no additional charges due from HHSC. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-024)**.
PFR-REQ-017	Provide a quarterly expense summary that will fully disclose the financial impact of all transactions with any parent, affiliated, or subsidiary organization, either under a formal or informal arrangement, that relates to the performance under the Contract. These transactions must be reported in a manner such that inter-company profits and margins are eliminated. The methodologies and assumptions supporting cost allocations must be disclosed, including cost allocations from home or central office, and must follow the prescribed methodologies included in

REQ ID	Contractor Responsibilities for Financial Reporting Requirements
	the accounting policy manual approved by HHSC. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-OPS-025)</u>**.
PFR-REQ-018	Provide annual financial statements for the preceding State Fiscal Year no later than **ninety (90)** calendar days after the end of each State Fiscal Year or after the termination of a Contract resulting from this solicitation. These annual financial statements must depict the financial position of the Contractor and the result of operations (including Administrative Service Fees) for each applicable Domain under the Contract. HHSC will consider this financial statement (report of Allowable Costs) as "FINAL" for the applicable Operational Contract period and will not recognize any additional direct expense(s) not included in the financial report as allowable for the Retrospective Cost Settlement provision of the Contract described in **Section 2.21.5. Financial Reports Requirement**. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-OPS-026)</u>**.
PFR-REQ-019	Provide a separate expense summary, detailing operations under any Contract resulting from this Solicitation no later than **ninety (90)** calendar days after the end of each Contract Year or after the termination of the Contract resulting from this Solicitation. Each summary will include accounts in conformance with GAAP and any applicable provisions included in this Solicitation. The prospective Contractor will identify and eliminate any expenses not allowed by State or federal laws and regulations and any applicable provisions included in this Solicitation. HHSC reserves the right to request modifications to annual financial reports if, in HHSC's sole determination, such changes are in HHSC's best interest. Requested modifications to annual financial reports will be completed by the prospective Contractor with no additional fees due from HHSC. The expense summary will fully disclose the financial impact of all transactions with any parent, affiliated, or subsidiary organization either under a formal or informal arrangement that relates to the performance under the Contract. These transactions will be reported in a manner such that inter-company profits and margins are eliminated. The methodologies and assumptions supporting cost allocations will be disclosed, including cost allocations from home or central offices; and will follow the prescribed methodologies included in the accounting policy manual approved by HHSC. Refer to **<u>Attachment A – Deliverables (See Deliverable ID DEL-OPS-027)</u>**.

2.22 Financial Payment Structure and Provisions

The Contractor will receive payments monthly as compensation for correctly performing the Services and Deliverables required in the Contract, pursuant to the requirements of this Solicitation.

Payment for the contractual Services described in this Solicitation will be based on multiple pricing structures, depending on the specific Service or Deliverable required and whether the Contractor performed the required Service or Deliverable correctly and on time. The Contractor will receive payments monthly as compensation for correctly and appropriately performing the Services and Deliverables required in the Contract resulting from this Solicitation.

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

1. **Administrative Services** – Costs for administrative services provided by the Contractor will be based on Fixed Fee(s) and Variable Fee formulas. The Fixed and Variable Administrative Fee(s) will be competitively determined. Administrative costs are further addressed in **Section 2.22.1, Payment for Administrative Services**. The operational costs for administrative services will be subject to the Retrospective Cost Settlement provisions documented in **Section 2.23.3, Retrospective Cost Settlement** of this Solicitation**;**

2. **Non-Recurring Systems Maintenance, Modifications, and Additional Periodic Activities**
   The costs associated with non-recurring systems maintenance, modifications, and additional periodic activities to be performed by the Contractor, other than those approved and performed by the base maintenance or base enhancements hours outlined in **Section 2.19.2, Turnover Plans (PLN) Subdomain Contractor System Ad Hoc Modification Request Cost Proposal** must include **five thousand (5,000)** hours annually, to be used for non-maintenance requested modifications based on historical requests throughout the Contract Term and will, in part, be based on explicit fixed prices competitively proposed by the Contractor. Additional periodic activities are further addressed in **Section 2.22.10, Additional Periodic Activities;**

   In **Section 2.22.11, Additional Recurring Activities** - The costs associated with additional recurring activities, including recurring systems maintenance and modifications, will be negotiated between the Contractor and HHSC after HHSC determines that the Contractor has submitted all of the detailed cost information (including detailed supporting metrics deemed acceptable by HHSC) necessary to accurately modify the applicable Fixed Fees. Once a total cost for the additional recurring activities is agreed upon, HHSC will make the determination as to whether one or more of the Fixed Fee formula(s) are modified, or all payment elements are modified. Additional Recurring Activities are further addressed in **Section 2.22.11, Additional Recurring Activities**; and **Section 2.22.12, Transition Fees** - Transition costs will be paid on a Fixed Fee basis. Transition costs in excess of the final fixed price amount included in the Contract resulting from this Solicitation will not be paid by HHSC. Any expenses incurred by a Contractor after the commencement of the Operations Phase of the Contract resulting from this Solicitation to complete transition activities or correct any defects from the Transition Phase must not be recorded as an operational expense and will not be considered an allowable expense for the Retrospective Cost Settlement provisions described in the Solicitation **Section 2.23.3, Retrospective Cost Settlement**. Transition Fees are further addressed in **Section 2.22.12, Transition Fees.**

2.22.1 Payment for Administrative Services

Payment for administrative services will be based on a combination of one or more Fixed Administrative Fee(s) plus one or more Variable Administrative Fee(s).

The Contractor must submit a detailed breakdown of all Services and Deliverables using an invoice format approved by HHSC, and payment is strictly conditioned on approval and acceptance by HHSC.

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

HHSC will reduce the fixed or variable administrative payments for any Services that become obsolete or no longer necessary during the Contract resulting from this Solicitation.

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

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

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

The Contractor's Cost Proposal and Price Summary Sheet(s) described in **Exhibit M or M1 - VPM Cost Workbooks** must be based on the Contractor's proposed costs and an Administrative Service Fee that will be included as part of each proposed Fixed or Variable Fee and each proposed Periodic Activity Fee. The Administrative Service Fee is intended to represent a (profit) percentage that will be applied as a "mark-up" to Allowable Costs, excluding pass-through items.

The final Administrative Service Fee that is included in the Contract resulting from this Solicitation will remain unchanged and will be applicable for all Fixed Fees, Periodic Activity Fees, Recurring Activity Fees, and any Change Order Requests executed during the term of the Contract.

The Contractor must submit one or more monthly invoice(s) following the month in which the Contractor provides the required administrative services. HHSC will process and pay monthly Fixed, Variable, Periodic, Recurring, and Transition Administrative Fees in accordance with Texas Government Code Title 10, Subtitle

F, Chapter 2251. Invoices must be submitted by the Contractor to HHSC in the format specified by HHSC. Each invoice will be processed and paid separately.

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

To be paid for the service delivery fees previously denied or not processed by HHSC, the Contractor must submit supplemental invoice(s) along with all necessary corrections.

If any discrepancies are determined in the supporting documentation and invoice provided by the Contractor, HHSC will notify the Contractor of the discrepancies as soon as is practicable and will not process the invoice until all information is reconciled.

2.22.2 Fixed Administrative Fees

Fixed Administrative Fees will be proposed for each **twelve (12)** month Operational Contract Year and any applicable Operational Year less than **twelve (12)** months for the Base Term and any of the **three (3)** optional contract extensions of a resulting Contract. The Fixed Administrative Fees for operational Contract extension #1 will be determined by the application of a fixed annual inflator/deflator proposed by the Contractor and subject to approval and acceptance by HHSC. The annual inflator/deflator will not be applicable to optional Contract extensions #2 and #3.

Fixed Administrative Fees for an Operational Contract Year of **twelve (12)** months or less will be paid in equal monthly payments based on the total number of applicable months included in that Operational Year. Fixed Administrative Fees will be paid to the Contractor retrospectively.

Fixed Administrative Fees in excess of the final fixed price amount(s) included in the Contract resulting from this Solicitation will not be paid by HHSC.

The Contractor will supply detailed information with the invoice(s) as directed by HHSC to enable HHSC to allocate costs for the Services in accordance with the various State and federal funding sources that support the Contract. As directed by HHSC, the Contractor must also provide supporting documentation for fixed administrative cost invoices, in an electronic format, subject to approval by HHSC, in accordance with the various State or federal funding sources that support the Contract.

2.22.3 Variable Administrative Fees

Separate variable administrative fees will be proposed for each Operational Contract Year for the Base Term and any of the **three (3)** optional contract extensions. The variable administrative fees for optional Contract extension #1 will be determined by the application of an inflator/deflator proposed by the Contractor and subject to approval and acceptance by HHSC. HHSC reserves the right to modify the payment structure to include one or more additional variable administrative fees that will be negotiated with the Contractor. Variable Administrative Fees will be paid to the Contractor retrospectively.

The Contractor must submit monthly variable administrative cost invoices based on the determination of the costs. Each invoice must show separate lines for each strategy, risk group, and Federal Financial Participation rate. The Contractor must also provide supporting documentation for variable units included for each variable invoice, in an electronic format, subject to approval by HHSC, by program, appropriations strategy, risk group, and Federal Financial Participation rate.

2.22.4 Determination of Variable Fees

1. **E-Prescribe Client Benefit Variable Based Fee**
   E-Prescribe Client Benefit Variable Fees will be based upon the total number of Client Benefit Transactions processed during a month.

   "Client Benefit Transaction" means, for an individual, all electronic requests for Client information initiated by an E-Prescribing participant during a single day that are related to the Client participating in one of the eligible programs whose pharmacy benefits are administered by the Texas VDP and are communicated to the Texas VDP through the service provider. A Client Benefit Transaction includes, but it is not limited to, requests for eligibility status, pharmacy benefit limitations, medication history, formulary coverage, and PA requirements. All allowable Client Benefit Transactions for a single Client on the same day will count as a single transaction.

2. **DUR Intervention Variable Based Fee**
   DUR intervention variable-based fees will be based upon the total number of DUR interventions performed in a given month. The fee will be a fixed intervention rate that will be paid for each DUR intervention.

   The Contractor will perform a minimum of **seven (7)** Interventions Proposals per year at HHSC's discretion. The DUR Contractor will begin to conduct Intervention activities after receiving HHSC DUR project manager's written approval of an Intervention Proposal in addition to the quarterly DUR Board approval.

2.22.5 Change to Existing Services

HHSC anticipates that, during the life of any Contract resulting from this Solicitation, implementation of federal and State mandates and other State initiatives through the COR process will require additions or changes to the normal activities performed under the Contract that are within the scope of the Contract. All such changes will be negotiated between HHSC and the Contractor. The pricing associated with additional or modified activities will be negotiated between the Contractor and HHSC after HHSC determines that the Contractor has submitted all the detailed cost information (including detailed supporting metrics and detailed supporting costs deemed acceptable by HHSC) necessary to accurately modify the applicable Fixed Fee formulas. Once a total cost for the additional or modified activities is agreed upon, HHSC will make the determination as to which Fixed Fee formula(s) are modified.

2.22.6 Additional Services

If HHSC requests the Contractor to perform any additional services reasonably related to the scope of this Solicitation, the Contractor will promptly prepare a COR for HHSC's consideration. Unless otherwise agreed by the Parties, Contractor will prepare such at no additional charge to HHSC and will deliver such Proposal to HHSC within **ten (10)** Business Days, or any other period HHSC agrees to, of its receipt of HHSC's request; provided, that the Contractor will respond more quickly in the case of a pressing need or an emergency situation. HHSC will provide such information as the Contractor reasonably requests in order to prepare such new Service Proposal.

Additional service proposals will include, at a minimum, the following information, properly itemized and supported by sufficient substantiating data, including documentation by Subcontractors performing the work, to permit evaluation:

1. A Project plan and fixed price or price estimate for the new Service;
2. A breakdown of such price or estimate;
3. The estimated level of effort (service hours);
4. A description of the Service Levels to be associated with such new Service;
5. A schedule for commencing and completing the new Service;
6. A description and justification of the new hardware or software to be provided by the Contractor in connection with the new Service;
7. A description of the software, hardware, and other resources necessary to provide the new Service;
8. Any additional facilities or labor resources to be provided by HHSC in connection with the new Service;
9. Any risks associated with the new Service or the integration of the new Service into the existing environment;
10. In the case of any developed materials to be created through the provision of the new Service, any ownership rights therein that differs from the provisions already included in the Contract; and
11. An analysis and estimate of the operational impacts related to additional Services.

HHSC may accept or reject Proposals for additional Services. Upon HHSC acceptance of Contractor’s Proposal for additional Services, the Contract will be amended accordingly to include such additional Services. If the Contractor is unable to provide such additional Services using its own resources (including resources it procures through a supplier or Subcontractor), HHSC may require the

Contractor to engage (as Contractor's Subcontractor) a third party approved or selected by HHSC to provide such Services.

Notwithstanding any provision to the contrary:

1. Contractor will act reasonably and in good faith in formulating such pricing Proposal;
2. Contractor will use commercially reasonable efforts to identify potential means of reducing the cost to HHSC, including utilizing Subcontractors as and to the extent appropriate;
3. Such pricing Proposal will be no less favorable to HHSC than the pricing and Labor Rates set forth herein for comparable Services;
4. Such pricing Proposal will take into account the synergies of existing and future volume of business between HHSC and the Contractor; and
5. Contractor shall not be entitled to an increase in the Contract amount or an extension of the Base Contract Term with respect to any work performed that is not required by the Contract as amended, modified, and supplemented in a fully executed Contract Amendment.

2.22.7 Extraordinary Events

If an Extraordinary Event occurs, HHSC may, at its option, request more favorable pricing with respect to applicable fees in accordance with the following:

1. Contractor and HHSC will mutually determine on a reasonable basis the efficiencies, economies, savings, and resource utilization reductions, if any, resulting from such Extraordinary Event and, upon HHSC's approval, Contractor will then proceed to implement such efficiencies, economies, savings, and resource utilization reductions as quickly as practicable and in accordance with the agreed upon schedule. As the efficiencies, economies, savings, or resource utilization reductions are realized, the applicable fees specified in the Agreement will be promptly and equitably adjusted to pass through to HHSC the net benefit of such efficiencies, economies, savings, and resource utilization reductions; provided, that HHSC will reimburse the Contractor for any net costs or expenses incurred to realize such efficiencies, economies, savings, or resource utilization reductions if and to the extent the Contractor:
    a. Notifies HHSC of such additional costs and obtains HHSC's approval prior to incurring such costs;
    b. Uses commercially reasonable efforts to identify and consider practical alternatives, and reasonably determines that there is no other more practical or cost-effective way to obtain such savings without incurring such expenses; and
    c. (c) Uses commercially reasonable efforts to minimize the additional costs to be reimbursed by HHSC.

2. An Extraordinary Event will not result in fees to HHSC being higher than such fees in the Agreement at the time of the Extraordinary Event. For the avoidance of doubt, upon the occurrence of an Extraordinary Event, HHSC is entitled to request and receive more favorable pricing. Upon HHSC's Contract Manager's acceptance of a Contractor Proposal related to an Extraordinary Event, the Services and the Contract will be modified accordingly to include such Extraordinary Event.

2.22.8 Unanticipated Change

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

If an Unanticipated Change occurs, and if HHSC requests any modifications to the Services to incorporate such Unanticipated Change, the Parties will use the procedures associated with a COR to equitably adjust the Fees and other relevant provisions of the Contract to take such Unanticipated Change into account.

2.22.9 Service Provider Labor Rates for Changes to Services and Tasks

HHSC anticipates that, during the Contract Term, implementation of State or federal mandates and other State initiatives will require additions or changes to the activities performed under any Contract resulting from this Solicitation. If applicable, payment for costs associated with changes to Services or Deliverables required after the start date of the Base Contract Term will be negotiated with the Contractor. The costs for such changes to Services or Deliverables will be based on the explicit fixed hourly rates proposed by Contractor as described in the instructions for completion of the pricing proposal forms in the Solicitation and actual costs for hardware or software necessary to complete the Services or Deliverables. The Contractor will develop a COR based on the performance requirements or the specified results included in any COR by HHSC.

A Contractor must specify all-inclusive hourly Labor Rates for all staff working on this Project. For consistency, the IT staffing services roles defined by DIR are to be utilized for specifying hourly Labor Rates. Full descriptions of these roles can be found in the **Exhibit M or M1 - VPM Cost Workbooks**, IT Category Descriptions Tab.

A Contractor will employ the all-inclusive hourly Labor Rates proposed in developing pricing proposals for the performance of new or modified Services and Deliverables that are required after the Effective Date.

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

Separate invoices for each specific approved COR must be submitted by a Contractor to HHSC in the format specified by HHSC. Each invoice will be processed and paid separately.

2.22.10 Additional Periodic Activities

HHSC anticipates that, during the life of the Contract, implementation of federal and State mandates and other State initiatives will require additions or changes to the activities not normally performed on a regular recurring basis. If applicable, payment for costs associated with non-recurring maintenance and modifications to the various solution components operated by the Contractor and additional periodic activities required after the Operations Start Date will be negotiated with the Contractor. The costs for such non-recurring modifications will be based on the explicit fixed hourly rates proposed by the Contractor and the actual number of hours worked on the specific modification by the Contractor's staff or the staff of the Contractor's Subcontractor. The costs for such non- recurring modifications will be subject to the Retrospective Cost Settlement provisions in **Section 2.23.3, Retrospective Cost Settlement**.

The Contractor must specify all-inclusive hourly Labor Rates for the following categories:

1. Development staff;
2. Technical operations staff;
3. Non- technical staff; and
4. Other administrative services staff.

The Contractor will employ the all-inclusive hourly Labor Rates proposed in developing pricing proposals for the performance of non-recurring systems maintenance, modifications, and additional periodic activities required after the Operations Start Date. Additional periodic activities are defined as the provision of any Service(s), Deliverable(s), or product(s) that will not be performed on a regular recurring basis.

The all-inclusive hourly Labor Rates will be proposed for the applicable Transition Phase and the Operations Phase of the resulting Contract. The all-inclusive hourly Labor Rates for optional Contract extension #1 will be determined by the application of a fixed annual inflator/deflator proposed by the Contractor and subject to approval and acceptance by HHSC. The annual inflator/deflator will not be applicable to optional Contract extensions #2 and #3.

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

2.22.11 Additional Recurring Activities

HHSC anticipates that, during the life of the Contract resulting from this Solicitation, implementation of federal and State mandates and other State initiatives will require additions or changes to the normal recurring activities performed under the Contract. All such changes will be negotiated between HHSC and the Contractor. The pricing associated with additional recurring activities will be negotiated between the Contractor and HHSC after HHSC determines that the Contractor has submitted all of the detailed cost information (including detailed supporting metrics deemed appropriate by HHSC) necessary to accurately modify the applicable Fixed Fee formulas. HHSC will require the Contractor to submit projected detailed cost data in the same format and content as the information contained in **Exhibit M or M1 - VPM Cost Workbooks**. Once a total cost for the additional recurring activities is agreed upon, HHSC will make the determination as to whether one or more of the Fixed Fee formula(s) are modified, the Variable Fee formula is modified, or all payment provisions are modified.

The fixed annual inflation/deflation factor(s) and the allowable Administrative Service Fee included in the final Contract will be applicable for any of the proposed expenses submitted by the Contractor and reviewed by HHSC to determine the appropriate Fixed or Variable Fee adjustments included in any Amendment executed to include the additional recurring activities in the applicable Contract.

2.22.12 Transition Fees

Transition costs to meet the Solicitation requirements will be paid on a Fixed Fee basis.

Transition costs in excess of the final fixed price amount(s) included in the Contract resulting from this Solicitation will not be paid by HHSC.

Transition costs will be proposed to allow the Contractor to assume the responsibilities of each of the Transition Phase Key Milestones included in the Solicitation effective on the Operations Start Date included in this Solicitation applicable to the specific Transition Phase Key Milestone. Transition costs will not be paid as an element of operational administrative costs. Transition costs will be paid to the Contractor retrospectively.

Any expenses incurred by the Contractor after the Operations Start Date of a specific Transition Phase Key Milestone to complete Transition activities or correct any defects from the Transition Phase of that specific Transition Phase Key Milestone must not be recorded as an operational expense and will not be considered an allowable expense for the Retrospective Cost Settlement element of the Contract.

During the Transition Phase, the Contractor will submit an invoice for up to **eighty-five (85%) percent** of the total fee for each Transition Phase Key Milestone related to transition. HHSC will pay up to **eighty-five (85%) percent** of each completed Transition Phase Key Milestone, less any assessed deductions for failure to provide an approved required Deliverable or for Service Level remedy. Once the final transition milestone (#12) is completed, the Contractor will submit an invoice for the final **fifteen (15%) percent** fee balance from all **twelve (12)** transition milestones to HHSC. Once HHSC has provided formal acceptance and acknowledgement of completion of a fully operational Contractor VPM Solution to the Contractor, then the final invoice for the remaining **fifteen (15%) percent** fee will be paid to the Contractor in accordance with the Prompt Payment Act, Title 10, Subtitle F Chapter 2251, Texas Government Code.

Proposed transition costs will be included in the pricing evaluation for each applicable Transition Phase Key Milestone. Actual transition costs in excess of the amount included in the Contract for each Transition Phase Key Milestone will not be paid by HHSC. Transition requirements for each Transition Phase Key Milestone will be subjected to one or more performance measurement(s). Performance remedies, either Liquidated Damages or actual damages, may apply to each Transition Phase Key Milestone, if the Contractor is not able to provide all of the necessary Services or Deliverables for the specific Transition Phase Key Milestone on the Operations Start Date.

2.23 ADDITIONAL FINANCIAL COMPONENTS

2.23.1 Ownership of Capital Items at Termination of the Contract

This **Section 2.23.1, Ownership of Capital Items at Termination of the Contract** does not relate to capital items included in the development, maintenance or support of the Contractor VPM Solution; but, does relate to other Contract specific capital items needed to support the Services and Deliverables included in this Solicitation. For example, a capital item that would be subject to **2.24.1, Quarterly Reconciliations** would be desktop computers purchased for use in the call center.

Ownership of all nonexpendable capital items funded by the Contract may pass to HHSC at the expiration of the Contract.

Nonexpendable capital items are defined as tangible and personal property of a non-consumable nature that have an acquisition cost of $500.00 or more per unit and an expected useful life of at least **one (1)** year. The term nonexpendable capital item includes, but is not limited to, office furniture, office equipment, telephone equipment, computer furniture, computer equipment, computer software including commercial off the shelf (COTS) software, and computer leases.

Computer software and software license(s) that fall under this definition are limited to those that transfer with equipment to HHSC upon termination of the Contract and do not require any monthly or annual fees to continue to be operational.

All nonexpendable capital items, including nonexpendable capital items that are leased, will be depreciated on a monthly basis over the Base Contract Term of the Contract, including any applicable transition months. The cost of installation (excluding in-house labor) of equipment, furniture, workstations, and other leasehold improvements required to make the space useable to meet the requirements of the Contract will also be treated in the same manner as the capital item; the cost will be depreciated over the Base Contract Term, including any applicable transition months. All capital lease(s) must include the ability for the Contractor to purchase the capital items included in the lease for $1.00 at the expiration of the Base Contract Term.

If the Contract terminates before the end of the Base Contract Term, HHSC will have the option to take ownership of all, some, or none of the nonexpendable capital items.

If HHSC chooses to take ownership of a nonexpendable capital item, HHSC will (subject to the other limitations set forth in the Contract), reimburse the Contractor for the remaining months of any nonexpendable capital item costs (depreciation), amortized capitalized lease costs, amortized operating lease costs, costs related to lease purchase options or installation costs related to equipment, furniture, workstations, or other leasehold improvements (capital items) acquired under the resulting Contract. These costs are limited to the Base Contract Term.

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

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

If HHSC does not choose to take ownership of a nonexpendable capital item, then all costs associated with that item remain the responsibility of the Contractor without any recourse to HHSC.

The Contractor is advised not to enter into any leases with a Base Contract Term that extends beyond the Contract's Base Contract Term. In no event will HHSC reimburse the Contractor for the portion of any lease that is allocable beyond the Contract's Base Contract Term, unless the Contract Term is extended and HHSC agrees to reimburse lease costs for the lease's renewal term. The Contractor will be responsible to pay any costs related to exercising any purchase option to provide

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

At the end of the Contract, the respective Contractor will transfer ownership and possession of all hardware and software, (including but not limited to, software purchased or developed under the Contract resulting from this Solicitation) that was funded through the respective Contract and any other materials or property deemed to be a product of the Project to HHSC, or a new Contractor as designated by HHSC, within the timelines specified by HHSC. The respective Contractor will be responsible for all costs related to transferring the assets pertaining to each specific component service area to HHSC or HHSC's designee. All transferred data must be compliant with **Exhibit F1 – HHSC Data Use Agreement (DUA)** and **Exhibit F2 – HHSC Security and Privacy Inquiry (SPI)**.

Software to be transferred includes, but is not limited to, proprietary software purchased, scripts developed, Contractor VPM Solution software applications and source code developed as part of the contracted host systems, and terminal equipment and related applications, and interfaces associated with functionality related to each specific component service area Project.

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

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

1. A description of each capital item;
2. Model number;
3. Manufacturer's serial number where applicable;
4. Funding source;
5. Information needed to calculate the allocation of the acquisition cost when the capital item is also utilized by other Texas State administrative agencies or other Texas government customers;
6. Date of acquisition;
7. Unit cost; and
8. Information on the specific location of the capital item.

Thus, the Contractor will not be required to transfer clear title to those specific nonexpendable capital items (software) to HHSC at the expiration of the Contract.

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

At HHSC's option and subject to its prior written approval and acceptance, ownership of all nonexpendable capital items acquired during the term of the Contract will vest in HHSC at the earliest of:

1. The date the nonexpendable capital item is no longer needed to fulfill any requirements of the Contract;
2. The date the item is turned over to HHSC; and
3. Upon expiration or termination of the Contract.

At no time will the Contractor dispose of nonexpendable capital items purchased for the Contract without prior approval from HHSC. Within **ten (10)** Business Days after the earliest of the events stated above, the Contractor will provide HHSC with all documentation reasonably necessary to evidence HHSC's ownership of the items.

The Contractor must obtain prior approval from HHSC before purchasing any nonexpendable capital equipment items or any commercial off the shelf software for the Contract.

2.23.2 Payment for Pass-Through Items

Actual expenditures for pass-through items made on HHSC's behalf will be paid without allocation of any indirect charges (including, but not limited to, general and administrative expenses, overhead, etc.) or the allowable Administrative Service Fee. Contractor must utilize the detailed Pricing Schedules included in **Exhibit M or M1 - VPM Cost Workbooks** to depict the amount of pass-through expenses that will be paid without indirect charges or the allowable Administrative Service Fee. Items designated as pass-through items include the following:

1. Capital expenditures including lease or rental payments on capital equipment;
2. Sales taxes on capital expenditures including lease or rental payments on capital equipment;
3. All postage expenses or delivery expenses directly related to the operation of the Contract resulting from this Solicitation;
4. Software license fees and software maintenance fees;
5. Subscriptions and services that make available formulary and PDL information at no cost to Providers;
6. Office rent (including leasehold improvements and lease pass-through expenses);

7. All printing costs including Client communications, Client handouts, provider manuals, handbooks, bulletins, and similar print materials; and

8. All telecommunication lines, including local lines, toll-free lines, electronic communications lines, fiber optic lines, cell phones, internet connections for external staff, etc.

Actual expenditures for pass-through items made on HHSC's behalf will be paid without allocation of any indirect charges (including but not limited to general and administrative expenses, overhead) or the allowable Administrative Service Fee for any proposed expenses submitted by the Contractor and reviewed by HHSC to determine the appropriate Fixed Fee adjustments included in any Amendment executed to include the additional recurring activities in the Contract.

Pass-through items will not be paid separately by HHSC. Contractors must include expenses related to pass-through items in with the Fixed or Variable Fees proposed by the Contractor.

2.23.3 Retrospective Cost Settlement

The Contractor will be subject to the Retrospective Cost Settlement provisions described below. Administrative Fees paid to the Contractor during each Operational Contract Year will consist of:

1. The fixed administrative fees;

2. The administrative fees for the Additional Periodic Activities, as such term is defined in **Section 2.22.10, Additional Periodic Activities**; and

3. The administrative fees for the additional Recurring Activities, as such term is defined in **Section 2.22.11, Additional Recurring Activities**.

The sum of the three fee components will be referred to as the "Fee Ceiling". The total maximum cost of the Services and Deliverables supplied by Contractor to HHSC during each Operational Contract Year will not exceed the lesser of (a) the Contractor's Fees (Fee Ceiling) or (b) the sum of the Allowable Costs, as reported in final Allowable Cost report required in **Section 2.21.5.1 Contractor Responsibilities**, **PFR -REQ- 018 in Table 46 – Contractor Responsibilities for Financial Reporting**, incurred by the Contractor plus the allowable Administrative Service Fee during the subject Operational Contract Year. The sum of Allowable Costs incurred by the Contractor will potentially include adjustments necessary as a result of the determination of Allowable Costs for the Contractor's Primary Subcontractors. HHSC will solely determine the specific Subcontractors that will be considered Primary Subcontractors for this Retrospective Cost Settlement provision.

2.24 GENERAL REQUIREMENTS

As soon as possible, but not later than **ninety (90)** calendar days after the expiration of each Operational Contract Year, or such period as has been mutually agreed upon by HHSC and the Contractor, the Contractor and its Primary Subcontractors (as determined by HHSC) will submit to HHSC, for HHSC's approval, a report of the Allowable Costs incurred by each entity (Contractor and the Primary Subcontractors) during such Operational Contract Year. HHSC will consider the report(s) of Allowable Costs incurred as “FINAL” for the applicable Operational Contract period and will not recognize any additional direct expense(s) not included in the financial report as allowable for the Retrospective Cost Settlement provision (see, **Section 2.21.5.1 Contractor Responsibilities**, **PFR -REQ- 018 in Table 46 – Contractor Responsibilities for Financial Reporting**).

A review of the Allowable Costs pursuant to the Contract will be undertaken by HHSC and the Contractor as soon as possible following HHSC’s receipt of the report(s). The review by HHSC may include an audit of the Allowable Costs submitted by the Contractor and its Primary Subcontractors. HHSC will determine the approved Allowable Costs for any HHSC designated Primary Subcontractor and HHSC will notify the Contractor with a full explanation of any exceptions it has taken to the Primary Subcontractor’s report of its Allowable Costs. HHSC will determine the approved Allowable Costs for the Contractor and HHSC will notify the Contractor with a full explanation of any exceptions it has taken to Contractor’s report of its Allowable Costs. Exceptions to the Contractor’s approved Allowable Costs would also include any exceptions HHSC has determined are related to any of Contractor’s Primary Subcontractor’s cost(s).

Any determination made by HHSC regarding the approved Allowable Costs will be final and conclusive, unless within **thirty (30)** calendar days from the receipt of the written notice to Contractor of such exceptions, the Contractor files a written objection with HHSC, which dispute will be resolved in accordance with the Dispute Resolution procedures included in the Contract. The Contractor will be required to resolve any dispute(s) with its Primary Subcontractor(s) concerning HHSC’s disallowance of any costs included in the Primary Subcontract’s report of its Allowable Costs plus the applicable allowable Administrative Service Fee for each Primary Subcontractor.

A closing agreement with respect to the approved Allowable Costs agreed upon by HHSC and the Contractor will be incorporated into a memorandum signed by HHSC and the Contractor.

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

1. If, for the subject Operational Contract Year, the Fee Ceiling disbursed to the Contractor is in excess of the approved Allowable Costs plus the allowable Administrative Service Fee (including any adjustments to the approved Allowable Costs of Contractor’s Primary Subcontractors), the Contractor will refund any excess to HHSC; and
2. If, for the subject Operational Contract Year, the Fee Ceiling disbursed to the Contractor is less than the approved Allowable Costs plus the allowable Administrative Service Fee (including any adjustments to the Allowable Costs of Contractor’s Primary Subcontractors), the Contractor will accept the Contractor’s fees disbursed or otherwise payable to Contractor as payment in full for Services and Deliverables performed during the subject Operational Contract Year.

As described below, Payment Disparity Credits provided to HHSC during an Operational Contract Year or portion thereof will not accrue or transfer to succeeding Operational Contract Years.

2.24.1 Quarterly Reconciliations

The following **Table 47 – Contractor Responsibilities for Quarterly Reconciliations** below provides Contractor responsibilities for Quarterly Reconciliations for Retrospective Cost Settlement.

Table 47 – Contractor Responsibilities for Quarterly Reconciliations

REQ ID	Contractor Responsibilities for Quarterly Reconciliations
PFR-REQ-020	Provide HHSC a State fiscal quarterly report of the Contractor's Allowable Costs in a format, content, and media approved by HHSC as soon as possible; but no later than the **twenty fifth** (**25th)** day of the month following the applicable quarter. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-028)**.

On a quarterly basis, HHSC and the Contractor will reconcile the amounts disbursed to the Contractor in order to determine whether the Fee Ceiling disbursed to Contractor during the previous quarter are either in excess or less than the amount of Contractor's Allowable Costs plus the allowable Administrative Service Fee during that previous quarter (a "Payment Disparity").

A "Positive Payment Disparity" will exist when the Fee Ceiling disbursed to Contractor during the previous quarter exceeds the amount of Contractor's Allowable Costs plus the allowable Administrative Service Fee during that previous quarter.

A "Negative Payment Disparity" will exist when the Fee Ceiling disbursed to Contractor during the previous quarter are less than the amount of Contractor's Allowable Costs plus the allowable Administrative Service Fee incurred by Contractor during that previous quarter.

In the event of a Positive Payment Disparity, the Contractor will adjust one or more of the next month's invoice(s) to HHSC to remedy the Positive Payment Disparity by providing HHSC with a credit to the amount owed to the Contractor (the "Adjusted Invoice"). Any credits provided to HHSC by the Contractor will be referred to as "Payment Disparity Credits." Payment Disparity Credits provided to HHSC during the Operational Contract Year will not accrue or transfer to succeeding Operational Contract Years.

In the event of a Negative Payment Disparity, the Contractor will be allowed to adjust one or more of the next month's invoice(s) to HHSC to remedy the Negative Payment Disparity, if one or more previous invoices in an Operational Contract Year were adjusted due to a Positive Payment Disparity and there are Payment Disparity Credits available for application. The Contractor's adjustment will be limited to the amount of any Payment Disparity Credit balance available from previous Positive Payment Disparity adjustments retained by HHSC. In no event will the Negative Payment Disparity adjustment be applied, if it would cause the amounts disbursed to the Contractor to exceed the Fee Ceiling. The Contractor will include a positive adjustment to one of the Fixed Pricing Component invoices otherwise payable, by increasing the amount invoiced for the next month on an adjusted invoice.

2.24.2 Six Month Reconciliations with Contractor

If a Positive Payment Disparity exists for **two (2)** consecutive quarters and the Positive Payment Disparity for each of those **two (2)** quarters is at least equal to or greater than **fifteen (15%) percent** of the Fee Ceiling disbursed by HHSC, then the Contractor will agree to decrease the Fixed Fees (the "Adjusted Contractor Fees") payable by HHSC in future months. Any decrease(s) applied in future months pursuant to this section will be limited to an amount equal to the difference between:

1. The sum of the Adjusted Contractor Fees and
2. Contractor's Allowable Costs plus the allowable Administrative Service Fee such that the Positive Payment Disparity during the applicable **six (6)-**month reconciliation would not have produced a sum greater than **five (5%) percent**.

   HHSC agrees to increase the Adjusted Contractor Fees to amounts that would not exceed the Fee Ceiling as it existed prior to the first adjustment if Allowable Costs are projected to exceed Adjusted Contractor Fees.

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

2.24.3 Quarterly Submissions from Primary Subcontractor

The following **Table 48 – Contractor Responsibilities for Quarterly Submissions from Primary Subcontractors** provides Contractor responsibilities for Quarterly Submission for Primary Subcontractor.

Table 48 - Contractor Responsibilities for Quarterly Submissions from Primary Subcontractors

REQ ID	Contractor Responsibilities for Quarterly Submissions from Primary Subcontractors
PFR-REQ-021	Provide HHSC a quarterly report of the Primary Subcontractor's Allowable Costs in a format, content, and media approved by HHSC. The quarterly report of Allowable Costs will be due within **forty-five (45)** calendar days of the expiration of the applicable quarterly period. Refer to **Attachment A – Deliverables (See Deliverable ID DEL-OPS-029)**.

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

The Primary Subcontractor's quarterly report of Allowable Costs will include the sum of the Allowable Costs incurred by the Primary Subcontractor plus the allowable Administrative Service Fee applicable for the Primary Subcontractor during the subject Operational Contract Year. The Primary Subcontractor's Allowable Costs will be subject to the financial terms and conditions contained in the Contract with the Contractor.

ARTICLE III. ADMINISTRATIVE INFORMATION

3.1 SCHEDULE OF EVENTS

EVENT	DATE/TIME
Solicitation Release Date	Thursday, December 17, 2020
Mandatory Pre-Bidders Meeting and HSP HUB Training Webinar	Thursday, January 7, 2021 at 10:00 AM Central Time
Deadline for Submitting Questions and Request for Procurement Library Initial Access	Monday, January 18, 2021 at 12:00 PM Central Time
Tentative Date Responses to Questions Posted on ESBD	Friday, January 22, 2021
Deadline for Submission of Solicitation Responses [NOTE: Responses must be RECEIVED by HHSC by the deadline.]	THURSDAY, FEBRUARY 18, 2021 **AT 10:30 AM** Central Time
Evaluation Period	Thursday, February 18, 2021
Respondent Interviews	Thursday, April 22, 2021
Respondent Demonstrations	Thursday, May 6, 2021
Anticipated Notice of Award	Friday, March 25, 2022
Anticipated Contract Start Date	Friday, April 1, 2022

Note: These dates are a tentative schedule of events. HHSC reserves the right to modify these dates at any time upon notice posted to the ESBD. Any dates listed after the Deadline for Submission of Solicitation Responses will occur at the discretion of HHSC and may occur earlier or later than scheduled without notification on the ESBD.

3.2 CHANGES, AMENDMENT, OR MODIFICATION TO SOLICITATION

HHSC reserves the right to change, amend, or modify any provision of this Solicitation, or to withdraw this Solicitation at any time prior to award if it is in the best interest of HHSC. Any such revisions will be posted on the ESBD. It is the responsibility of Respondent to periodically check the ESBD to ensure full compliance with the requirements of this Solicitation.

3.3 IRREGULARITIES

Any irregularities or lack of clarity in this Solicitation should be brought to the attention of the Sole Point of Contact listed in **Section 3.5.1, Sole Point of Contact** as soon as possible so corrective Addenda may be furnished to prospective Respondents.

3.4 INFORMALITIES

HHSC reserves the right to waive minor informalities in a Solicitation Response if it is in the best interest of HHSC. A "minor informality" is an omission or error that, in HHSC's determination if waived or modified when evaluating Solicitation Responses, would not give a Respondent an unfair advantage over other Respondents or result in a material change in the Solicitation Response or Solicitation requirements.

3.5 INQUIRIES

3.5.1 Sole Point of Contact

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

Name:	Toni L. Tobin, CTCD (03011808)
Title:	Contract Specialist V
Email:	toni.tobin@hhs.texas.gov

See also, **Section 3.5.3, Exception to Sole Point of Contact** below.

3.5.2 Prohibited Communication

On issuance of this Solicitation, except for the written inquiries described in **Sections 3.5.4, Questions** and **3.5.5, Clarification** below, the HHSC, its representative(s), or partners will not answer any questions or otherwise discuss the contents of this Solicitation with any potential Respondent or their representative(s). Attempts to ask questions by phone or in person will not be allowed or recognized as valid. Respondent shall rely only on written statements issued by or through HHSC's designated staff as provided by this section. This restriction does not preclude discussions between affected parties for the purposes of conducting business unrelated to this Solicitation. **Failure to comply with these requirements may result in disqualification of Respondent's Solicitation Response.**

3.5.3 Exception to Sole Point of Contact

The only exceptions to the Sole Point of Contact are the HUB coordinator, or, if expressly directed by the Sole Point of Contact, another designated HHSC representative, e.g., during contract negotiations, if any. Should Respondents have questions regarding proper completion of the HUB Subcontracting Plan, the HUB coordinator may be contacted at linda.rogers02@hhs.texas.gov.

3.5.4 Questions

HHSC will allow written questions and requests for clarification of this Solicitation. Questions must be submitted in writing and sent by email to the Sole Point of Contact listed in **Section 3.5.1, Sole Point of Contact** above. Respondents' names will be removed from questions in any responses released. Questions shall be submitted in the following format:

1. Identifying Solicitation number;
2. Section number;
3. Paragraph number;
4. Page number;
5. Text of passage being questioned; and
6. Question.

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

Note: Questions or other written requests for clarification must be received by the Sole Point of Contact by the deadline set forth in Section 3.1, Schedule of Events. Please provide company name, address, phone number, e-mail address, and name of company contact person when submitting questions.

3.5.5 Clarification

Respondents must notify the Sole Point of Contact of any ambiguity, conflict, discrepancy, exclusionary specifications, omission, or other error in the Solicitation in the manner and by the deadline for submitting questions. If a Respondent fails to properly and timely notify the Sole Point of Contact of such issues, the Respondent submits its Solicitation at its own risk, and if awarded a Contract: (1) shall have waived any claim of error or ambiguity in the Solicitation and any resulting Contract, (2) shall not contest the interpretation by any HHSC of such provision(s), and (3) shall not be entitled to additional compensation, relief, or time by reason of ambiguity, error, or later correction.

3.5.6 Responses

Responses to questions or other written requests for clarification will be posted on the ESBD. HHSC reserves the right to amend answers prior to the Deadline for Submission of Solicitation Responses. Amended answers may be posted on the ESBD. It is Respondent's responsibility to check the ESBD. HHSC also reserves the right to decline to answer any question or questions or to provide a single consolidated response of all questions they choose to answer in any manner at the System Agencies sole discretion.

HHSC discourages Respondents from proposing prices and timelines for the Contractor VPM Solution below that can reasonably be achieved with the intention of making up the difference via the approved change management process and various other business processes. The proposal evaluation committee will determine if the Cost Proposal is appropriate per the scoring rubrics and finance advisors.

Changes are ongoing under the incumbent Contracts for the operation of the components of VDP PBS and performance of pharmacy claims and rebate administrator functions. To ensure Respondents compete on an equal basis, HHSC will maintain a Procurement Library for this Solicitation containing certain information related to the incumbent Contracts. The Procurement Library is provided for informational purposes only and excludes Solicitation requirements or guarantees related to volumes or workload under this Solicitation. Refer to **Section 3.6, Procurement Library** for instructions to gain access to the Procurement Library.

3.5.7 Vendor Conference

HHSC will conduct a Mandatory Pre-Bidders Meeting and HSP HUB Training Webinar at the date and time listed in the **Schedule of Events, Section 3.1** The vendor conference is mandatory and failure to attend will result in disqualification.

People with disabilities who wish to attend the meeting and require auxiliary aids or services should contact the Sole Point of Contact identified in this Solicitation at least **seventy-two (72)** hours before the meeting so appropriate arrangements can be made.

Webinar Vendor Conference Information

Participants must register for the webinar conference prior to the event. After registration, participants will receive another email with the actual link to the webinar.

Register here:
https://attendee.gotowebinar.com/register/7897670384933188363

Webinar ID: 176-379-331

To use your telephone:
If you prefer to use your phone, you must select "Use Telephone" after joining the webinar and call in using the number below.
United States: +1 (415)655-0052
Access Code: 508-270-197
Audio Pin: Shown after joining the webinar

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

1. The legal business entity name which will be used if submitting a proposal;
2. The name of each representative on the call; and
3. The e-mail address for the entity's point of contact.

3.6 PROCUREMENT LIBRARY

HHSC will maintain a Procurement Library for this Solicitation containing certain reference information related to the procurement. HHSC will update, add, or remove documents in the Procurement Library as needed and it is the Respondent's responsibility to check the Procurement Library for any updates.

Access to the Procurement Library will require the following:

1. Only the Respondents that attend Mandatory Pre-Bidders Meeting and HSP HUB Training Webinar at the date and time listed in the **Schedule of Events, Section 3.1** will be given access to the Procurement Library;

2. The Respondent must create an Office 365 email address using the following link: https://login.microsoftonline.com/; and

3. Respondents must submit a request for access to the Procurement Library for their potential sub-contractors by sending an email request to the Point-of-Contact in **Section 3.5.1, Sole Point of Contact**.

Respondents who submit a request for access by the deadline provided in **Section 3.1, Schedule of Events** will receive notification of access on the same date as the other Respondents who submitted by the deadline. Notification of access will be received by all timely requesting Respondents after the deadline for submission of request for access to the Procurement Library within a reasonable number of days. HHSC will not be responsible for any adverse impact to the Respondent related to any technical difficulties which result in delayed access to the Procurement Library. While Respondents who submit a request for access after the deadline provided in **Section 3.1, Schedule of Events** forfeit the opportunity to have access for the same number of days as Respondents who made the request timely, it is the intent of HHSC to provide access to the Procurement Library to those Respondents. HHSC will not be responsible at any point for any difficulties, and their related consequences, encountered by the Respondent in accessing documents in the Procurement Library, including but not limited to difficulties related to incompatible software, corrupted files, or system outages. HHSC may, at any point and for any reason, deny a Respondent's request to access to the Procurement Library if, as its sole discretion, HHSC believes that providing access would cause direct or indirect harm to the agency.

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

3.7 SOLICITATION RESPONSE COMPOSITION

3.7.1 Generally

The Respondent Proposal must address all the Domains listed in the Solicitation.

Respondent shall submit the following on **two (2)** USB drives—**one (1)** labeled "Original" and **one (1)** labeled "Copy" in accordance with **Section 3.8.2, Labeling** to the address listed in **Section 3.8.3, Delivery**:

1. Each USB must contain **one (1)** file named "Original Proposal – Option 1 (SaaS)" that contains the Respondent's entire proposal, including all exhibits and attachments, for this option in searchable portable document format (PDF) OR **one (1)** file named "Original Proposal – Option 2 (Custom/Hosted Solution)" that contains the Respondent's entire proposal, including all exhibits and attachments, for this option in searchable portable document format (PDF). Only one Option will be accepted per Respondent;
2. If applicable in accordance with **Section 8.1.5, Public Information Act – Respondent Requirements Regarding Disclosure**, each USB must contain **one (1)** file named "Public Information Copy -Option 1 (SaaS)" that contains the Respondent's entire proposal, including all exhibits and attachments, for this option in searchable portable document format (PDF), OR **one (1)** file named "Public Information Copy – Option 2 (Custom/Hosted Solution) that contains the Respondent's entire proposal, including all exhibits and attachments, for this option in searchable portable document format (PDF). Only **one (1)** Option will be accepted per Respondent;
3. Each USB must contain **one (1)** file named "Cost Proposal – Option 1 (SaaS)" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000) for this option, OR **one (1)** file named "Cost Proposal – Option 2 (Custom/Hosted Solution)" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000) for this option. Only **one (1)** Option will be accepted per Respondent; and
4. In accordance with **Section 6.8, HUB Subcontracting Plan**, each USB must contain **one (1)** file named "HUB Subcontracting Plan – Option 1 (SaaS)" that contains the Respondent's HUB Subcontracting Plan for this option in searchable portable document format (PDF), OR **one (1)** file named "HUB Subcontracting Plan – Option 2 (Custom/Hosted Solution)" that contains the Respondent's HUB Subcontracting Plan for this option in searchable portable document format (PDF). Only **one (1)** Option will be accepted per Respondent.

Or

Respondent shall submit the following through the Online Bid Room utilizing the procedures in **Exhibit L - HHS Online Bid Room**:

1. **One (1)** file named "Original Proposal – Option 1 (SaaS)" that contains the Respondent's entire proposal, including all exhibits and attachments, for this option in searchable portable document format (PDF), OR **one (1)** file named

"Original Proposal – Option 2 (Custom/Hosted Solution)" that contains the Respondent's entire proposal, including all exhibits and attachments, for this option in searchable portable document format (PDF). Only **one (1)** Option will be accepted per Respondent;

2. In accordance with **Section 8.1.5, Public Information Act – Respondent Requirements Regarding Disclosure**, **one (1)** file named "Public Information Copy – Option 1 (SaaS)" that contains the Respondent's entire proposal, including all exhibits and attachments, for this option in searchable portable document format (PDF), OR **one (1)** file named "Public Information Copy – Option 2 (Custom/Hosted Solution) that contains the Respondent's entire proposal, including all exhibits and attachments, for this option in searchable portable document format (PDF). Only **one (1)** Option will be accepted per Respondent;

3. **One (1)** file named "Cost Proposal – Option 1 (SaaS)" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000) for this option, OR **one (1)** file named "Cost Proposal – Option 2 (Custom/Hosted Solution)" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000) for this option. Only **one (1)** Option will be accepted per Respondent; and

4. In accordance with **Section 6.8, HUB Subcontracting Plan**, **one (1)** file named "HUB Subcontracting Plan – Option 1 (SaaS)" that contains the Respondent's HUB Subcontracting Plan for this option in searchable portable document format (PDF), OR **one (1)** file named "HUB Subcontracting Plan – Option 2 (Custom/Hosted Solution)" that contains the Respondent's HUB Subcontracting Plan for this option in searchable portable document format (PDF). Only **one (1)** Option will be accepted per Respondent.

Failure to submit all required documents in required format(s) may result in disqualification of the Solicitation Response without further consideration. A Respondent shall prepare a Solicitation Response that clearly and concisely represents its qualifications and capabilities under this Solicitation. Promotional materials are not necessary or desired. Respondent should focus on the instructions and requirements of the Solicitation.

HHSC, in its sole discretion, may reject any and all proposals or portions thereof.

3.7.2 Page Limit and Supporting Documentation

The Business and Technical Proposal should not exceed **three hundred (300)** pages in length, not including appendices or Attachments, and should be formatted as follows: 8 ½" x 11" paper and 11 pitch font size in Verdana font. If complete responses cannot be provided without referencing supporting documentation, such documentation must be provided with the Solicitation Response, with specific reference made to the file, page, section, and/or paragraph where the supporting information can be found.

3.7.3 Discrepancies

Discrepancies or disparities between the contents of original Solicitation Responses and copies will be interpreted in favor of HHSC. If Respondent fails to designate an "ORIGINAL," HHSC may reject the Solicitation Response or select a copy to be used as the original**.**

3.7.4 Exceptions

Respondents are highly encouraged, in lieu of including exceptions in their Solicitation Responses, to address all issues that might be advanced by way of exception by submitting such issues pursuant to **Section 3.5.4, Questions**. Any exception included in a Solicitation Response may result in a Respondent not being awarded a Contract. If a Respondent includes exceptions in its Solicitation Response, Respondent is required to use the **Exceptions Form** included as **Exhibit G - HHSC Exceptions Form** to this Solicitation and provide all information requested on the form. Any exception that does not provide all required information without qualification in the format set forth in **Exhibit G - HHSC Exceptions Form** may be rejected without consideration.

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

A Solicitation Response should be responsive to the Solicitation as worded, not with any assumption that any or all terms, conditions, or provisions of the Solicitation will be negotiated. Furthermore, all Solicitation Responses constitute binding offers. **Any Solicitation Response to this Solicitation that includes any type of disclaimer or other statement indicating that the response does not constitute a binding offer may be disqualified.**

3.7.5 Assumptions

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

3.8 SOLICITATION RESPONSE SUBMISSION AND DELIVERY

3.8.1 Deadline

Solicitation Responses must be received at the address in **Section 3.8.3, Delivery** and be time-stamped by HHSC no later than the date and time specified in **Section 3.1, Schedule of Events**.

3.8.2 Labeling

Solicitation Responses shall be placed in a sealed envelope and clearly labeled as follows if submitting with USB drive:

SOLICITATION NO: HHS0005345
SOLICITATION NAME: Vendor Drug Program (VDP) Pharmacy Benefit Services (PBS) Modernization (VPM)
DEADLINE FOR SUBMISSION OF SOLICITATION RESPONSES: Thursday, February 18, 2021 at 10:30 AM Central Time
PURCHASER NAME: Toni L. Tobin, CTCD
RESPONDENT'S NAME: ______________________________

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

3.8.3 Delivery

Respondent must deliver Solicitation Responses by one of the methods below if submitting with USB drive. Solicitation Responses submitted by any other method other than the Online Bid Room (e.g. facsimile, telephone, email) will NOT be considered.

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

NOTE: All Solicitation Responses become the property of HHSC after submission and will not be returned to Respondent.

3.8.4 Alterations, Modifications, and Withdrawals

Prior to the Solicitation Response submission deadline, a Respondent may: (1) withdraw its Solicitation Response by submitting a written request to the Sole Point of Contact identified in **Section 3.5.1, Sole Point of Contact**; or (2) modify its Solicitation Response by submitting a written Amendment to the Sole Point of Contact identified in **Section 3.5.1, Sole Point of Contact**. HHSC may request Solicitation Response modifications at any time.

ARTICLE IV. SOLICITATION RESPONSE EVALUATION AND AWARD PROCESS

4.1 EVALUATION CRITERIA

4.1.1 Conformance with State Law

Solicitation Responses shall be evaluated in accordance with Texas Government Code Title 10, Subtitle D, Chapter 2155, Section §2155.144 (http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.2155.htm) and Texas Government Code Title 10, Subtitle D, Chapter 2157, Section §2157.003 (http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.2157.htm) of the Texas Government Code. HHSC shall not be obligated to accept the lowest priced offer but shall make an Award to the Respondent that provides the best value to the State of Texas.

HHSC will assess the following components of the Respondent responses on a pass/fail basis:

1. HUB requirements;
2. Administrative requirements;
3. Minimum qualifications; and
4. General Solicitation requirements.

4.1.2 Minimum Qualifications

Respondents must provide proof with its Proposal that the following Minimum Qualifications have been met. Furthermore, Solicitation Responses that appear unrealistic in terms of technical commitment, that show a lack of technical competence, or that indicate a failure to comprehend the risk and complexity of a potential Contract may be rejected at the sole discretion of HHSC.

1. **Respondent Experience.** The Respondent has the following minimum years of relevant experience, or the Principals/Owners must have recent ownership/executive management experience in a previous company that provided services for projects of similar size and scope;
   a. At least **three (3)** years of experience implementing, operating, and maintaining a vendor drug program;
   b. At least **three (3)** years of experience in implementing and managing formulary and drug lists;
   c. At least **three (3)** years of experience conducting Drug Utilization Reviews; and
   d. At least **three (3)** years of experience implementing, managing and operating a call center to include Prior Authorization (PA) and support services as defined in this Solicitation.

2. Each Respondent must submit at least **three (3)** references from Projects performed within the last five **(5) years** that demonstrate the Respondent's ability to perform the SOW described in the Solicitation;

3. Each Respondent must supply evidence of financial stability sufficient to demonstrate stability and solvency appropriate to the requirements of this procurement. A Respondent must submit a current financial statement plus **two (2)** years of audited financial reports including all supplements, management discussion and analysis, and actuarial opinions. If any of these elements are not available, Respondent shall provide a statement as part of its response explaining why the element is not available and alternative evidence of financial stability and solvency. HHSC, at its sole discretion, shall determine the adequacy of any information provided, HHSC reserves the right to request additional financial information at any point during the procurement, as it deems necessary, to evaluate the Respondent or the Respondent's parent or Subcontractors, and by submission of a response, Respondent agrees to provide the requested material; and

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

5. Each Respondent must submit a proposal for the Option that accurately meets the associated NIST definition as required by **Section 1.7, Solution Infrastructure**. A Respondent's failure to accurately identify the Option will result in disqualification. For example, if a Respondent submits a proposal for Option 1, but it is determined that the proposed solution more accurately fits the definition for Option 2, the Respondent will be disqualified.

4.1.3 Proposal Scoring Methodology

Respondents are advised to avoid a disqualifying error by reviewing and complying with **Section 1.7, Solution Infrastructure**, which provides requirements on submitting a single proposal with correctly identified infrastructure. Proposals that meet the minimum qualifications and pass through the initial screening will be submitted to the evaluation team for review and scoring. Each member of the evaluation team will receive a copy of each responsive Proposal. The evaluators will review the Proposals considering the criteria list in **Section 4.1.4, Specific Criteria.**

Individual evaluators will not score the Proposals. This procurement will utilize a consensus scoring methodology as outlined by this section. Interviews will be used to clarify the written responses and demonstrations will be used to make a selection for contract award, as outlined by this section.

4.1.3.1 Initial Compliance Screening

The agency will perform an initial screening of all Solicitation Responses received. Unsigned Solicitation Responses, and Solicitation Responses that do not meet **Section 4.1.2, Minimum Qualifications** above and/or do not include all required forms and information may be subject to rejection without further evaluation.

4.1.3.2 Consensus Scoring and Written Proposal Evaluation

Once each member of the evaluation team has had the opportunity to review the Proposals, the full evaluation team will meet to score each Proposal based on the criteria in **Section 4.1.4, Specific Criteria,** and **Exhibit E – Team Consensus Scoring Rubric**. The evaluation team must meet a consensus on the score for each criterion. The evaluation meetings will be led by a facilitation team consisting of a facilitator and a scribe, who will record the scores. The evaluation team may be assisted by non-scoring technical advisors as needed. Interviews and demonstrations may be utilized to identify the awardee, in the manner described below.

4.1.3.3 Selection of Hosting Solution

The determination of whether a Respondent's Proposal accurately meets the associated NIST definition as required by **Section 1.7, Solution Infrastructure** will be made by DIR and HHSC; and may be made at any time during the screening, evaluation, and selection process. Cost proposals for Option 2 (Custom/Hosted Solution) will be evaluated by HHSC utilizing the requested cost proposal information and conferring with DIR on the cost. Once all components of responsive proposals are evaluated, the written proposal evaluation scores will be ranked amongst each other, regardless of proposed option.

4.1.3.4 Interviews

At the sole discretion of HHSC, each Respondent who submitted Proposals determined by HHSC to meet all minimum qualifications and submission requirements may be asked to participate in an interview. Interviews will be attended by members of the evaluation team; however, HHSC reserves the right to conduct the interview process without all evaluation team members should they be unable to attend due to extenuating circumstances, such as no longer being employed by HHSC; being ill or otherwise incapacitated; or other unavoidable circumstance. Evaluators that are not present for one or more of the interviews will not be involved in scoring related to the interviews.

Interviews will be utilized to clarify the Respondent's written proposals. Respondents attending interviews will be asked questions related to the evaluation criteria and asked to provide additional clarifications regarding the Respondent's specific offerings in its Proposal. Following each Respondent interview, the evaluation team will meet to update the scores from the Respondent's written proposal using consensus scoring meetings and based on the clarifications provided by the Respondent in the interview. Respondent scores and/or ranking may increase or decrease from the original written evaluation scores, based on the clarifications provided by the Respondent during the interviews. The Respondent's score prior to the interview will no longer be considered their final written proposal score, and instead the post-interview score will be considered the final written proposal score for purposes of determining the **Competitive Range, Section 4.1.3.5**.

Respondents will be provided with advance notice of any such interviews and are responsible for their own equipment that they deem necessary to use during the interview, such as computers, screens, projection equipment. The notice will include an agenda for the interview specifying the Solicitation requirements expected to be clarified in the interview. Failure to participate in the requested interview may eliminate a Respondent from further consideration. HHSC is not responsible for any costs incurred by the Respondent in preparation for any interview.

4.1.3.5 Competitive Range

After the written proposal evaluation, or after the interview evaluation, if interviews are held, the Proposals to be considered for Contract award may be narrowed to a competitive range. If no interviews are held, Proposals will be narrowed to the competitive range using the written proposal score. If interviews are held, Proposals will be narrowed to the competitive range using the post-interview scores. The competitive range will consist of those Proposals determined to be reasonably considered for award selection and is an objective means of narrowing the field of Respondents that will participate in subsequent evaluation activities.

HHSC may, at its sole discretion, limit invitations to the demonstrations and further award consideration to Respondents within a competitive range. The competitive range will consist of the Proposals that receive the highest final written proposal scores or most satisfactory ratings, based on the published evaluation criteria and procedures governing this procurement. HHSC may place reasonable limits on the number of Proposals that will be included in the competitive range. Cutoff for the competitive range will be based on "natural break" in scores and on the agency's reasoned judgement that proposals below the cutoff cannot be made successful through clarification and negotiation. By way of example, in a scenario where initial evaluation scores are 97, 93, 82, 81, 79 and 68, the competitive range could include the top two scores.

4.1.3.6 Demonstrations

To further identify the Respondent providing best value, demonstrations may be requested. The competitive range, as described by **Section 4.1.3.5, Competitive Range**, will be utilized to determine which Respondents will advance to demonstrations. Respondents selected for demonstration will be the final group of Respondents eligible for award. Demonstrations will allow for points to be added to Respondent's post-interview scores, in accordance with the points and criteria specified in **Specific Criteria in Section 4.1.4**.

Respondents will be provided with advance notice of any such demonstration and are responsible for their own equipment that they deem necessary to use during the demonstration, such as computers, screens, projection equipment. The notice will include an agenda and specific scenarios for each demonstration use case category listed in **Section 4.1.4.1, Demonstration Scoring**. Failure to participate in the requested demonstration may eliminate a Respondent from further consideration. HHSC is not responsible for any costs incurred by the Respondent in preparation for any demonstration.

4.1.4 Specific Criteria

Solicitation Responses shall be consistently evaluated and scored in accordance with the following criteria, which will be weighted on a scale of 100 points as provided below:

1. Approach and Project Work Plan (PWP) (30 Points)
   a. To what extent the proposed Project approach and work plan for providing Services demonstrate how the Respondent will successfully fulfill in a timely, accurate, and thorough manner the Solicitation requirements, for each of the domains in the Solicitation.
2. Total Cost (23 Points)
   a. The total proposed cost of the Respondent's services (including Transition, Operations, and Turnover).
3. Relevant Qualifications, Past Performance and Experience (20 points)
   a. To what extent are the Respondent's qualifications, experience, and history of success providing Vendor Drug Program, Pharmacy Benefit Services, and/or Vendor Drug Program Modernization services for similar public-sector organizations, programs, and budgets relevant to the scope described in the Solicitation.
4. Personnel Organization and Qualifications (20 Points)
   a. To what extent does the Proposal demonstrate adequate staffing, organization structure, and Key Personnel to meet Solicitation requirements.
   b. To what extent does the Proposal demonstrate the Respondent's Key Personnel has the relevant qualifications, experience, and history of success providing solutions for similar public-sector organizations, programs, and budgets as the project described in the Solicitation.
5. Financial Approach (7 Points)
   a. To what extent are the Respondent's proposed Pricing Schedules, Narrative, and Cost Allocations complete, accurate, meet the requirements outlined in the Solicitation, and clearly map the proposed costs to the Respondent's Project Work Plan.
   b. To what extent does the Respondent demonstrate understanding of the Solicitation's Financial Domain (FIN) requirements, as well as Federal and State financial requirements; and clearly demonstrate how they will comply with applicable requirements.

4.1.4.1 Demonstration Scoring

Demonstrations will add up to **ten (10) additional points** to a Respondent's score for those Respondents in the competitive range.

Demonstrations will be scored based on Respondent performance for each detailed use case (to be provided prior to the demonstration only to those Respondent's in the Competitive Range) according to the following use case categories:

#	Pharmacy Benefits Management (PBM) Area	Use Case Category
1	PBM Web Portal	Demonstrate PBM Portal Navigation
2	Client Eligibility	Demonstrate FFS and managed care Clients configuration.
3	Claims & Encounters	Demonstrate FFS claims adjudication and search process. Demonstrate encounter processing system.
4	Prior Authorization (PA)	Demonstrate the PA process.
5	Formulary & Preferred Drug List (PDL)	Demonstrate the drugs configuration and search process in the formulary system.
6	Pharmacy Payments	Demonstrate the pharmacy payment process.
7	Rebate	Demonstrate rebate process for the different scenarios.
8	Call Center	Demonstrate call center functions for the Pharmacy, PA and Technical call centers.
9	E-Prescribe	Demonstrate the handling of e-prescribing requests/responses.
10	Reporting Dashboard	Demonstrate reporting dashboard.

Use case categories will be scored using the consensus scoring method in accordance with **Exhibit E - Team Consensus Scoring Rubric.** When considering the success of each scenario, evaluators may refer to the following table and may consider some or all of the usability guidelines listed:

Guidelines for Use Case Evaluation		
No.	**Guideline**	**Explanation**
1	Visibility of system status	The system should always keep users informed about what is going on, through appropriate feedback within reasonable time.
2	Match between system and the real world	The system should speak the user’s language with words, phrases and concepts familiar to the user, rather than system-oriented terms. Follow real-world conventions and make information appear in natural order.
3	User control and freedom	Users often choose system functions by mistake and will need a clearly marked “emergency exit” to leave the unwanted state without having to go through an extended dialogue. Support undo and redo.
4	Consistency and standards	Uses should not have to wonder whether different words, situations, or actions mean the same thing. Follow platform conventions.
5	Error prevention	Even better than good error messages, is a careful design which prevents a problem from occurring in the first place. Eliminate error-prone conditions or handle them gracefully.
6	Recognition rather than recall	Minimize the user’s memory load by making objects, actions, and options visible. The user should not have to remember information form one part of the dialogue to another.
7	Flexibility and efficiency of use	Accelerators – unseen by the novice user – may often speed up interaction for the expert user such that the system can cater to both inexperienced and experienced users.
8	Help uses recognize, diagnose, and recover from errors	Error messages should be expressed in plain language (no codes), precisely indicate the problem, and constructively suggest a solution.
9	Avoid hard mental operations and lower workload	Do not force the user into hard mental operation and keep the user’s workload at a minimum.
10	Avoid forcing the user to premature commitment	Do not force the user to perform a particular task or decision until it is needed. Will the user know why something must be done?
11	Provide functions that are of utility to the user	Consider whether the functionality described is likely to be useful to users and whether functions/data are missing.

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

4.1.4.2 Final Score

A Respondent's final score will be the final written proposal score with the addition of 0-10 demonstration points. A Respondent who falls outside the competitive range will not be asked to demonstrations, and therefore will receive **zero (0)** points for the demonstration. The final written proposal score is the post-interview score, unless interviews are not held. If interviews are not held, the final written proposal score is the score from the written proposal evaluation in **Section 4.1.3.2**, **Consensus Scoring and Written Proposal Evaluation.**

4.1.5 Other Information

HHSC may contact references provided in response to this Solicitation, contact Respondent's Clients, or solicit information from any available source, including the Comptroller's Vendor Performance Tracking System. https://comptroller.texas.gov/purchasing/programs/vendor-performance-tracking/ .

4.2 Best and Final Offer

HHSC may, at its discretion, request that any or all Respondents provide a best and final offer (BAFO). A request for a BAFO from HHSC does not guarantee an award or further negotiations.

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

4.3 Questions or Requests for Clarification By HHSC

HHSC reserves the right to ask questions or request clarification from any Respondent at any time during the Solicitation process, including during demonstrations, or during the BAFO process.

ARTICLE V. BUSINESS/TECHNICAL PROPOSAL

Solicitation Responses will describe in full the intended approach to meeting the requirements in this Solicitation. Respondents are encouraged to succinctly respond to the Solicitation through an economical use of language where possible. Marketing puffery, purely promotional statements, and other non- substantive statements will not be considered. Excessive use of such items may be construed as a lack of understanding the needs of HHSC and the requirements contained in the Solicitation. The Respondent must complete **Exhibit G – HHSC Exceptions Form** and **Exhibit H – HHSC Assumptions Form** for any Business and Technical Proposal assumptions and exceptions.

5.1 BUSINESS PROPOSAL

The Business Proposal must include the following sections and labeled as followed:

Section 1 - Transmittal Letter;

Section 2 – Business Summary;

Section 3 – Project Work Plan;

Section 4 – Value-Added Benefits;

Section 5 – Key Personnel; and

Section 6 – Staff.

5.1.1 Section 1 – Transmittal Letter

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

5.1.2 Section 2 –Business Summary

The Respondent must provide a Business Summary of the Proposal (excluding cost information) asserting Respondent's approach to meeting the Solicitation's requirements in **Article II – Scope of Work**. The summary must demonstrate an understanding of HHSC's requirements for this procurement. The Business Summary must not exceed **five (5)** pages and must represent a full and concise summary of Proposal for the Contractor VPM Solution

5.1.3 Section 3 - Project Work Plan

The Business Proposal must describe the Respondent's proposed processes and methodologies for providing all components in **Article II – Scope of Work** and as hosted in Respondent’s environment and, alternatively, as hosted in the State data center as described in **Attachment F - Data Center Services Requirements.** Respondent should identify all tasks to be performed, including all Project activities, materials and other products, Services and reports to be generated during the

Contract Term and relate them to the stated purposes and specifications described in this Solicitation.

5.1.4 Section 4 - Value-Added Benefits

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

5.1.5 Section 5 - Key Personnel

For the Contract, the following positions to be identified in the Business Proposal will be considered Key Personnel and must be required to meet the qualifications stated in this section and **Exhibit M4 – Key Personnel**

1. Project Manager;
2. Transition Manager;
3. Operations Manager;
4. Rebate Manager;
5. Call Center Manager;
6. Pharmacy Benefit Services Manager;
7. Clinical Manager;
8. Medical Director; and
9. IT/Security/Technical Solutions Manager.

Continuous Performance for Key Personnel

Key Personnel must be available to perform Contract requirements based upon the Effective Date. Unless explicitly authorized by the Contract Manager or specified in the Contract, Key Personnel must be assigned to HHSC as a dedicated resource.

Key Personnel must perform continuously for the duration of the Contract, or such lesser duration as specified in the Business Proposal. Key Personnel may not be removed by the Contractor from working under the Contract without the prior written approval of the Contract Manager.

Key Personnel are persons who have leadership roles on the Project team or who have critical day-to-day involvement in delivery of the Domains associated with this Solicitation. The Respondent must identify the Project roles designated to be filled by Key Personnel in **Exhibit M4 – Key Personnel,** and **Attachment A – Deliverables (DEL IDs DEL-TRA-005, DEL-OPS-005** and **DEL-OPS-006)** for examples of roles and responsibilities.

The Respondent must provide a current, accurate and complete organizational chart that includes the team names, the proposed personnel for team leadership roles, and the skill groups proposed for the team. The Respondent must provide résumés of Key Personnel. Résumés must demonstrate experience of Key Personnel that is relevant to the position proposed. Résumés should include the person's work on Projects cited under the Respondent's corporate experience and the person's specific functions performed on such Projects.

Each résumé must include the following details in the order specified below:

1. Proposed Project role and summary of relevant experience specific to the responsibilities of their role;
2. Professional certifications;
3. Education (degrees received and major studies);
4. Knowledge of and expertise relating to the Domains and IT Infrastructure Library processes in this Solicitation;
5. Relevant State government experience; and
6. Professional employment history with dates.

Each individual's résumé must include at least **three (3)** client exhibits from recent Projects. References must not be Respondent or Subcontractor colleagues.

HHSC requires the person specified for each Key Personnel role in the Respondent's response to be the persons who will perform the Services associated with each Key Personnel role.

The Respondent must identify the roles designated to be filled by Respondent's proposed staff as described in **Exhibit M4 – Key Personnel.**

5.1.6 Section 6 - Staff

The Respondent is required to provide staff that are not identified as Key Personnel for the Services within this Solicitation. The staff provided will have day-to-day involvement in delivery of the Domains associated with this Solicitation. In addition, the Respondent must provide a high-level narrative description of the team organization, individual teams, and Project roles. The narrative should clearly indicate how each of the Domains will be addressed through staffing.

The roles, experience, and qualifications of the Respondent's proposed staff must support HHSC's stated responsibilities for each role as outlined in the **Staffing Plan** role as defined in **Attachment A - Deliverables (DEL IDs DEL-TRA-005**, **DEL-OPS-005** and **DEL-OPS-006).**

5.2 Technical Proposal

Respondent must provide a detailed description of the proposed Contractor VPM Solution, which must support all business activities and requirements described in this Solicitation. The technical proposal will demonstrate how both the Respondent's proposed technical services and operations will promote and support increased efficiency, effective processes, and improved customer service for all Clients served by VDP programs.

Respondent must propose one of two alternative versions of the Technical Proposal, one (1) version with the Contractor System as hosted in Respondent's proposed environment or one (1) version as hosted in the State data center as described in Attachment F - Data Center Services Requirements, State-Hosted Requirements, including a complete and full description of the hardware, Network, and connectivity infrastructure requirements for hosting Contractor's System in the State data center.

The Technical Proposal must include the following sections:

1. Section 1 – Response Document (Technical Narrative);
2. Section 2 – System Architecture; and
3. Section 3 – Appendices.

5.2.1 Section 1 – Response Document (Technical Narrative)

The response document will be a narrative that will describe in full the intended approach to meeting the requirements of the Solicitation. Merely repeating a requirement statement or stating that the Respondent agrees to provide the required Service or Deliverable does not demonstrate that the Respondent understands the requirement, and does not offer an acceptable Proposal, and may result in a less favorable evaluation.

5.2.2 Section 2 – System Architecture

Provide a detailed description, including schematics and drawings, of the application, Network, and hardware infrastructure architecture for the proposed Contractor System and include **one (1)** or more diagrams that detail the relationships between key technical components. The Contractor System infrastructure and all related data processing and storage must be physically located within the continental United States. The detailed description must show the proposed hosting location and the Network infrastructure.

The System Architecture narrative of the Technical Proposal must include the following technical topics:

1. System Availability and Capacity;
2. System Integration/Infrastructure Integration;
3. Solution Administration, Support and Maintenance;
4. System Security and Disaster Recovery; and
5. Performance Monitoring and Management.

5.2.2.1 System Availability and Capacity

Provide a detailed description of how the proposed Contractor System minimizes the frequency and impact of system failures, reduces Downtime, and minimizes recovery time in the event of catastrophic failure. Provide details on the Respondent's approach to providing the proposed Contractor System that meets the 24/7/365 availability requirement. In addition, provide details on the proposed approach to monitoring system performance and use and planning, sizing on demand, and controlling the system as capacity needs change.

5.2.2.2 System Integration/Infrastructure Integration

Provide a detailed description of how the proposed Contractor System will approach integrating the proposed system with other information systems, including Texas Medicaid systems and Trading Partner systems. Refer to **Attachment G - Data Exchanges** for a list of all system interfaces currently in use by VDP.

5.2.2.3 Solution Administration, Support and Maintenance

Provide a detailed description of how the proposed Contractor System will approach administering the system and system components. Detail the proposed approach to system support, including the levels of support offered and the process for requesting support. In addition, provide a summary of the Respondent's proposed strategy for maintaining and repairing the system components in the proposed solution.

5.2.2.4 System Security and Disaster Recovery

Provide a detailed description of how the proposed Contractor System will approach security architecture, including the development and implementation measures that will provide security and protection for the system. Describe the proposed backup and recovery process approach, and proposed virus protection strategy. Describe the Contractor VPM Solution's general approach to disaster recovery in the reestablishment of operations in the event of a catastrophe.

5.2.2.5 Performance Monitoring and Management

Provide a detailed description of the proposed Contractor VPM Solution's methodology for monitoring and reporting system performance, as well as the proposed approach to technology management. This includes the methods for centrally managing system resources such as servers, backup, archiving, and recovery equipment, databases and applications. Address methods for auditing, tracing, and scanning the system. Provide details on the use of specialized tools the Respondent will use to automate and track monitoring and management activities.

5.2.3 Appendices

In this section, provide the following documents:

1. The completed Attachments in this section of the Technical Proposal;
    a. **Exhibit M2: Respondent Information and Disclosures;**
    b. **Exhibit M3: Past Performance Template;**
    c. **Exhibit M4: Key Personnel;**
    d. **Exhibit G: HHSC Exceptions Form; and**
    e. **Exhibit H: HHSC Assumptions Form.**
2. A strategic Transition Plan with an accompanying PWP specifically to meet all objectives and Transition Phase Key Milestones for the Transition Phase of the Contract. Include a narrative document describing the steps and timeline within the PWP; and
3. Examples of the documents, deliverables, plans, and reports that are required for Transition Phase and are Respondent's actual work from a prior project.

5.2.4 Solicitation Composition

The Respondents' Proposals must be in separate parts as shown in **Table 49 – Solicitation Response Composition**

Table 49 – Solicitation Response Composition

Solicitation Response Composition	
Part 1 - Business and Technical Proposal	
Attachment	**Description**
Exhibit M4	Key Personnel
Exhibit G	HHSC Exceptions Form
Exhibit H	HHSC Assumptions Form
Part 2 - Required Vendor Information	
Attachment	**Description**
Exhibit M2	Respondent Information and Disclosures
Exhibit M3	Past Performance Template
Part 3 - Cost Proposal	
Exhibit M	VPM Cost Workbook (Option 1)
Exhibit M1	VPM Cost Workbook (Option 2)
Part **4 – Hub Subcontracting Plan**	
Exhibit I	HHSC HUB Subcontract Plan (HSP)

ARTICLE VI. REQUIRED RESPONDENT INFORMATION

6.1 COMPANY INFORMATION

Respondent must provide satisfactory evidence of its ability to manage and coordinate the types of activities described in this Solicitation and to produce the specified Services on time. As a part of the Solicitation Response requested in **Article III – Administrative Information**, Respondent must provide the following information:

6.2 COMPANY NARRATIVE

Provide a detailed narrative explaining why Respondent is qualified to provide the Services enumerated in **Article II – Scope of Work**, focusing on its company's key strengths and competitive advantages.

6.2.1 Company Profile

Provide a company profile to include:

1. The company ownership structure (corporation, partnership, LLC, or sole proprietorship), including any wholly-owned subsidiaries, affiliated companies, or joint ventures. (*Please provide this information in a narrative and as a graphical representation*) If Respondent is an affiliate of, or has a joint venture or strategic alliance with, another company, Respondent must identify the percentage of ownership and the percentage of the parent's ownership. The entity performing the majority of the Work under a Contract, throughout the duration of the Contract, must be the primary bidder. Finally, please provide Respondent's proposed operating structure for the Services requested under this Solicitation and which entities (i.e. parent company, affiliate, joint venture, subcontractor) will be performing them;
2. The year the company was founded and/or incorporated. If incorporated, please indicate the state where the company is incorporated and the date of incorporation;
3. The location of company headquarters and any field office(s) that may provide Services for any resulting Contract under this Solicitation;
4. The number of employees in the company, both locally and nationally, and the location(s) from which employees will be assigned;
5. The name, address, and telephone number of Respondent's point of contact for any resulting Contract under this Solicitation; and
6. Indicate whether the company has ever been engaged under a contract by any Texas State agency. If "Yes," specify when, for what duties, and for which agency.

   Note: If Respondent is an out-of-state company, a Certificate of Authority from the Texas Secretary of State to do business in Texas must be provided as well.

6.3 REFERENCES

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

1. Client name;
2. Contract/project description;
3. Total dollar amount of contract/project;
4. Key staff assigned to the referenced contract/project that will be designated for work under this Solicitation;
5. Client contract/project manager name, telephone number, fax number, and email address;
6. **One (1)** reference that verifies that the Respondent or its Subcontractor(s) have successfully performed transition, operations, and turnover of a complete, integrated healthcare or human services system or solution;
7. **One (1)** reference that verifies that the Respondent or its Subcontractor(s) have successfully operated and maintained a complete solution or system of similar complexity and with similar SOW as is included in this Solicitation;
8. **Three (3)** references that verify that the Respondent or its Subcontractor(s) have been responsible for providing Services that largely meet the requirements of the complete and varied SOW referenced in this Solicitation; and
9. A listing or description of additional client references that would assist HHSC's understanding of the Respondent's relevant experience.

   HHSC will have the right to contact any Respondent's references and discuss the client's level of satisfaction with the Respondent and its products or services. For each project reference, the Respondent must complete the **Exhibit M3 - Past Performance Template**.

6.4 MAJOR SUBCONTRACTOR INFORMATION

Respondent must identify any major Subcontractors with whom Respondent intends to utilize in performing **twenty (20%) percent** or more of any Contract.

1. If the Respondent proposes to use any major Subcontractor(s), it must describe any existing or ongoing relationships with the major Subcontractor(s), including Project descriptions;
2. The Respondent must also include a similar description of corporate background and experience for major Subcontractor(s); and
3. Respondent must indicate whether or not Respondent holds any financial interest in any major Subcontractor. It may be required as a condition of Award that an authorized officer or agent of each proposed major Subcontractor sign a statement to the effect that the major Subcontractor has read, and will agree to abide by, Respondent's obligations under any Contract awarded pursuant to this Solicitation.

6.5 LITIGATION AND CONTRACT HISTORY

Respondent must include in its Solicitation Response a complete disclosure of any alleged or significant contractual failures. In addition, Respondent must disclose any civil or criminal litigation or investigation over the last **five (5)** years that involves Respondent or in which Respondent has been judged guilty or liable including any allegations of such that are currently pending.

Respondent must also disclose any settlement agreements entered into in the last **five (5)** years related to alleged contractual failures.

Failure to comply with the terms of this section may disqualify Respondent. Solicitation Response may be rejected based upon Respondent's prior history with the State of Texas or with any other party that demonstrates, without limitation, unsatisfactory performance, adversarial or contentious demeanor, or significant failure(s) to meet contractual obligations.

6.6 CONFLICTS

Respondent must certify that it does not have any personal or business interests that present a conflict of interest with respect to the Solicitation and any resulting Contract. Additionally, if applicable, the Respondent must disclose all potential conflicts of interest. The Respondent must describe the measures it will take to ensure that there will be no actual conflict of interest and that its fairness, independence, and objectivity will be maintained. HHSC will determine to what extent, if any, a potential conflict of interest can be mitigated and managed during the term of the Contract. Failure to identify actual and potential conflicts of interest may result in disqualification of a Solicitation Response or termination of a Contract.

Please include any activities of affiliated or parent organizations and individuals who may be assigned to the Contract, if any.

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

6.7 AFFIRMATIONS AND CERTIFICATIONS

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

1. **Exhibit A – HHS Solicitation Affirmations;**
2. Federal Assurances and Certifications:
   a. **Exhibit B – HHSC Federal Assurances – Non-Construction;** and
   b. **Exhibit C – HHSC Certification Regarding Lobbying**
3. **Exhibit G – HHSC Exceptions Form;**
4. **Exhibit H – HHSC Assumptions Form;**
5. **Exhibit F1 – HHSC Date Use Agreement;**

6. **Exhibit F2 – HHSC Security and Privacy Inquiry (SPI);**

6.8 HUB SUBCONTRACTING PLAN

Submit the HUB Subcontracting Plan (HSP) in accordance with **Section 3.7, Solicitation Response Composition,** labeled: "HUB Subcontracting Plan (HSP)," and include all supporting documentation in accordance with **Exhibit I – HHSC HUB Subcontracting Plan (HSP)**.

ARTICLE VII. COST PROPOSAL

7.1 COST PROPOSAL

The Contractor must acknowledge and respond to all financial requirements contained in **Article II – Scope of Work** and **Article VII – Cost Proposal** and show how the Contractor will fulfill each of those requirements in their Proposal and during the implementation of any Contract resulting from this Solicitation.

The Respondent must document in its Cost Proposal **one (1)** of the options stated below:

Option 1: SaaS solution. Respondent hosts the solution and is responsible for the complete solution, including infrastructure, and managed services. The Respondent must identify in its response which requirements or portions of requirements are excluded from their Option 1 Pricing and the Response if any.

Or

Option 2: Custom/Hosted Solution. DIR will be responsible for hosting the solution and Respondent will provide the Services and manage the solution by collaborating with DIR.

The Respondent's Cost Proposal including (**Exhibit M - VPM Cost Workbook**) for Option 1 or (**Exhibit M1 – VPM Cost Workbook**) for Option 2 will conform to the provisions of this Solicitation and will satisfy all financial requirements contained in the Solicitation. The Cost Proposal will include the following:

Section – 1 Cover Letter;

Section – 2 Cost Proposal Exceptions and Assumptions (**Exhibit G – HHSC Exceptions Form** and **Exhibit H – HHSC Assumptions Form**);

Section – 3 Pricing Schedules and Price Summary Sheets **(Section 7.6 Section 3 - Pricing Schedules and Price Summary Sheets)**;

Section – 4 Transition Pricing Schedules (**Exhibit M or M1 - VPM Cost Workbooks Sheets** TRA_1 thru TRA_5);

Section – 5 Operations Pricing Schedules (**Exhibit M or M1 - VPM Cost Workbooks Sheets** OPS_1 thru OPS_8);

Section – 6 Turnover Pricing Schedule (**Exhibit M or M1 - VPM Cost Workbooks Sheets** TUR 1);

Section – 7 Price Summary Sheets (**Section 7.10 Section 7 – Price Summary Sheets & Exhibit M or M1 - VPM Cost Workbooks Sheets** SUM_1, SUM_2a SUM_2b);

Section – 8 Staffing Classification Sheet (**Exhibit M or M1 - VPM Cost Workbooks Sheets** Staffing Category Description) and IT Category Descriptions Sheet (**Exhibit M or M1 - VPM Cost Workbooks IT Category Descriptions**);

Section – 9 Labor Rate Sheet for Transition and Operations (**Exhibit M or M1 - VPM Cost Workbooks Sheets** Sheet Labor Rates);

a. Transition FTE and Pricing Narrative

b. Operations FTE and Pricing Narrative

Section – 10 Financial Statements;

Section – 11 Corporate Guarantee;

Section – 12 Letter of Credit;

Section – 13 Response to Financial Requirements;

Section – 14 Initial Accounting Policy Manual; and

Section – 15 Federal Disclosure Statement

The Cost Proposal must align with the requirements in this Solicitation **Article II - Scope of Work**, and **Article VII - Cost Proposal**. Respondents that do not comply with the requirements and instructions included in the Solicitation may be deemed non-compliant and may be grounds for disqualification.

7.2 COST PROPOSAL SUBMISSION

Response must be submitted by using one of the following options.

For USB Submittal:

The Respondent's Cost Proposal, including pricing spreadsheet will be placed in a separate sealed package, clearly marked with the Respondent's name, the Solicitation number and the Solicitation submission date. Respondent shall submit the following on **two (2)** USB drives—**one (1)** labeled "Original" and **one (1)** labeled "Copy" in accordance with **Section 3.8.2, Labeling** to the address listed in **Section 3.8.3, Delivery**:

Respondent shall submit the following on USB drives— Each USB must contain **one (1)** file named "Cost Proposal – Option 1 (SaaS)" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000) for this option, OR **one (1)** file named "Cost Proposal – Option 2 (Custom/Hosted Solution)" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000) for this option and must be submitted in "searchable" portable document format (.pdf). Respondent's **Exhibit M or M1 - VPM Cost Workbooks** must be submitted in "searchable" portable document format (.pdf) on USB flash drives. Submitting non-searchable (image only) PDF files could be deemed non-compliant and grounds for disqualification. Only **one (1)** Option will be accepted per Respondent.

Or

For Online Bid Room Submittal:

Respondent shall submit the following through the Online Bid Room utilizing the procedures in **Exhibit L - HHS Online Bid Room**:

Respondent shall submit **one (1)** electronic file to the Online Bid Room named "Cost Proposal – Option 1 (SaaS)" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000) for this option, OR **one (1)** file named "Cost Proposal – Option 2 (Custom/Hosted Solution)" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000) for this option and must be submitted in "searchable" portable document format (.pdf). Respondent's **Exhibit M or M1 - VPM Cost Workbooks** must be submitted in "searchable" portable document format (.pdf). Submitting non-searchable (image only) PDF files could be deemed non-compliant and may be grounds for disqualification. Only **one (1)** Option will be accepted per Respondent.

HHSC will not accept email or facsimile responses. Any disparities between the contents of the "original" Cost Proposal and the "copy" Cost Proposal will be interpreted in favor of HHSC.

These electronic copies will include separate and completed **Exhibit M or M1 - VPM Cost Workbooks** in MS Excel format.

These files will contain all formulas used to calculate pricing information contained on the forms and include all links to other worksheets/forms included in the Respondent's Cost Proposal.

All Respondents will submit a comprehensive and complete financial solution that meets all the requirements specified within the Solicitation. The Cost Proposal including all worksheets of **Exhibit M or M1 - VPM Cost Workbooks** should be fully responsive to the requirements in **Article II – Scope of Work, Section 2.20, Financial Approach**. Respondents that do not comply with the requirements and instructions included in the Solicitation may be deemed non-compliant and may be grounds for disqualification.

All Respondents will submit a separate set of Pricing Schedules (**Exhibit M or M1 - VPM Cost Workbooks**), for option (1 or 2) listed above in **Section 7.1, Cost Proposal**.

1. The Respondent will clearly label all Pricing Schedules and Price Summary Sheets to distinguish between the **two (2)** options;
2. The Respondent will identify and clearly document in its financial response any overlaps or inconsistencies with any Solicitation requirements, any material assumptions employed by the Respondent in developing its Cost Proposal and financial response

Attachments, and how the Respondent's specific financial response resolves the issues identified; and

3. Additionally, the Cost Proposal will clearly identify where efficiencies would be realized and how the State would benefit from these efficiencies.

7.3 Cost Proposal Instructions

The Respondent must include all fixed price fees in both options (1 or 2) of Respondent's Cost Proposal. Total fees are required by HHSC for evaluation and budget purposes, while additional details of rates and costs are required for HHSC's understanding of the proposed price. Pricing must be based on the requirements of the Solicitation and not the Respondent's assumptions or exceptions to the Solicitation. Assumptions that conflict with the requirements of this Solicitation may be cause for the Respondent's Proposal to be disqualified.

7.4 Section 1 - Cover Letter

A cover letter referencing the Cost Proposal options (1 or 2) and Price Summary Sheets for each Option will be included in the Respondent's separate, sealed package. This letter will be signed by an individual authorized to legally bind the Respondent for the Cost Proposal options and price summary sheet(s) submitted. This individual will complete, sign, and date the Cost Proposal options (1 or 2) verifying that the enclosed information is binding for a period of **three hundred sixty-five (365)** days after the due date for submission of Solicitation Responses. The cover letter will also separately identify value-added benefits, cost-savings and cost-avoidance methods and measures, and the effect of such methods on the Cost Proposal options and SOW.

7.5 Section 2 - Cost Proposal Exceptions and Assumptions

Pricing must conform to Solicitation requirements, including exhibits, appendices, and HHSC-provided Contract terms and conditions. The Cost Proposal will include any business, economic, legal, programmatic, or practical assumptions that underlie the Cost Proposal for Option 1 or Option 2. The Respondent is required to state all pricing assumptions for the option upon which pricing is determined using **Exhibit G – HHSC Exceptions Form** and **Exhibit H – HHSC Assumptions Form**. Pricing must not be based upon the Respondent's exceptions to the terms and conditions.

HHSC reserves the right to accept or reject any assumptions. All assumptions not expressly identified and incorporated into the applicable Contract resulting from this Solicitation are deemed rejected by HHSC.

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

7.6 Section 3 - Pricing Schedules and Price Summary Sheets

The Respondent will submit Pricing Schedules and Price Summary Sheets that are substantially similar to those described in this section. The Transition Pricing Schedules (**Exhibit M or M1 - VPM Cost Workbook** Sheets TRA_1 thru TRA_5), Operations

Pricing Schedules (**Exhibit M or M1 - VPM Cost Workbook** Sheets OPS_1 thru OPS_8), Price Summary Sheets (**Exhibit M or M1 - VPM Cost Workbook** SUM_1 thru SUM_2B) and Staffing Classification and hourly Rate Sheet for Transition and Operations Sheets (**Exhibit M or M1 - VPM Cost Workbook**) described below will provide the component costs of the Firm Fixed and Variable Fees quoted for providing the Services and Deliverables set forth in this Solicitation. These forms must include all position staffing levels, staffing costs, capital equipment costs, Subcontractor costs, consultant costs, and costs for pass-through items, other costs, and any required supporting documentation to validate all costs included in the Respondent's Cost Proposal.

Respondents will base their Cost Proposal including **Exhibit M or M1 - VPM Cost Workbooks** on the SOW described in the Solicitation. The Respondent will structure its pricing quotation to allow HHSC a method to map the proposed costs for the Cost Proposal including all worksheets of **Exhibit M or M1 - VPM Cost Workbooks** submitted back to the Respondent's Detailed Work Plan for the Base Contract Term of the Contract. The Respondent will provide separate costs for the entire Transition Phase and for the entire Operations Phase for Option 1 or Option 2. The Transition and Operations Phases will consider all applicable fixed and variable costs as defined in **Article II – Scope of Work, Section 2.22, Financial Payment Structure and Provisions** of the Solicitation. The pricing quotation(s) for each specific Transition Phase Key Milestone must agree with the Firm Fixed Fees proposed for the Transition Period. The pricing quotations for each Functional Area described in **Section 7.8, Section 5 – Operations Pricing Schedule** at **Table 54 – Pricing by Domain** must agree with the Firm Fixed and Variable Fees proposed for the Operations Phase.

The Respondent's Transition Pricing Schedules will be delineated by the applicable Transition Phase Key Milestones described in **Section 7.1, Cost Proposal (Section 4)**, and the Respondent's Operations Pricing Schedules will be delineated by the business Functional Areas described in **Section 7.8, Section 5 – Operations Pricing Schedule** at **Table 54 – Pricing by Domain.**

Any Subcontractor with **twenty (20%) percent** or more of the projected costs of the Contract resulting from this Solicitation will submit a complete set of pricing sheets (**Exhibit M or M1 - VPM Cost Workbooks**) for either Option 1 or 2 based upon the Primary Contractor's chosen option.

Each Cost Proposal will include the following Transition Pricing Schedules as contained in **Exhibit M or M1 - VPM Cost Workbooks**.

Table 50 – Transition Pricing Schedules

TRANSITION PRICING SCHEDULES – Exhibit M or M1 – VPM Cost Workbooks	
Pricing Schedule	**Description**
TRA_1	Monthly Count and Salaries of Respondent - employed FTEs by position, salaries and Transition Phase Key Milestone (for all months of Transition)

TRANSITION PRICING SCHEDULES – Exhibit M or M1 – VPM Cost Workbooks	
Pricing Schedule	**Description**
TRA_1	Average Number of Subcontracted FTEs with Hourly Rates for Subcontracted FTEs by IT Classification; Average Hourly Rates for Subcontracted FTEs by Position Classification and Year for Transition Functions
TRA_2	Summary Budget Information by Transition Phase Key Milestone and Year for Transition Functions
TRA_2	Summary Budget Information by Expense Category for Transition Functions
TRA_3	Budget Detail by Transition Phase Key Milestone, Expense Category, and Month (For all months of Transition) and all Transition Phase Key Milestones Combined
TRA_4	Listing of Staffing Subcontractors for Transition Functions
TRA_4	Listing of Other (Non-staffing) Subcontractors for Transition Functions
TRA_5	Quantity of Capital Equipment Acquisitions and Total Cost of Capital Equipment Acquisitions by Type and Month (For all months of Transition)
TRA_5	Capital Equipment Expenses and Depreciation by Expense Category and Month (For all months of Transition)

Each Cost Proposal will also include the following Operations Pricing Schedules as contained in **Exhibit M or M1 - VPM Cost Workbooks**.

Table 51 – Operations Pricing Schedules

OPERATIONS PRICING SCHEDULES – Exhibit M or M1 - VPM Cost Workbooks	
Pricing Schedule	**Description**
OPS_1	Monthly Count and Salaries of Respondent - employed FTEs by Position, Salaries and Business Functional Area (For all operational months)
OPS_1	Average Number of Subcontracted FTEs by IT Classification, Average Hourly Rates for Subcontracted FTEs by Business Functional Area and Year, for all operational months
OPS_2	Budget Information by Expense Component Category, and Operational Contract Year for all operational months

OPERATIONS PRICING SCHEDULES – Exhibit M or M1 - VPM Cost Workbooks	
Pricing Schedule	**Description**
OPS_3	Summary Budget Information by Functional Area, Expense Category, and Operational Contract Year for all operational months
OPS_3	Budget Detail by Functional Area, Expense Category, Month, and Budget summary by Functional Areas combined (For all operational months)
OPS_4	Listing of Staffing Subcontractors for all operational months
OPS_4	Listing of Other (Non-staffing) Subcontractors for all operational months
OPS_5	Quantity and Total Cost of Capital Equipment Acquisitions by Type and Month (For all operational months)
OPS_5	Capital Equipment Expenses and Depreciation by Expense Category and Month (For all operational months)
OPS_6	Detailed Analysis of Proposed Indirect Rates
OPS_6	Employee Benefits, Fringe Benefits, and Bonuses Analysis
OPS_7	Proposed Administrative Service Fee Percentage Analysis
OPS_8	Projected State and Local Taxes, Including Texas Franchise Taxes to be Paid in Texas by the Respondent and All Proposed Subcontractors
TUR_1	Proposed Turnover costs by Domain and Subdomain
Staffing Category Description	Vendor IT and Non-IT resource staffing classification and descriptions of resources to be used during the life of the Contract (for Transition, Operations and Turnover)
Labor Rates	All-Inclusive Hourly Labor Rates for all resources.

Each Cost Proposal will also include the following Price Summary Sheets as contained in **Exhibit M or M1 - VPM Cost Workbooks**.

Table 52 – Pricing Summary Sheets

PRICING SUMMARY SHEETS – Exhibit M or M1 - VPM Cost Workbooks	
Pricing Schedule	**Description**
SUM_1	Total Fixed Fees Payable Upon Acceptance and Completion for Transition Phase Key Milestones during the Transition Phase

SUM_2a	Fixed Administrative Fees for Operations Phase by year
SUM_2b	Variable Administrative Unit Rates for Operations Phase by year
Total Price Summary	Total Price Summary

Instructions for completing each schedule are given in the following sections. Summary forms will be supported by the detailed information contained on monthly schedules. Amounts shown on the monthly schedules will agree with the cumulative amounts shown on the summary forms.

The Excel pricing forms submitted will contain all formulas used to calculate pricing information contained on the forms and include all links to other worksheets/forms included in the Respondent's Cost Proposal. Rows, columns, and cells highlighted in yellow contain live formulas that may link each workbook together. Respondents will not "hard code" numbers into the yellow highlighted areas. If additional rows, columns, or cells are needed, please ensure formulas are correctly linked.

7.7 Section 4 - Transition Pricing Schedules (Exhibit M or M1 - VPM Cost Workbooks)

Respondents will base their Cost Proposal for the Transition Phase on the Transition Phase Key Milestones. Respondent may use the Transition Phase Key Milestones as set forth in Table 53 or provide alternative Transition Phase Key Milestones on how they want to do it and produce their own timelines of Transition Phase Key Milestones. The Respondent must identify Transition Phase Key Milestones based on the transition requirements described in **Article II – Scope of Work, Section 2.10, Transition Domain** of the Solicitation and all the tasks, functions, responsibilities, Services, Deliverables, and incidental or ancillary requirements necessary to become fully compliant with all operational readiness requirements at the end of the Transition Phase and prior to the Operations Start Date.

The Respondent will structure its proposed transition pricing in accordance with the phases outlined below with sufficient detail to allow HHSC a method to map the proposed costs back to the Respondent's Transition Work Plan. The Respondent will provide separate costs for the entire Transition Phase. The Transition Phase will consider all applicable Fixed Fees as defined in **Article II – Scope of Work** of the Solicitation. The pricing quotation must be outlined by phase, each comprising a percentage of the total cost, not to exceed the Firm Fixed Fees proposed for the Transition Phase.

The dates for completion of the Transition Phase Key Milestones will be used as transition checkpoints for performance monitoring, assessment of the Contractor's progress in working towards operational readiness, and partial reimbursement of transition tasks.

Respondents should include the proposed Key Milestones for the Transition Phase in their Cost Proposal. The proposed Transition Phase Key Milestones and the associated pricing should be reflected in **Exhibit M or M1 - VPM Cost Workbooks** Transition Pricing

Schedules on each applicable pricing tab. The proposed Transition Phase Key Milestones will be discussed with Respondents selected to participate in an interview and/or demonstration stage as deemed fit by HHSC to establish the mutually agreed upon Transition Phase Key Milestones for the Contract. These Transition Phase Key Milestones should also be described in detail in the finalized Transition Plan.

The Proposal must outline the Transition Phase Key Milestones by phase, along with a percentage cost for each phase.

NOTE: All Deliverables referenced below are found in **Attachment A – Deliverables**.

Table 53 – Transition Phase Key Milestones

Transition Phase Key Milestones – Exhibit M or M1 - VPM Cost Workbooks	
Transition Phase Key Milestone	**Description**
Transition Milestone Month 1	1. Plans - Deliver **seven (7)** Plans a. Staffing Plan (STP) DEL-TRA-005 b. Transition Plan (TRP) DEL-TRA-007 c. Project Work Plan (PWP) DEL-TRA-003 d. Communications Plan (COMP) DEL-TRA-001 e. Risk Management Plan (RMP) DEL-TRA-004 f. System Security Plan (SSP) DEL-TRA-006 g. Data Conversion Plan (DCP) DEL-TRA-002
Transition Milestone Month 2	1. Plans - Deliver **four (4)** Plans a. Change Management Plan (CMP) DEL-TRA-008 b. Test Management Plan (TMP) DEL-TRA-009 c. Training Plan (TGP) DEL-TRA-010 d. Operational Readiness Review Plan (ORRP) DEL-TRA-014
Transition Milestone Month 3	1. Plans – Deliver **one (1)** Plan a. Quality Management Plan (QMP) DEL-TRA-018 2. First Monthly Operational Readiness Results Report due - All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **first (1^{st})** month of transition will be measured and produced in this

Transition Phase Key Milestones – Exhibit M or M1 - VPM Cost Workbooks	
Transition Phase Key Milestone	**Description**
	report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated.
Transition Milestone Month 4	1. Plans - Deliver **five (5)** Plans a. Document Management Plan (DMP) DEL-TRA-013 b. Data Governance Plan (DGP) DEL-TRA-011 c. CMS Certification Plan DEL-TRA-023 d. User Interface Style Guide DEL-TRA-024 e. CMS Certification Crosswalk DEL-TRA-025 2. Second Monthly Operational Readiness Results Report due - All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **second (2nd)** month of transition will be measured and produced in this report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated.
Transition Milestone Month 5	1. Third Monthly Operational Readiness Results Report due – All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **third (3rd)** month of transition will be measured and produced in this report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated.
Transition Milestone Month 6	1. Plans – Deliver **two (2)** Plans a. Performance Management Plan (PPL) DEL-TRA-017 b. Incident Notification and Resolution Plan (INRP) DEL-TRA-021 2. Fourth Monthly Operational Readiness Results Report due – All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **fourth (4th)** month of transition will be measured and produced in this report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated.
Transition Milestone Month 7	1. Fifth Monthly Operational Readiness Results Report due – All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **fifth (5th)** month of transition will be measured and produced in this report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated.
Transition Milestone Month 8	1. Plans - Deliver **two (2)** Plans a. Data Quality Plan (DQP) DEL-TRA-012

Transition Phase Key Milestones – Exhibit M or M1 - VPM Cost Workbooks	
Transition Phase Key Milestone	**Description**
	b. System Maintenance Plan (SMP) DEL-TRA-022 2. Sixth Monthly Operational Readiness Results Report due – All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **six (6th)** month of transition will be measured and produced in this report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated.
Transition Milestone Month 9	1. Plans – Deliver **two (2)** Plans a. Business Operations Plan (BOP) DEL-TRA-019 b. Call Center Performance Management Plan (CCPM) DEL-TRA-020 2. Seventh Monthly Operational Readiness Results Report due – All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **seventh (7th)** month of transition will be measured and produced in this report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated. 3. Develop and submit all CMS and MITA training materials to support the Contractor VPM Solution. DEL-TRA-027 4. VPM Solution Process Guide DEL-TRA-029
Transition Milestone Month 10	1. Plans – Deliver **three (3)** Plans a. Business Continuity and Contingency Plan (BCCP) DEL-TRA-015 b. Disaster Recovery Plan (DRP) DEL-TRA-016 c. Annual Business Plan (ABP) DEL-TRA-028 2. Eighth Monthly Operational Readiness Results Report due – All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **eighth (8th)** month of transition will be measured and produced in this report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated.
Transition Milestone Month 11	1. Ninth Monthly Operational Readiness Results Report due – All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **ninth (9th)** month of transition will be measured and produced in this report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated.

Transition Phase Key Milestones – Exhibit M or M1 - VPM Cost Workbooks	
Transition Phase Key Milestone	**Description**
Transition Milestone Month 12	1. Readiness Review including demonstrations 2. Tenth Monthly Operational Readiness Results Report due – All aspects of the Project stated in the Project Work Plan and other plans to be completed by the end of the **tenth (10th)** and final month of transition will be measured and produced in this report. HHSC will use it as a checklist of sorts to confirm that all action items have been completed as stated.

7.7.1 Transition Pricing Schedule TRA_1 (Table -1)

In **Exhibit M or M1 - VPM Cost Workbooks -** Worksheet TRA_1, Table-1, the Pricing Schedule shows the proposed number of Respondent-employed Full Time Equivalents (FTEs) and their salaries by Transition Phase Key Milestone, by position classification, and by month for the Transition Phase of the Contract.

This schedule will present the number and type of FTEs that will be directly employed by the Respondent during the Transition Phase of the Project. The schedule details the proposed staffing levels by Transition Phase Key Milestone, by position classification, and FTE salaries by month and extends the totals of all personnel through the entire Transition Phase of the Contract. Transition Pricing Schedule TRA_1 Table-1 and 1a will include Project staffing levels related to the formation of the Transition Project Management Office.

The Respondent should list all applicable position classifications (job titles) that will be required for each Transition Phase Key Milestone, distinguishing between junior level staff, senior level staff, and executive staff. The Respondent will then provide the proposed monthly FTE count for each classification. Part-time or shared staff should be reflected as a decimal (for example, 0.5 FTE).

Resource counts shown will represent actual projected counts for that effort by month. **Exhibit M or M1 - VPM Cost Workbooks** (VDP Pharmacy Modernization Services All Inclusive Hourly Rates – Annual Inflation, Table-12_Tab) contains labor costs for all additional staff that would be utilized by the Respondent during the term of the Contract, using the information similar to the information that is already included in the Staffing Category Description Sheet Labor. **Exhibit M or M1 - VPM Cost Workbooks - Staffing Category Description Sheet** contains definitions, classifications and detailed information for all key resource and staffing roles under the Contract. Staffing Category Description Sheet must include all IT staffing and non-IT types of staffing. A Respondent must insert additional rows, classification types, definitions and detailed information for all additional staff that would be utilized by the Respondent during the term of the Contract.

The number of FTEs in each Transition Phase Key Milestone will be sub-totaled by month and the total number of FTEs will be shown by month. Transition Pricing Schedule 1a will show the same position classifications shown in Transition Pricing Schedule 1b.

Respondents will include a written narrative and additional supporting schedules justifying the proposed FTEs including, but not limited to, the number of proposed FTEs; the start date; the Transition functions to be performed; the number of weeks necessary to train staff for the respective duties; the number of weeks to perform readiness reviews with HHSC program staff; and any other relevant information that would allow HHSC to better understand the FTEs proposed by the Respondent.

The Respondent must include a written narrative and additional supporting schedules in its Cost Proposal that explains and justifies its transition staffing approach. Refer to **Section 7.7, Transition Pricing Schedules** for additional information.

Pricing Schedule TRA_1 Table-1 also shows the salaries for all Respondent-employed FTEs in Transition by Transition Phase Key Milestone, by position classification, and by month during the Transition Phase of the Contract.

This schedule will present the Respondent's transition salary expenses for FTEs that will be directly employed by the Respondent. The schedule will detail the proposed salaries by Transition Phase Key Milestone, by position classification, and by month, and extend the totals of all personnel through the entire Transition Phase of the Contract. Transition Pricing Schedule TRA_1 will also include the salaries related to the formation of the Transition Phase Project Management Office.

The Respondent will then provide the total base salary (excluding fringe benefits) earned by the proposed FTEs within each classification for each month. For example, assume 3.0 Programmer I FTEs begin working on Transition Phase Key Milestone #1 during the second month of Transition. If these FTEs earn $3,800, $4,000, and $4,200 per month, respectively, the appropriate salary to display in Transition Pricing Schedule TRA_1 will be $12,000 for these individuals.

The salaries in each Transition Phase Key Milestone will be sub-totaled by month and the total salaries will be shown by month. Transition Pricing Schedule TRA_1 Table -1 will show all Employed FTEs and Salaries by Transition Phase Key Milestone, Position Classification, and Month.

Table-1a is the summary table for Table-1 above with the total FTEs and their salaries by Transition Deliverables.

7.7.2 Transition Pricing Schedule TRA_1 (Table - 2)

In **<u>Exhibit M or M1- VPM Cost Workbooks</u>**, Worksheet TRA_1 Table -2, the Pricing Schedule TRA_1 Table-2 captures the number of Subcontractor FTEs working on the Transition Phase of the Contract, by position classification and by year along with their salaries, who were not included in Table-1 because they are not working directly for the Respondent. These include contract workers and employees of Subcontractors and consultants hired to assist in the Transition Phase of the Contract.

Resource counts shown will represent actual projected counts for that effort by month. **<u>Exhibit M or M1 - VPM Cost Workbooks</u>** Labor Rates Tab contains definitions, classifications and detailed information for all key resource and staffing roles under the Contract. This Tab includes all IT staffing and non-IT types of staffing. A Respondent must insert additional rows, classification types, definitions and detailed information similar to the information that is already included in the tab Labor Costs for all additional staff that would be utilized by the Respondent during the term of the Contract.

When the FTE counts in this schedule are combined with the salaried employee counts from Table-1, all labor related to the Transition Phase of the Contract will be captured.

Respondents may need to estimate the total hours of Work to be performed by each position classification each year and then divide this number by **one thousand nine hundred and twenty (1,920)** (average of **one hundred sixty (160**) billable hours per month) to derive the number of FTEs required.

Pricing Schedule TRA-1 Table-2 also captures the average hourly wage rates, by position classification and by year, for the workers included in Table-2.

Rows may need to be added if, for example, there is a Developer Analyst 1 role working on Transition Phase Key Milestone #1 as well as a Developer Analyst 1 role working on Transition Phase Key Milestone #2, etc. The Respondent will add rows as needed to capture these distinctions.

Finally, the Respondent will indicate an average hourly labor rate for each Contracted staff classification above for each Contract Year. This hourly labor rate will be inclusive of all travel, per diem, and any other related expenses, and will accurately portray the amount paid to the applicable Subcontractor for the specified labor.

Table-2a is the summary table for Table-2 above with the total Subcontractor FTEs and their salaries by Transition Deliverables.

7.7.3 Transition Pricing Schedule TRA_2 (Table – 3)

In **<u>Exhibit M or M1- VPM Cost Workbooks</u>**, Worksheet TRA_2 Table-3, Pricing Schedule Table-3 shows the Respondent's total proposed costs for the Transition Phase of the Contract by Transition Phase Key Milestone.

This schedule summarizes and totals the Respondent's proposed transition costs as detailed in Transition Pricing Schedule TRA_2 Table-4. The total shown on this schedule will agree to the total shown on each of the supporting Transition Pricing Schedules. During this Transition Phase, Contractor will invoice no more than **eighty-five (85%) percent** of each completed Transition Phase Key Milestone. HHSC will pay the invoice for each completed Transition Phase Key Milestone based on the Texas Prompt Payment Act, Texas Government Code Title 10, Subtitle F, Chapter 2251. The final Transition Phase Key Milestone will contain the remaining balance of each completed Transition Phase Key Milestone, less any assessed deductions for failure to provide an approved required Deliverable or for Service Level remedy and will be paid to the Contractor upon completion of a fully operational VPM Solution and written acceptance by HHSC of all applicable requirements.

The Respondent will not enter cost data directly into this worksheet, as all cells will be automatically populated through links within the workbook.

7.7.4 Transition Pricing Schedule TRA_2 (Table – 4)

In **Exhibit M or M1- VPM Cost Workbooks**, Worksheet TRA_2 Table-4, Pricing Schedule Table-4 summarizes the Respondent's proposed transition costs by expense type for the entire Transition Phase.

The total costs shown on this schedule for the entire Transition Phase of the Contract will agree in total and by expense type to the costs shown in Transition Pricing Schedule Table-6 for the entire Transition Phase of the Contract.

The costs shown for salaries on these schedules for the entire Transition Phase of the Contract will agree to the salaries shown in Transition Pricing Schedule Table-1 for the entire Transition Phase of the Contract.

Respondents will individually list all Subcontractors proposed for the Transition period on Schedule Table-4 and may add expense categories to this schedule as necessary.

7.7.5 Transition Pricing Schedule TRA_3 (Table – 5)

In **Exhibit M or M1- VPM Cost Workbooks**, Worksheet TRA_3, Table-5, Pricing Schedule TRA_3 Table-5 shows the Respondent's proposed transition costs by Transition Phase Key Milestone by expense type and month.

Expense types shown on this schedule will be consistent with the expense types shown on Transition Schedule Table-4. The costs shown will agree in total and by expense type to the costs shown in Transition Schedule Table-4. Total costs for each Transition Phase Key Milestone will be sub-totaled for each month.

The costs shown for salaries on this schedule (for each Transition Phase Key Milestone), and monthly amounts will agree to the salaries shown in Transition Pricing Schedule TRA_1 Table-1by Transition Phase Key Milestone, and by month.

Any applicable Indirect Charges (Overhead and General and Administrative Expenses and the Administrative Service Fee) for each Transition Phase Key Milestone will be shown by month and a total for each Transition Phase Key

Milestone will be shown by month. These charges will always be formula-driven in the Pricing Schedules submitted rather than hard coded. Refer to the instructions provided for Operations Pricing Schedules OPS_6 Table-23, OPS_6 Table-24, and OPS_7 Table-25 for required information regarding the fringe benefit, indirect rate, and Administrative Service Fee (profit) percentages contained in this schedule.

7.7.6 Transition Pricing Schedule TRA _ 3 (Table 6)

In **Exhibit M or M1- VPM Cost Workbooks**, Worksheet TRA_3, Table-6, Pricing Schedule TRA_3 Table-6 shows the Respondent's proposed transition costs for all Transition Phase Key Milestone by expense type combined for the month. This is a summary table generated from the previous worksheet Pricing Schedule TRA_3 Table-5.

7.7.7 Transition Pricing Schedule TRA_4 (Table – 7)

In **Exhibit M or M1- VPM Cost Workbooks**, Worksheet TRA_4, Table-7, Pricing Schedule TRA_4 Table-7 shows the Respondent's list of proposed staffing Subcontractors to be used for the Transition Phase. The Respondent will provide the following for each proposed staffing Subcontractor:

1. A detailed description of each type of staffing each Subcontractor will provide;
2. Each Subcontractor's name and contact information;
3. The need for each Subcontractor's services;
4. All travel reimbursements proposed by each Subcontractor;
5. The deliverables the Respondent expects from each Subcontractor; and
6. The total cost for each Subcontractor.

The cost for each proposed staffing Subcontractor shown on Pricing Schedule TRA_4 Table-7 will agree with the total cost shown on Transition Pricing Schedule TRA_2 Table-4 for that Subcontractor. Also, the total cost for all proposed staffing Subcontractors will agree with the staffing Subcontractor costs shown on Transition Pricing Schedule TRA_2 Table-4 in total.

Any major Subcontractor with **twenty (20%) percent** or more of the projected costs of the Contract resulting from this Solicitation will submit a complete set of pricing sheets (**Exhibit M or M1- VPM Cost Workbooks**). HHSC reserves the right to have any Subcontractor submit a complete set of pricing sheets.

As indicated in Title 48 CFR, Chapter 1, Subchapter E, Part 31 Section 31.203, any indirect costs and associated profit applicable to Subcontract costs where the Contractor does not provide "added value" (e.g., Subcontract management functions) are considered excessive pass-through costs which are unallowable.

7.7.8 Transition Pricing Schedule TRA_4 (Table – 8)

In **Exhibit M or M1- VPM Cost Workbooks**, Worksheet TRA_4, Table-8, Pricing Schedule TRA_4 Table-8 shows the Respondent's list of other (non-staffing) Subcontractors and consultants to be used for the Transition Phase. The Respondent will provide the following for each proposed company:

1. A detailed description of each type of Service each company will provide;
2. Each company's name and contact information;
3. The need for each company's services;
4. All travel reimbursements proposed by each company;
5. The Deliverables the Respondent expects from each company; and
6. The total cost for each company.

The cost for each proposed non-staffing Subcontractor shown on Pricing Schedule TRA_4 Table-7 will agree with the total cost shown on Transition Pricing Schedule TRA_2 Table-4 for that non-staffing Subcontractor and consultants. Also, the total cost for all proposed non-staffing Subcontractors will agree with the non-staffing Subcontractor and consultants' costs shown on Transition Pricing Schedule TRA_2 Table-4 in total.

7.7.9 Transition Pricing Schedule TRA_5 (Table – 9)

In **Exhibit M or M1- VPM Cost Workbooks**, Pricing Schedule TRA_5, Table-9 shows the quantity of all proposed capital equipment acquisitions and leases by equipment category, equipment type, quantity and the total acquisition costs and month of acquisition during the Transition Phase of the Contract.

The term capital equipment includes, but is not limited to, office furniture, office equipment, telephone equipment, scanning equipment, computer furniture, computer equipment, computer software, the cost of initial installation (excluding in-house labor), and leasehold improvements.

All capital equipment acquisitions (including purchases, leases, and leasehold improvements) will be recorded in the month they are acquired/leased.

1. Software will be listed by manufacturer, product name, and version. Different products will be listed on separate lines, even if they are from the same suite of products (e.g. Microsoft Office).
2. Equipment types shown are examples only. Use appropriate categories and descriptions as necessary to include all capital items acquired (define categories clearly to help identify if Proposal includes ramping up capital item acquisition by Transition Phase Key Milestone). Show capital equipment acquisitions in the month required. If more equipment types are needed, add rows and link appropriately.

The Respondent will include all costs related to the proposed acquisitions and leases of capital equipment it will incur during the Transition Phase, including capital equipment needing to be refreshed. The Respondent will show the acquisitions and leases of all capital equipment grouped by category and type within each category. Each equipment category will be sub-totaled for each month.

All capital equipment acquisitions, including purchases, leases, and leasehold improvements, will be recorded in the month they are acquired/leased, as indicated in Transition Pricing Schedule TRA_5 Table-9. Each equipment category costs will be sub-totaled for each month.

Example: Assume that **one hundred twenty (120)** computers costing \$500 each are purchased, leased, or refreshed and put into use during the 1st month of transition. The number **one hundred twenty (120)** and the cost of the cost for all **one hundred twenty (120)** computers (120*\$500 = \$60,000) will be recorded in the appropriate cell in the column for month **one (1)** on Transition Schedule Table-10. If an additional **fifty (50)** computers are purchased, leased or refreshed for \$25,000 and put into use during the 9th month of Transition, the number **fifty (50)** and the cost for all **fifty (50)** computers (\$25,000) will be recorded in the appropriate cell in the column for Month **nine (9)**. In this example, only months **one (1)** and **nine (9)** on Transition Schedule Table-10 would include entries related to the acquisition of these computers.

7.7.10 Transition Pricing Schedule TRA_5 (Table 10)

In **Exhibit M or M1- VPM Cost Workbooks**, **Pricing Schedule TRA_5 Table-10** shows the Respondent's proposed lease expenses, amortization expenses, and depreciation of capital equipment for the Transition Phase of the Contract. The Respondent will show the expenses and depreciation of all capital equipment grouped by equipment category and month.

The expenses, depreciation, and amortization of leasehold improvements shown in this schedule will agree with the capital expenses, depreciation, and amortization costs shown on Transition Pricing Schedule Table-4 in total.

All capital expenses that will be incurred during the Transition Phase of the Contract are to be expensed in the month they are incurred.

Example: In the scenario above, \$60,000 in computer equipment was acquired during the 1st month of Transition, and an additional \$25,000 in computer equipment was acquired during the 9th month of Transition. Since all capital expenses will be expensed in the month incurred, \$60,000 will be recorded in the appropriate cell in the column for month **one (1)** on Schedule 5c and \$25,000 will be recorded in the appropriate cell in the column for month **nine (9)**. As was the case previously, only months **one (1)** and **nine (9)** on Transition Schedule TRA_5 Table-10 would include expenses related to the acquisition of these computers.

7.8 SECTION 5 - OPERATIONS PRICING SCHEDULE

In **Exhibit M or M1- VPM Cost Workbooks**, the Respondent's Operations Pricing Schedules will be delineated by the following primary business and technical functions (Domains/functional areas) for the Operations Phase as shown in **Table 54 – Pricing by Domain.**

Table 54 – Pricing by Domain

No.	Pricing by Domain
1	Transition (TRA)
2	Project Management Office (PMO)
3	Pharmacy Operations (POP)
4	Claims (CLM)
5	Formulary (FRM)
6	Drug Utilization Review (DUR)
7	Rebates (REB)
8	Call Center (CCR)
9	Financial (FIN)
10	Technical Solution (TSS)
11	Turnover (TUR)

The Operations Phase of the Contract is **forty-eight (48)** months in length for the Base Term and **three (3) one (1)**-year options. The Operations Phase will likely begin in month **thirteen (13)** of the Contract. The Operations Pricing Schedules consist of the following **four (4)** Operational Contract periods (**twelve (12)**-month period or applicable number of months if less than **twelve (12)** months) and the **three (3) one (1)**-year option periods:

1. Operational Contract Year 1: Contract months 13-24 (12 months);
2. Operational Contract Year 2: Contract months 25-36 (12 months);
3. Operational Contract Year 3: Contract months 37-48 (12 months); and
4. Operational Contract Year 4: Contract months 49-60 (12 months).

Optional Operational Contract Years:

1. Optional Contract Extension #1 (Operational Contract Year 5): Contract months 61-72 (12 months);
2. Optional Contract Extension #2 (Operational Contract Year 6): Contract months 73-84 (12 months); and

3. Optional Contract Extension #3 (Operational Contract Year 7): Contract months 85-96 (12 months);

Detailed instructions for each Operations Pricing Schedule are provided below.

7.8.1 Operations Pricing Schedule OPS_1 (Table – 14)

Operations Pricing Schedule, **Exhibit M or M1- VPM Cost Workbooks** OPS_1 Table 14 shows the proposed number of Respondent-employed Full Time Equivalents (FTEs) and their salaries by Domain Type, Business Functional Area, by position classification, and by month for the Operations Phase of the Contract.

This schedule will present the number and type of FTEs that will be directly employed by the Respondent during the Operations Phase of the Project and extends the totals of all personnel throughout the entire Operations Phase of the Contract. Operations Pricing Schedule OPS_1 Table 14 will include Project staffing levels related to the formation of the Operations Project Management Office.

The Respondent should list all applicable position classifications (job titles) that will be required for each Domain distinguishing between junior level staff, senior level staff, and executive staff. The Respondent will then provide the proposed monthly FTE count for each classification. Part-time or shared staff should be reflected as a decimal (for example, 0.5 FTE).

Resource counts shown will represent actual projected counts for that effort by month. **Exhibit M or M1- VPM Cost Workbooks** Staffing Category Description Tab contains definitions, classifications and detailed information for all key resource and staffing roles. This Tab includes all IT staffing and non-IT types of staffing. A Respondent must insert additional rows, classification types, definitions and detailed information for all additional staff that would be utilized by the Respondent during the term of the Contract.

The number of FTEs in each Domain will be sub-totaled by month and the total number of FTEs will be shown by month.

Respondents will include a written narrative and additional supporting schedules justifying the proposed FTEs including, but not limited to the number of proposed FTEs; the start date; the operational functions to be performed; the number of weeks necessary to train staff for the respective duties; and any other relevant information that would allow HHSC to better understand the FTEs proposed by the Respondent.

The Respondent must include a written narrative and additional supporting schedules in its Cost Proposal that explains and justifies its operational staffing approach. Refer to **Section 7.12.2** entitled **Operations Phase FTE and Pricing Narrative**, for additional information.

Pricing Schedule OPS_1 Table-14 will present the Respondent's operational support salary expenses for the FTEs that will be directly employed by the Respondent. The schedule will detail the proposed salaries by Domain, by position classification, and by month, and extend the totals of all personnel through the entire Operations Phase of the Contract. This Schedule (OPS_1 Table-14) will include the salaries related to the formation of the Operations Project Management Office.

The Respondent must complete the first column in Operations Pricing Schedule OPS_1 Table-14 by entering the position classifications for each program type and functional area. The Respondent will then provide the total base salary (excluding fringe benefits) earned by the proposed FTEs within each classification for each month of the Operations Phase. For example, assume 3.0 Programmer I FTEs begin working on functional area #1 during the second month of the Operations Phase. If these FTEs earn $3,800, $4,000, and $4,200 per month, respectively, the appropriate salary to display in Operations Pricing Schedule 1b OPS_1 table 14 will be $12,000 for these individuals.

The salaries in each Domain will be sub-totaled by month and the total salaries will be shown by month.

7.8.2 Operations Pricing Schedule OPS_1 (Table 15)

Operations Pricing Schedule **Exhibit M or M1- VPM Cost Workbooks**, OPS_1, Table-15 captures the number of Subcontractor FTEs working on the Operations Phase of the Contract, by position classification and by year, who were not included in Schedule Table-14 because they are not employees working directly for the Respondent. These include contract workers and employees of Subcontractors and consultants hired to assist in the Operations Phase of the Contract.

Respondents may need to estimate the total hours of Work to be performed by each position classification each year and then divide this number by, for example, **one thousand nine hundred and twenty (1,920)** (average of **one hundred sixty (160)** billable hours per month) to derive the number of FTEs required.

Pricing Schedule OPS_1 Table 15 also captures the average hourly wage rates, by position classification and by year, for the workers included in Schedule OPS_1 Table-15.

Resource counts shown will represent actual projected counts for that effort by month.

When the FTE counts in this schedule are combined with the salaried employee counts from Schedule OPS_1 Table-14, all labor related to the Operations Phase of the Contract will be captured.

7.8.3 Operations Pricing Schedule OPS_2 (Table 16)

In **Exhibit M or M1- VPM Cost Workbooks**, Pricing Schedule OPS_2 Table-16 summarizes the Respondent's proposed operational support costs by expense type for each Operational Contract Year.

The total costs shown on this schedule for the entire Operations Phase of the Contract will agree in total and by expense type to the costs shown in Operations Pricing Schedule OPS_3 Table-17 for the entire Operations Phase of the Contract.

The costs shown for salaries on these schedules for the entire Operations Phase of the Contract will agree to the salaries shown in Operations Pricing Schedule OPS_1 Table-14 and OPS_1 Table-15 for the entire Operations Phase of the Contract.

Respondents will individually list all Subcontractors proposed for the operational support period on Operations Pricing Schedule OPS_3 Table-17 and may add expense categories to this schedule as necessary.

7.8.4 Operations Pricing Schedule OPS_3 (Table – 17)

In **Exhibit M or M1- VPM Cost Workbooks**, Pricing Schedule OPS_3 Table-17 shows the Respondent's proposed operational support costs for each Domain by expense type and month.

Expense types shown on this schedule will be consistent with the expense types shown on Operations Pricing Schedule OPS_2 Table-16. The costs shown will agree in total and by expense type to the costs shown in Operations Pricing Schedule OPS_2 Table-16. Total costs for each Domain will be sub-totaled for each month.

The costs shown for salaries on this schedule (for each Functional Area), and monthly amounts will agree to the salaries shown in Operations Pricing Schedule OPS_1 Table-14 and OPS_1 Table-15 by Functional Area and by month.

Any applicable Indirect Charges (Overhead and General and Administrative Expenses and the Administrative Service Fee) for each Domain will be shown by month and a total for each Functional Area will be shown by month. **These charges will always be formula-driven in the Pricing Schedules submitted rather than hard coded.** Refer to the instructions provided for Operations Pricing Schedules 8, 9, and 10 for required information regarding the fringe benefit, indirect rate, and Administrative Service Fee (profit) percentages contained in this schedule.

7.8.5 Operations Pricing Schedule OPS_3 (Table 18)

Exhibit M or M1- VPM Cost Workbooks, Pricing Schedule OPS_3 Table-18 is a summary table generated from Pricing Schedule OPS_3 Table-17, by expense type combined by the month.

7.8.6 Operations Pricing Schedule OPS_4 (Table 19)

Exhibit M or M1- VPM Cost Workbooks, the Pricing Schedule OPS_4 Table-19 shows the Respondent's list of proposed staffing Subcontractors to be used for the operational support period. The Respondent will provide the following for each proposed staffing Subcontractor:

1. Each Subcontractor’s name and contact information;

2. A detailed description of each type of Service each Subcontractor will provide;
3. The need for each Subcontractor's services;
4. All travel reimbursements proposed by each Subcontractor, per state travel guidelines.
5. The deliverables the Respondent expects from each Subcontractor; and
6. The total cost for each Subcontractor.

The cost for each proposed staffing Subcontractor shown on Pricing Schedule OPS_4, Table-19 will agree with the total cost shown on Operations Pricing Schedule OPS-3 Table-17 for that Subcontractor. Also, the total cost for all proposed staffing Subcontractors will agree with the staffing Subcontractor costs shown on Operations Pricing Schedule OPS_3 Table-17 in total.

Any Subcontractor with **twenty (20%) percent** or more of the projected costs of the Contract resulting from this Solicitation will submit a complete set of pricing sheets (**Exhibit M or M1- VPM Cost Workbooks**). HHSC reserves the right to have any Subcontractor submit a complete set of pricing sheets.

As indicated in Title 48 CFR Chapter 1, Subchapter E, Part 31, Section 31.203 and further defined in Title 48 Chapter 1, Subchapter H, Part 52 Section 52.215.23, any indirect costs and associated profit applicable to Subcontract costs where the Contractor does not provide "added value" (e.g., Subcontract management functions) are considered excessive pass-through costs which are unallowable.

7.8.7 Operations Pricing Schedule OPS_4 (Table -20)

Exhibit M or M1- VPM Cost Workbooks, Pricing Schedule OPS_4 Table-20 shows the Respondent's list of consultants to be used for the operational support period. The Respondent will provide the following for each proposed company:

1. Each company's name and contact information;
2. A detailed description of each type of Service each company will provide;
3. The need for each company's services;
4. All travel reimbursements proposed by each company, per state travel guidelines.
5. The deliverables the Respondent expects from each company; and
6. The total cost for each company.

   The cost for each proposed non-staffing Subcontractor shown on Pricing Schedule OPS_4 Table-19 will agree with the total cost shown on Operations Pricing Schedule OPS_3 Table-17for that Subcontractor. Also, the total cost for all proposed non-staffing Subcontractors will agree with the non-staffing Subcontractor costs shown on Operations Pricing Schedule OPS_3 Table-18 in total.

7.8.8 Operations Pricing Schedule OPS_5 (Table 21)

In **Exhibit M or M1- VPM Cost Workbooks**, Pricing Schedule OPS_5, Table-21 shows the quantity of all proposed capital equipment acquisitions and leases by equipment category, equipment type, quantity, and the total acquisition costs and month of acquisition during the Operations Phase of the Contract.

The term capital equipment includes, but is not limited to, office furniture, office equipment, telephone equipment, scanning equipment, computer furniture, computer equipment, computer software, the cost of initial installation (excluding in-house labor), and leasehold improvements.

All capital equipment acquisitions (including purchases, leases, and leasehold improvements) will be recorded in the month they are acquired/leased.

1. Software will be listed by manufacturer, product name, and version. Different products will be listed on separate lines, even if they are from the same suite of products (e.g. Business Objects).
2. Equipment types shown are examples only. Use appropriate categories and descriptions as necessary to include all capital items acquired (define categories clearly to help identify if Proposal includes ramping up capital item acquisition by functional area). Show capital equipment acquisitions in the month required. If more equipment types are needed, add rows and link appropriately.

   The Respondent will include all costs related to the proposed acquisitions and leases of capital equipment it will incur during the Operations Phase, including capital equipment needing to be refreshed. The Respondent will show the acquisitions and leases of all capital equipment grouped by category and type within each category. Each equipment category will be sub-totaled for each month.

   All capital equipment acquisitions, including purchases, leases, and leasehold improvements, will be recorded in the month they are acquired/leased, as indicated in Operations Pricing Schedule OPS_5 Table 21. Each equipment category costs will be sub-totaled for each month.

7.8.9 Operations Pricing Schedule OPS_5 (Table – 22)

Exhibit M or M1- VPM Cost Workbooks, Pricing Schedule OPS_5, Table-22 shows the Respondent's proposed lease expenses, amortization expenses, and depreciation of capital equipment for the Operations Phase of the Contract. The Respondent will show the expenses and depreciation of all capital equipment grouped by equipment category and month.

The expenses, depreciation, and amortization of leasehold improvements shown in this schedule will agree with the capital expenses, depreciation, and amortization costs shown on Operations Pricing Schedule OPS_3 Table-18 or OPS_2 Table-16 in total.

The Respondent's methodology for expensing and depreciating the equipment purchased in the Operations Phase will be consistent with that used for equipment purchased during the Transition Phase. The Respondent's methodology for amortizing leasehold improvements in the Operations Phase will be consistent with that used for amortizing leasehold improvements during the Transition Phase.

All capital expenses that will be incurred during Operational Contract Years 1-4 (Contract months 13-60) basis from the projected purchase / installation date through the Base Term.

7.8.10 Operations Pricing Schedule OPS_6 (Table – 23)

Respondents may include one or more indirect rates in their Cost Proposal to capture general and administrative expenses or overhead expenses that are not readily identified with a specific Project or organizational activity but are incurred for the joint benefit of Projects and other activities.

In **Exhibit M or M1 - VPM Cost Workbooks**, Pricing Schedule OPS_6 Table-23 requires the Respondent to provide a detailed analysis and calculation of any proposed indirect rate(s) included on Transition Pricing Schedules TRA_2 Table-4 and TRA_3 Table-5 or on Operations Pricing Schedules OPS_2 Table-16 and OPS_3 Table-17. The analysis of each indirect rate will include, but is not limited to:

1. A detailed explanation of each indirect rate proposed;
2. The actual calculation and calculation methodology for each rate;
3. The source of the costs included in each indirect rate;
4. The methodology of allocating the costs included in each indirect rate;
5. The Respondent's internal lines of business and business segments included in each indirect rate;
6. The total amount for each indirect rate proposed for each year of the Contract, including the amount(s) applicable for the Transition Phase and Operations Phase. These amounts will agree to the amounts shown on Transition Pricing Schedule TRA_2 Table-4 and Operations Pricing Schedule OPS_2 Table-16;
7. An analysis of the impact the Award would have on the Respondent's current indirect rate(s);
8. A detailed listing of the types of operational support Services included in each applicable indirect rate that will be provided by the Respondent's home office; and
9. A detailed listing of the types of support expenses included in each applicable indirect rate that will be paid by the Respondent's home office.

   Proposed indirect rates will be applied as a "mark-up" to applicable direct expenses. As an example, a Respondent could apply this percentage to the

"Total Direct Expenses" line item on Schedules OPS_2 Table-16 and OPS_3 Table-17 as shown in the following example:

Total Direct Expenses		$1,000,000
Indirect Rate (10%)	$1,000,000 x 10%	$100,000
Total Direct Expenses and Indirect Rate		$1,100,000

7.8.11 Operations Pricing Schedule OPS_6 (Table – 24)

In **Exhibit M or M1- VPM Cost Workbooks**, Pricing Schedule OPS_6, Table-24 requires the Respondent to provide a detailed analysis and calculation of the Respondent's employee benefits, fringe benefits, and bonus percentage(s) included on Transition Pricing Schedules TRA_2 Table-4, TRA_3 Table-5 and on Operations Pricing Schedules OPS_2 Table-16 and OPS_3 Table-17.

The analysis must contain sufficient detail to provide HHSC a complete understanding of the Respondent's fringe benefit rate, including but not limited to the following:

1. The fringe benefit rate(s) proposed by the Respondent for each year of the Contract, including the rate(s) applicable for the Transition Phase and Operations Phase. The actual calculation and calculation methodology for the proposed fringe benefit rate(s) must also be included in the analysis;
2. The fringe benefit rate(s) applicable for any parent, affiliate, or subsidiary organization providing Services associated with this procurement;
3. Materials describing the employee benefits as given to each employee, or a detailed description of the type of employee benefit, fringe benefit, and bonus arrangement offered to the Respondent's employees;
4. A description of how these benefits and bonuses would be directly or indirectly charged and included in the amounts shown in Operations Pricing Schedule OPS_1 Table 14 (Salaries of Respondent-employed FTEs) and in the Respondent's total Cost Proposal; and
5. A description of any other type of expenses that are included in the employee benefits, fringe benefits, and bonus calculation(s) that would not normally appear in the materials provided to each employee describing employee benefits (i.e. Are staff turnover elements included in this calculation? Are non-productive staff time included in this calculation? etc.).

   The analysis must also clearly indicate whether holidays, vacation, and sick leave are included as part of an employee's base salary or as part of the proposed fringe benefit rate.

Proposed fringe benefits will be applied as a "mark-up" to the “Salaries” line item on Schedules OPS_2 Table 16 and OPS_3 Table-17, as shown in the following example:

Salaries		$500,000
Fringe Benefits (30%)	$500,000 x 30%	$150,000
Sub-total of Salaries and Fringe Benefits		$650,000

With respect to all Change Order Requests or Contract Amendments for Services and Deliverables contracted after the Effective Date, the Respondent's fees and pricing shall be based upon the Respondent's actual fringe benefits and fringe benefit rates at the time those Services and Deliverables are contracted.

7.8.12 Operations Pricing Schedule OPS_7 (Table – 25)

Exhibit M or M1- VPM Cost Workbooks, Pricing Schedule OPS_7, Table 25 requires the Respondent to provide a detailed analysis of the Respondent's proposed Administrative Service Fee percentage included on Transition Pricing Schedules TRA_2 Table-4, TRA_3 Table-5 and/or Operations Pricing Schedules OPS_2 Table-16 and OPS_3 Table 17. The Respondent will propose an Administrative Service Fee percentage, and then provide an explanation and justification of how the proposed Administrative Service Fee percentage used correlates with risk assumed by the Respondent in the performance of the Contract. This explanation should consider the following factors:

1. Contractor effort and complexity of work;
2. Contract cost risk;
3. The Respondent's initiative in supporting federal socioeconomic programs;
4. Capital investments by the Respondent to improve Contract efficiency and performance;
5. Cost-control measures and other past accomplishments; and
6. Independent development efforts relevant to the Contract.

The Administrative Service Fee is intended to represent a (profit) percentage that will be applied as a "mark-up" to Allowable Costs. Therefore, Respondents will apply this percentage to the “Total Direct Expenses and Indirect Rate” line item on Schedules OPS_2 Table-16 OPS_3, Table-17, as shown in the following example:

Total Direct Expenses and Indirect Rate		$1,100,000
Administrative Service Fee (8%)	$1,100,000 x 8%	$88,000
Total Expenses (Direct Expenses, Indirect Rate, and Administrative Service Fee)		$1,188,000

The Administrative Service Fee percentage utilized to calculate the final fixed pricing included in the Contract resulting from this Solicitation will also be effective for all Contract Amendments during the term of the Contract including any extensions.

7.8.13 Operations Pricing Schedule OPS_8 (Table – 26)

In **Exhibit M or M1- VPM Cost Workbooks**, Pricing Schedule OPS_8, Table-26 shows a detailed analysis of the Respondent's projected State and local taxes, including Texas franchise taxes, to be paid in Texas during the Base Term. The Respondent will indicate the projected State and local taxes, including Texas franchise taxes, to be paid in Texas by the Respondent and each proposed Subcontractor.

7.9 SECTION 6 - TURNOVER PRICING SCHEDULE

Respondent proposed turnover Pricing Schedule by Domain and Subdomain will represent projected costs for the turnover effort by Domain and Subdomain. **Exhibit M or M1 – VPM Cost Workbooks** Turnover Pricing Schedule Sheet TUR_1 (Table-28) contains detailed information for all the Domains and Subdomains under the Contract. This tab includes the complete cost of all IT staffing and non-IT types of staffing resource costs for each Domain/Subdomain as indicated. A Respondent must complete the projected costs for turnover and post turnover of all Domains/Subdomains.

Note: The Turnover Total for all Domains in TUR_1 (Table 28) should match the TUR totals in OPS_3 (Table-17).

7.10 SECTION 7 – PRICE SUMMARY SHEETS (EXHIBIT M OR M1– VPM COST WORKBOOKS)

The Price Summary sheets are included in **Exhibit M or M1 - VPM Cost Workbooks**. Instructions for completing each sheet and the declaration form are given in the following sections.

7.10.1 Price Summary Sheet 1 (Worksheet SUM_1)

Exhibit M or M1 - VPM Cost Workbooks, Price Summary Schedule SUM_1shows the proposed total Fixed Fees for the Transition Phase for each Transition Phase Key Milestone. The proposed Fixed Fees must include all of the Respondent’s proposed pass-through items that would be incurred during the Transition Phase.

Payment will be made based on successful completion and acceptance by HHSC of each Transition Phase Key Milestone listed in the worksheet.

During the Transition Phase, the Contractor will submit an invoice for up to **eighty-five (85%) percent** of the total fee for each transition milestone. HHSC will pay up to **eighty-five (85%) percent** of each completed Transition Phase Key Milestone, less any assessed deductions for failure to provide an approved required deliverable or for Service Level remedy. Once the final transition milestone (#12) is completed, the Contractor will submit an invoice for the final **fifteen (15%) percent** fee balance from all Transition Phase Key Milestones to HHSC. Once HHSC has provided formal acceptance and acknowledgement of completion of a fully operational VPM solution to the Contractor, the final invoice for the remaining **fifteen (15%) percent** fee will be paid to the Contractor in accordance with the Prompt Payment Act, Texas Government Code, Title 10, Subtitle F, Chapter 2251.

The Grand Total Transition Fees at the bottom of Price Summary Schedule SUM_1 will be consistent with the detailed Transition Pricing Schedules in **Exhibit M or M1 - VPM Cost Workbooks** TRA_2.

7.10.2 Price Summary Sheet 2 (Worksheet SUM_2a)

Exhibit M or M1 - VPM Cost Workbooks, Price Summary Schedule SUM_2a shows the Fixed Administrative Fees for the first **forty-eight (48)** months (Operational Years **one (1)** thru **four (4)** of the Base Term) and each **twelve (12)-** months of the subsequent optional contract extensions (Operational Contract Years **five (5)** thru **seven (7)**) of the Operations Phase and the fixed annual inflator/deflator proposed by the Contractor and subject to approval and acceptance by HHSC. The total Fixed Fees for the first Operational months on this schedule (Operational Contract Year **one (1)** thru Operational Contract Year **seven (7)**) must be consistent with the more detailed Operational Pricing Schedules in **Exhibit M or M1 - VPM Cost Workbooks** OPS. The Fixed Administrative Fees for Operational Contract Extension #1 will be determined by application of the fixed annual inflator/deflator. The annual inflator/deflator will not applicable to Optional Contract Extensions #2 and #3.

Pass-through items will not be paid separately by the State. Respondents must include expenses related to pass-through items in with the Fixed or Variable Fees proposed by the Respondent. As such, since pass-through items are included as an element of the Fixed or Variable Fees that will be paid to the Respondent, they are included in the "Fee Ceiling" described in Solicitation Document **Section 2.23.3, Retrospective Cost Settlement**.

Actual allowable expenses related to pass-through items incurred by a Respondent will be included as part of the total Allowable Costs incurred by the Respondent plus the allowable Administrative Service Fee.

7.10.3 Price Summary Sheet 2 (Worksheet SUM_2b)

In **Exhibit M or M1- VPM Cost Workbooks**, Worksheet SUM_2b, the Price Summary Sheet SUM_2b shows the proposed Variable Administrative Unit Rates for the Operations Phase for each Operational Contract Year for the E-Prescribe Client benefit and for the DUR Intervention Variable Fees included in the Solicitation and the fixed annual inflator/deflator proposed by the Contractor that would be applicable for each Variable Fee in Optional Contract Extension #1 only. Price Summary Sheet SUM_2b also shows the proposed number of variable units the Respondent Projects will be performed during each respective Operational

Contract Year and a total of the Variable Fees calculated by multiplying the projected number of variable units by the corresponding unit rate.

The total Fixed Fees on Price Summary Sheet SUM_2a for each year and the total Variable Fees included on Price Summary Sheet SUM_2b will be consistent with, and equal to, the detailed Operations Pricing Schedules in **Exhibit M or M1- VPM Cost Workbooks** OPR_2.

7.10.4 Total Price Summary Sheet (Worksheet Total Price Summary)

In **Exhibit M or M1- VPM Cost Workbooks**, Worksheet Total Price Summary Sheet is the read only summary of all the costs for all the Domains by year in the cost workbook. This sheet is populated when the Respondent completes all other cost workbook sheets.

7.11 Section 8 – Staffing Classification (Worksheet Staffing Category Description, Table – 27) and IT Category Description (Worksheet IT Category Descriptions)

1. Resource counts shown will represent actual projected counts for that effort by month. **Exhibit M or M1 - VPM Cost Workbooks** Staffing Category Description Sheet contains definitions, classifications and detailed information for all key resource and staffing roles under the Contract. This Tab includes all IT staffing and non-IT types of staffing. A Respondent must insert additional rows, classification types, definitions and detailed information similar for all IT and Non-IT resources used under the Contract. For consistency, the staffing Services roles defined in **Exhibit M or M1 - VPM Cost Workbooks** Staffing Category Description sheet are to be utilized for specifying all-inclusive hourly Labor Rates in the Labor Rates Sheet, Table-12.

2. IT Category Description Sheet (Table-11) has the DIR IT Category roles and description. This can be used for all the IT related roles while completing the Staffing Category Description Sheet.

7.12 Section 9 – Labor Rate Sheet for Transition and Operations (Exhibit M or M1 – VPM Cost Workbooks Labor Rates, Table 12)

Exhibit M or M1- VPM Cost Workbooks, VDP Pharmacy Modernization Services all inclusive, hourly Labor Rates, Table-12, shows the all-inclusive, hourly Labor Rate(s) and the proposed fixed annual inflator/deflator associated with additional recurring or periodic activities to be performed by the Respondent by position classification.

A Respondent will specify the all-inclusive, hourly Labor Rates for all staff working on this Project. **Exhibit M or M1- VPM Cost Workbooks** Staffing Category Description Schedule contains definitions, classifications, and detailed information for all key resources and staffing roles under the Contract. This Labor Rates Schedule includes all IT staffing and non-IT types of staffing. A Respondent must insert additional rows, classification types, definitions and detailed information similar to the information that is already included in **Exhibit M or M1- VPM Cost Workbooks** Staffing Category Description Schedule for all additional staff that would be utilized by the Respondent during the term of the Contract. For consistency, the staffing Services roles defined in **Exhibit M or M1- VPM Cost Workbooks** Staffing Category Description Schedule are to be utilized for specifying all-inclusive hourly Labor Rates in the Labor Rates Sheet.

The maximum fees associated with new Services, additional, non-recurring, or periodic activities to be performed by the Respondent will be based on explicit fixed prices proposed for Respondent and the actual number of hours worked on the specific modification by the Respondent's staff or the staff of a Respondent's Subcontractor. All-inclusive, hourly Labor Rates are to be proposed for the first **forty-eight (48)** months (Operational Years **one (1)** thru **four (4)** of the Base Term) and each **twelve (12)**-months of the subsequent operational contract extension (Operational Contract Years **five (5)** thru **seven (7)**) of Operations Phase of the Contract. For Optional Contract Extension #1 the all-inclusive hourly Labor Rate will be determined by application of the proposed fixed annual inflator/deflator and subject to approval and acceptance by HHSC. The annual inflator/deflator will not be applicable to Optional Contract Extensions #2 and #3.

For each position classification, the Respondent will first describe the functions that classification of employee will be performing in the "Resource Role" column in the Labor Rates tab. Then, the Respondent will identify which level of technology best captures the responsibilities of each employee classification. Rows may need to be added if, for example, there is a Developer Analyst I role working on Functional Area # 5 as well as a Developer Analyst I role working on Functional Area # 6. The Respondent will add rows as needed to capture these distinctions.

Finally, the Respondent will indicate an average hourly Labor Rate for each employee classification above for each Contract Year. This hourly Labor Rate will be inclusive of all travel, per diem, and any other related expenses, and will accurately portray the amount paid to the applicable Subcontractor for the specified labor.

7.12.1 Transition Phase FTE and Pricing Narrative

Respondent must provide a written narrative justifying the proposed FTEs for the Transition Phase of the Contract by Transition Phase Key Milestone as part of the Cost Proposal. This narrative should include, but not be limited to, the following information:

1. The transition functions to be performed;
2. The number of proposed FTEs for each function;
3. The anticipated start date;
4. The number of weeks necessary to train staff for the respective duties;
5. The number of weeks to perform readiness reviews with HHSC program staff; and
6. Any other relevant information that would allow HHSC to better understand the FTEs proposed by the Respondent.

Respondent must also provide a detailed breakdown of the component costs (including expense types) for each direct cost line item described on Transition Pricing Schedule

TRA_2 Table - 4. This information must contain sufficient detail to give HHSC a complete understanding of each line item.

7.12.2 Operations Phase FTE and Pricing Narrative

Respondents must provide a written narrative justifying the proposed FTEs for the Operations Phase of the Contract by program type and functional area and year as part of the Cost Proposal. This narrative should include, but not be limited to, the following information:

1. The operational functions to be performed;
2. The number of proposed FTEs for each function;
3. The anticipated start date;
4. The number of weeks necessary to train staff for the respective duties; and
5. Any other relevant information that would allow HHSC to better understand the FTEs proposed by the Respondent.

Respondents must also provide a detailed breakdown of the component costs (including expense types) for each direct cost line item described on Operations Pricing Schedule OPS_2 (**Exhibit M or M1- VPM Cost Workbooks**, Worksheet OPS_2 Table-16). This information must contain sufficient detail to give HHSC a complete understanding of each line item.

7.13 Section 10 – Financial Statements

All Respondents must supply evidence of financial capacity sufficient to demonstrate reasonable stability and solvency appropriate to the requirements of this Solicitation.

7.13.1 Financial Capacity and Annual Report Information

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

a. Last **three (3)** years of Audited Financial Statements (**one (1)** of which is the current year), including all supplements, management discussion, and analysis, and actuarial opinions.

b. If applicable, last **three (3)** years of consolidated statements for any holding companies or affiliates (**one (1)** of which is the current year).

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

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

At a minimum, such financial statements must include:

a. Balance sheet;

b. Income Statement;

c. Statement of Changes in Financial Position;

d. Statement of Cash Flows; and

e. Capital Expenditures.

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

If any change in ownership is anticipated during the **twelve (12)** months following the Proposal due date, the Respondent must describe the circumstances of such change and indicate when the change is likely to occur.

If the Respondent is either substantially or wholly owned by another corporate (or legal) entity, the Respondent must include the information required in this section for each such entity, including the most recent detailed financial report for each such entity.

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

7.13.2 Alternate Report

If Respondent is unable to provide the annual report specified above, Respondent may, at the discretion of HHSC, provide the following alternate report:

1. Last **three (3)** years unaudited financial statements;
2. An un-audited financial statement of the most recent quarter of operation; and
3. A full disclosure of any events, liabilities, or contingent liabilities that could affect Respondent's financial ability to perform the Contract.

At a minimum, such financial statements must include:

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

7.13.3 Dun and Bradstreet

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

7.14 Section 11 – Corporate Guarantee

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

7.15 Section 12 – Letter of Credit

The Contractor shall provide HHSC with a Standby Irrevocable Letter of Credit (ILOC) acceptable to HHSC in the amount of **$10,000,000.00**. The ILOC must be issued on behalf of Contractor to HHSC as beneficiary and payable in one or more draws upon demand by HHSC on or before the expiration of **twelve (12)** months following the Contract's Effective Date. The ILOC shall require only sight drafts for proper presentment and shall permit partial and multiple draws. In the event HHSC draws from the ILOC, Contractor shall take any action required to restore the ILOC to its full amount within **ten (10)** Business Days following notification by HHSC of its withdrawal against the ILOC. The Contractor shall deliver the ILOC, in original form, to HHSC no later than **ten (10)** Business Days following the Contract's Effective Date.

The bank issuing the ILOC must:

1. Be duly chartered by the United States or one of its States;
2. Be rated "A" or above by Moody's Investors Service, Inc. or Standard and Poor's Corporation;
3. Be well capitalized pursuant to Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) guidelines;
4. Be FDIC or NCUA insured;
5. Be registered to do business in the State of Texas; and
6. Have a physical presence in Texas ("Issuing Bank"). If at any time the Issuing Bank fails to satisfy these requirements for any reason, Contractor shall obtain a substituted ILOC from another institution. Contractor shall pay the cost of obtaining and maintaining the ILOC.

The ILOC shall be in place for only the first **twelve (12)** months following the Contract's Effective Date. Refer to **Attachment J - Letter of Credit**, **Attachment J1 - Letter of Credit Certificate**, and **Attachment J2 - Letter of Credit Sight Draft.**

The ILOC shall provide funds to HHSC for any liability, loss, damage, or expense, as a result of the Contractor's failure to perform fully and completely all requirements of the Contract. Such requirements include, but are not limited to, the Contractor's obligation to indemnify HHSC under circumstances described in the Contract, and the Contractor's obligation to perform the Services required by the Contract throughout the first **twelve (12)** months following the Contract's Effective Date.

Any substituted ILOC must meet all conditions of this **Section 7.14, Section 11 - Corporate Guarantee.** A lapse of the ILOC or other failure by Contractor to comply with the terms and conditions of this **Section 7.14, Section 11 - Corporate Guarantee** is deemed a material breach of the Contract.

HHSC shall have the right to draw upon the ILOC in one or more drawings for either a portion or the full amount upon occurrence of any of the following events:

(i) the Contract has been terminated by HHSC for cause;
(ii) the Contractor is in default under the terms of the Contract and any notice period provided in a notice of default has expired;
(iii) the Contractor is in default under **Section 2.21**, **Financial Accounting and Reporting Requirements** of this Solicitation; or
(iv) the Contractor has failed to meet a Key Performance Measure and HHSC has notified Contractor of an assessment of Liquidated Damages.

HHSC may draw upon the ILOC as often as any of the foregoing events occur up to the full amount of the ILOC. Contractor shall promptly cause the ILOC to be amended if HHSC reasonably requests an Amendment, such as to change the address for notices. If the ILOC is lost, stolen, or damaged, Contractor shall cooperate with HHSC to replace such ILOC.

7.16 Section 13 – Response to Financial Requirements

The Respondent must acknowledge and respond to all financial requirements contained in **Article II – Scope of Work** and **Article VII – Cost Proposal** and show how the Respondent will fulfill each of those requirements during any Contract resulting from this Solicitation.

7.17 Section 14 – Initial Accounting Policy Manual

The Respondent must submit an initial Accounting Policy Manual that includes all proposed accounting policies and procedures (including cost allocations) utilized to calculate the Fixed Fees, Variable Fees, and all-inclusive hourly Labor Rates included in this Cost Proposal. The following are examples of topics that may be included in an Accounting Policy Manual:

1. Accounting system structure;
2. Cost reporting standards;
3. Expense management;
4. Labor recording;
5. Travel policy;
6. Cost allowability;

7. Access to accounting records; and
8. Contract-specific expenses.

7.18 SECTION 15 – FEDERAL DISCLOSURE STATEMENT

The Respondent must submit with its Cost Proposal a copy of the Respondent's Cost Accounting Standards Board Disclosure Statement (form CASB DS-1) as approved by the federal government's Code of Federal Regulations. (See, Title 48 CFR Chapter 99, Subchapter B, Part 9903, Section 9903.202.)

1. Respondents that already have a federal Disclosure Statement in use by one or more federal agencies would need to submit a copy of the current federal Disclosure Statement with their Proposals.
2. Respondents that do not currently do business with the federal government or are not required to have a federal Disclosure Statement will not be required to create / submit one to HHSC with their Cost Proposal.

Note: A Disclosure Statement could be required to be completed by the Respondent if a Respondent's total amount of business with one or more federal entities, including the annual values of the final Contract, exceeds the thresholds contained in Title 48 CFR Chapter 99, Subchapter B, Part 9903, Section 9903.202.

As required in Solicitation **Exhibit M or M1- VPM Cost Workbooks**, all Respondents must fully complete and provide a detailed analysis of all Indirect Rates (**Exhibit M or M1 - VPM Cost Workbooks**, OPS_6, Table-23), Fringe Benefit Rates (**Exhibit M or M1 - VPM Cost Workbooks**, OPS_6, Table-24), and Administrative Services Rates (**Exhibit M or M1- VPM Cost Workbooks**, OPS_7, Table 25) developed specifically for and utilized in the Respondent's Cost Proposal.

ARTICLE VIII. GENERAL TERMS AND CONDITIONS

8.1 GENERAL CONDITIONS

8.1.1 Amendment

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

8.1.2 Offer Period

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

8.1.3 Costs Incurred

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

8.1.4 Contract Responsibility

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

8.1.5 Public Information Act - Respondent Requirements Regarding Disclosure

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

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

1. **Mark Original Proposal:**
   a. Mark the Original Proposal, on the top of the front page, the words "CONTAINS CONFIDENTIAL INFORMATION" in large, bold, capitalized letters (the size of, or equivalent to, 11-point Verdana font or larger); and
   b. Identify, adjacent to each portion of the Solicitation Response that Respondent claims is exempt from public disclosure, the claimed exemption from disclosure (NOTE: no redactions are to be made in the Original Proposal);
2. **Certify in Original Proposal - Affirmations and Solicitation Acceptance (attached as Exhibit A to this Solicitation):**

   Certify, in the designated section of the Affirmations and Solicitation Acceptance, Respondent's confidential information assertion and the filing of its Public Information Act Copy; and

3. **Submit Public Information Act Copy of Proposal:**

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

a. The copy must be clearly marked as "Public Information Act Copy" on the front page in large, bold, capitalized letters (the size of, or equivalent to, 11-point Verdana font or larger);
b. Each portion Respondent claims is exempt from public disclosure must be redacted (blacked out); and
c. Respondent must identify, adjacent to each redaction, the claimed exemption from disclosure. Each identification provided as required in Subsection (c) of this section must be identical to those set forth in the Original Proposal as required in Subsection (a)(2), above. The only difference in required markings and information between the Original Proposal and the "Public Information Act Copy" of the proposal will be redactions - which can only be included in the "Public Information Act Copy." There must be no redactions in the Original Proposal.

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

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

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

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

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

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

8.1.6 Respondent Waiver – Intellectual Property

SUBMISSION OF ANY DOCUMENT TO ANY HHS AGENCY IN RESPONSE TO THIS SOLICITATION CONSTITUTES AN IRREVOCABLE WAIVER, AND AGREEMENT BY THE SUBMITTING PARTY TO FULLY INDEMNIFY THE STATE OF TEXAS, and HHSC FROM, ANY CLAIM OF INFRINGEMENT BY HHSC REGARDING THE INTELLECTUAL PROPERTY RIGHTS OF THE SUBMITTING PARTY OR ANY THIRD PARTY FOR ANY MATERIALS SUBMITTED TO HHS BY THE SUBMITTING PARTY.

8.2 INSURANCE

8.2.1 Required Coverage

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

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

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

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

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

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

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

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

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

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

8.2.2 Alternative Insurability

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

8.3 LETTER OF CREDIT

Prior to beginning any work under any Contract, Respondent shall acquire a Letter of Credit in the type and on the form listed in **Attachment J - Letter of Credit, Attachment J1 - Letter of Credit Certificate**, and **Attachment J2 - Letter of Credit Sight Draft.**

8.4 PROTEST

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

ARTICLE IX. SUBMISSION CHECKLIST

This checklist is provided for Respondent's convenience only and identifies documents that are requested in this Solicitation.

Original Solicitation Response Package

The Solicitation Package must include the Solicitation Response in one of the approved submission methods identified in **Section 3.7, Solicitation Response Composition**.

1. Business and Technical Proposal		
a. Business Proposal	(Section 5.1)	____
b. Technical Proposal	(Section 5.2)	____
c. Exceptions	(Section 3.7.4 and Exhibit G)	____
d. Assumptions	(Section 3.7.5 and Exhibit H)	____
2. Required Respondent Information		
a. Company Information	(Section 6.1)	____
b. Company Narrative	(Section 6.2)	____
c. References	(Section 6.3)	____
d. Major Subcontractor Information	(Section 6.4)	____
e. Litigation and Contract History	(Section 6.5)	____
f. Conflicts	(Section 6.6)	____
g. Affirmations, Assurances, and Certifications	(Section 6.7 and Exhibits A, B, & C)	____
h. Financial Capacity & Annual Report Information	(Section 7.13.1)	____
i. Dun and Bradstreet Report	(Section 7.13.3)	____
j. Corporate Guarantee	(Section 7.14)	____
3. Cost Proposal	(Article VII)	____
4. HUB Subcontracting Plan	(Section 6.8 and Exhibit I)	____

Files to be provided

__ **Two (2)** USBs – **One (1)** Labeled "Copy" and **One (1)** Labeled "Original" with all of the appropriately labeled files in the checklist below.

__ **One (1)** file named "Original Proposal" that contains the Respondent's entire proposal in searchable PDF.

__ **One (1)** file named "Public Information Copy" that contains the Respondent's entire proposal in searchable PDF, if applicable.

__ **One (1)** file named "Cost Proposal" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000).

__ **One (1)** file named "HUB Subcontracting Plan" that contains the Respondent's HUB Subcontracting Plan.

Or

__ **One (1)** file named "Original Proposal" that contains the Respondent's entire proposal in searchable portable document format (PDF).

__ **One (1)** file named "Public Information Copy" that contains the Respondent's entire proposal in searchable PDF, if applicable.

__ **One (1)** file named "Cost Proposal" that contains the Respondent's Cost Proposal in Excel format with active formulas (compatible with Microsoft Office 2000).

__ **One (1)** file named "HUB Subcontracting Plan" that contains the Respondent's HUB Subcontracting Plan.

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ARTICLE X. LIST OF EXHIBITS & ATTACHMENTS

Exhibit A – HHS Solicitation Affirmations

Exhibit B - HHSC Federal Assurances Non-Construction

Exhibit C - HHSC Certification Regarding Lobbying

Exhibit D - HHSC Uniform Terms and Conditions (Vendor)

Exhibit E - Team Consensus Scoring Rubric

Exhibit F1 - HHSC Data Use Agreement (DUA)

Exhibit F2 - HHSC Security and Privacy Inquiry (SPI)

Exhibit G - HHSC Exceptions Form

Exhibit H - HHSC Assumptions Form

Exhibit I – HHSC Hub Subcontracting Plan (HSP)

Exhibit J - Applicable State and Federal Laws

Exhibit K – Contractor Insurance

Exhibit L – HHS Online Bid Room

Exhibit M - VPM Cost Workbook Option 1 – Respondent Hosted Solution

Exhibit M1 – VPM Cost Workbook Option 2 – DIR Hosted Solution

Exhibit M2 – Respondent Information and Disclosures

Exhibit M3 – Past Performance Template

Exhibit M4 – Key Personnel

Attachment 4E – DCS Master Service Agreement

Attachment A – Deliverables

Attachment B - Key Performance Measures and Liquidated Damages

Attachment C - VPM Acronyms and Glossary

Attachment D - Retention Schedule

Attachment E - HHSC Security Controls

Attachment F- Data Center Services Requirements

Attachment G- Data Exchanges

Attachment H - Pharmacy Encounters Edits

Attachment I - Claims Processing Edits

Attachment J – Letter of Credit

Attachment J1 - Letter of Credit Certificate

Attachment J2 - Letter of Credit Sight Draft

Attachment K - PDL Criteria Guide

Attachment L – VDP Communication Guide

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