

Second Amendment to the Contract

This Second Amendment (the “Second Amendment”) to the Contract for Iowa Medicaid Enterprise Services (the “Contract”) between the State of Iowa, Department of Human Services (the “Agency” or “DHS”) and Ingenix Public Sector Solutions, Inc. (the “Contractor”) effective as of May 1, 2010 is made pursuant to Section 22.5 of the Contract. This Amendment is effective as of January 1, 2012 and will remain coterminous with the Contract.

Section 1. Amendment to the Contract: The following terms are defined for purposes of clarifying obligations contained in this Amendment:

“*Overpayment*” means the amount paid by the Iowa Medicaid program to a fee-for-service provider that is in excess of the amount that is allowable for services furnished under section 1902 of the Social Security Act and which is required to be refunded under section 1903 of the Act. The term Overpayment does not include penalties, fines, or other statutory recoveries that may apply under the circumstances that are in excess of the actual amount paid to a fee-for-service provider that is in excess of the amount that is allowed for services furnished under section 1902 of the Social Security Act.

“*Underpayment*” means an amount paid to a fee-for-service provider or fee-for-service supplier for items or services furnished to a Medicaid beneficiary at a lesser amount due and payable under the Social Security Act, implementing regulations, and policies.

Section 2. Amendment to the Contract: Section 6.2.1.2.1.n of the RFP (as incorporated per contract Section 3) is hereby amended to read as follows:

n. Analyze and propose cost avoidance initiatives and regular self-review requests to providers.

Section 3. Amendment to the Contract: Section 6.1.3.4.3.c.2 of the RFP (as incorporated per contract Section 3) is hereby amended to add the following at the end of this section:

Any recoveries generated in a given State fiscal year during the initial term or any optional renewal term, regardless of whether the Contractor is paid for them on a fixed fee or contingent basis as well as any cost avoidance shall be counted toward the state savings threshold for that State fiscal year and once the measurable state savings in one State fiscal year is met, any additional measurable state savings generated in that State fiscal year shall be counted as part of the measurable state savings in the immediately following State fiscal year.

Section 4. Amendment to the Contract: New Section 6.2.6 is added to the RPF Scope of Work. Section 6.2.6 shall read as follows:

6.2.6 Medicaid Recovery Audit Contractor (RAC) Program

Section 6411 of the Affordable Care Act requires the establishment of a Medicaid Recovery Audit Contractor (RAC) program. The RAC program consists of auditing

Medicaid providers and reviewing Medicaid fee-for-service claims submitted by providers of services to identify and recover Overpayments and to identify Underpayments made to Medicaid providers. The RAC program will enhance and expand IME's current and on-going Medicaid claims review and recovery audit process. The Contractor will audit all parts of the Medicaid fee-for-service program based on recommendations made by the Contractor and approvals from the State as to type of providers and/or claims subject to the RAC program (the "RAC Program").

6.2.6.1 State Responsibilities

The State shall have the following responsibilities in connection with the RAC Program under this Contract:

- a. Review and approve the types of providers and/or claims to be reviewed/audited as well as the scope of the reviews/audits, and the number and frequency of medical records to be reviewed, through consultation with the Contractor;
- b. Review and approve criteria that the Contractor will utilize to identify candidates for provider on-site audits and desk reviews;
- c. Review and approve demand letters drafted by Contractor for Contractor-identified Overpayment;
- d. Review and approve Contractor-identified Underpayments;
- e. Review and approve the Contractor's provider medical record request process and set limits on the number and frequency of medical records to be reviewed by the Contractor, subject to requests for exception from the Contractor; and
- f. Promptly notify Contractor of actual Overpayments recoveries received each month and Underpayments approved by the Agency for payment for which Contractor is eligible to receive a contingency fee payment, regardless of whether the Overpayment recovery is received or Underpayment is approved or paid during or after the Term of the Contract as long as the Overpayment or Underpayment relates to a review completed prior to the end of the Contract Term.

6.2.6.2 Contractor Responsibilities

The Contractor shall have the following responsibilities in connection with the RAC Program under this Contract:

- a. The Contractor will initiate an audit/review process to identify fee-for-service provider Overpayments or Underpayments that will include but not be limited to the following components:
 - i. Coordinate in advance all review/audit activities with all interested parties, including but not limited to the Medicaid Fraud Control Unit ("MFCU"), regarding all planned, ongoing, and completed reviews/audits. Before recommending or initiating any review/audit, the Contractor shall consult with such interested parties to confirm that such a review/audit will not result in duplication of effort. In addition, Contractor may conduct reviews/audits that result in an identification of an Overpayment but for

- which a referral to MFCU or other law enforcement officials is appropriate in light of the existence of fraud or other relevant circumstances, with the understanding that Contractor would be eligible to receive a contingent fee on recoveries made by MFCU to the extent of Overpayments identified by the Contractor even though the recovery of such Overpayment and other monies would be undertaken by MFCU;
- ii. Review Medicaid fee-for-service benefit plans, policies, and payments for Medicaid providers;
 - iii. Provide information on types of fee-for-service providers and claims recommended for review/audit; provide the reason for selecting the type; and define the scope of the review/audit (time frame, type of claim and services reviewed/audited);
 - iv. Provide a list of criteria that the Contractor utilizes to identify candidates for provider on-site audits and desk reviews;
 - v. Establish a fee-for-service provider medical record request process, which shall at all times remain consistent with Agency rules and policies;
 - vi. Review all other potential payment sources for fee-for-service claims, where applicable;
 - vii. Accurately document all findings, calculations of the Overpayments or Underpayments and methods of detection;
 - viii. Compile and maintain provider approved addresses and points of contact;
 - ix. Notify providers of Overpayment findings within 60 calendar days;
 - x. Allow the provider the opportunity to present additional documentation and reconsideration of the estimated Overpayment or Underpayment amount consistent with Agency rules and policy;
 - xi. Draft the initial findings and Overpayment or Underpayment letters;
 - xii. Hold an exit conference with the provider at the end of any review/audit to discuss findings and proposed adjustments;
 - xiii. Provide copies of all findings and dollars recovered to the IME as a result of the review/audit;
 - xiv. Following consultation with and obtaining approval from the Department, provide a periodic education and outreach program, which includes notification to providers of audit policies and protocols;
 - xv. Attend meetings with the IME, when requested;
 - xvi. Provide at all times trained medical professionals, to the satisfaction of the Department, who are in good standing with the relevant State licensing authorities, where applicable, to review Medicaid claims. In addition, Contractor must hire certified coders unless the State determines that certified coders are not required for the effective review of Medicaid claims. Finally, Contractor must hire a minimum of 1.0 FTE Contractor Medical Director who is a Doctor of Medicine or Doctor of Osteopathy in good standing with the relevant State licensing authorities and has relevant work and educational experience;

- xvii. Refrain from reviewing claims that are older than three years from the date of the claim, unless the Contractor receives advance approval from the Department; and
 - xviii. Refrain from using any extrapolation methodology in establishing Overpayments or Underpayments.
- b. Recovery Process, Tracking, and Reporting
- i. The Contractor must perform fee-for-service recovery, tracking, and reporting, provided that the Contractor shall not be required to recover Overpayments on matters referred to MFCU;
 - ii. Once a final fee-for-service Overpayment or Underpayment amount has been determined and validated by the Contractor, the Contractor must report all findings within ten (10) business days to the IME with the amount in issue;
 - iii. The Contractor will be responsible for invoicing the provider and collecting any Overpayment. Contractor's collection duties do not extend to representation of DHS or the State in non-administrative proceedings;
 - iv. The format for all reports will be developed jointly by IME and the Contractor. Contractor will use the existing IME Accounts Receivable reporting system;
 - v. The Contractor will maintain a list of ongoing reviews/audits and will report this within ten (10) business days of the beginning of each month to the IME along with the status of each review/audit; and
 - vi. The Contractor shall at all times comply with any and all CMS reporting obligations and provide the IME with information to comply with any and all CMS reporting obligations associated with the RAC Program.
- c. Appeals
- i. The Contractor must comply with all Agency rules, regulations and policies, including, but not limited to rules, regulations and policies for appeals and due process; and
 - ii. The Contractor will provide all necessary documentation and support to defend the audit findings in the appeals process, if needed, as well as witness testimony, if required, for any administrative appeal or court proceeding resulting from a review/audit of a Medicaid provider by the Contractor. The Contractor will also be expected to assist any external agencies by supplying supporting documentation and testimony.
- d. Fraud Referrals
- i. If, in the course of a review/audit of a provider, the Contractor suspects Medicaid fraud may have occurred, the Contractor will immediately refer the matter to state staff, who will then be responsible for referring the matter to appropriate law enforcement officials.

Section 5. Amendment to the Contract. Section 7.1 of the Contract is hereby amended to read as follows:

7.1 Performance Based Contract

Contractor acknowledges that this is a fixed price performance based Contract and that the Contractor is obligated to perform all of the Contractor's Responsibilities and meet all of the Contractor Performance Standards in this Contract. DHS acknowledges that it is responsible for meeting all State Responsibilities in the RFP and this Contract. The prices for Operations and Transition in the Base Term are:

Transition Charges:

- SFY 2010\$80,006.00

Operations Charges:

- July 1, 2010 through June 30, 2011\$6,259,584.00
- SFY 2012\$3,793,983.00
- SFY 2013\$3,836,770.00

The prices for the three (3) Renewal Option Years are:

- SFY 2014\$3,950,835.00
- SFY 2015\$4,068,340.00
- SFY 2016\$4,191,022.00

In addition to the price identified herein, A) If the Contractor requested equipment and supplies, excluding office supplies in their Bid Proposal for the Transition, the Department will provide the equipment and supplies if approved to the extent permitted under state procurement laws; B) During the Transition, Operations, and Renewal Option Years, if applicable, the Department will provide the Contractor the equipment and supplies specified in Attachment 4 of the contract. Without limiting any other provision of this Contract, payment of the Contractor's compensation may, in the sole discretion of DHS, be tied to contract performance as follows:

Transition Payment: Eighty percent (80%) of the Transition Price may be invoiced at the end of the first two months of the Contract term after a successful implementation to operations as determined by the Department. Payment shall be made upon presentation of evidence that a successful transition to operations has occurred. Twenty percent (20%) of the Transition Price may be invoiced on or after August 1, 2010, following the Department's approval of the Contractor's successful commencement of the Operations Phase.

Operations Payment: Within each Operations period identified above, Contractor shall be entitled to bill for Operations in equal monthly installments. During any state fiscal year the Department may withhold up to twelve (12%) percent of the Contractor's annual compensation for Operations for failure to perform. No amount shall be withheld when failure to perform is due solely to another's action or failure to act, including, without limitation, the Departments' action or failure to act. The amount withheld for failure to perform a requirement or to meet a performance standard under this Contract shall be released to the Contractor upon presentation to the Department of a successful

completion of a corrective action plan to correct the performance failure for which the amount was withheld. If there is an amount withheld at termination of this Contract or at the end of the Contract term, the amount withheld shall be placed in escrow, and the Contractor and the Department shall agree on steps the Contractor shall take to earn the balance in escrow.

Overpayments Recovered: In addition, the Contractor shall be paid on a contingent fee basis, as set forth below, for any reviews/audits conducted pursuant to Section 6.2.6 of the RFP that are completed between January 1, 2012 and the expiration or termination of the Contract that result in actual Overpayment recoveries regardless of whether the Overpayment recovery occurs during the Contract Term or thereafter.

Overpayments Contingency Fee Payment: Contractor will be paid a percentage of the actual Overpayment recoveries received for each preceding month. Actual Overpayment recoveries are the Overpayment amounts identified by the Contractor that are obtained by DHS from the provider through any means, including set-off against payments. If the provider is refunding the Overpayment in installments, the Contractor fee will be based on the actual amounts paid to DHS as they are received. Contingency fee payments for services related to Overpayment recoveries shall be based on Overpayment amounts recovered by DHS and not on Overpayment amounts identified. If IME receives an Overpayment and pays Contractor based on that received Overpayment but on a subsequent appeal, there is a finding overturning the Overpayment determination, then Contractor shall repay the State in an amount consistent with the overturned Overpayment determination. Such repayments may take place through credits identified on monthly invoices.

Based on recovery reports supplied to the IME by the Contractor (and, for any Overpayments where the actual amount is known by IME without any reports supplied by the Contractor), the IME will calculate the payment due the Contractor and will remit payment to the Contractor on a monthly basis. The Overpayments contingency fee rates are as follows:

Amount of Annual Overpayment Recovery in a Given State Fiscal Year*	Contingent Percentage Rate**
Recoveries up to and including \$1,999,999.00	8.5% or the highest rate paid to any Medicare RAC contractor for Overpayment recoveries, whichever is less
Recoveries between \$2,000,000 and \$3,999,999.00	10.5% or the highest rate paid to any Medicare RAC contractor for Overpayment recoveries, whichever is less
Recoveries above \$3,999,999.00	The highest rate paid to any Medicare RAC contractor for Overpayment recoveries when the recovery occurs, which, as of the Effective Date, is 12.5%

During SFY2012, for purposes of determining the applicable contingent percentage rate payable on Overpayment recoveries received on or after January 1, 2012, the parties agree that all Overpayment recoveries received during any portion of SFY2012 for services performed pursuant to RFP Section 6.2.1.2.1.n (as the clause read prior to Amendment 2) may be included in determining which range of recoveries applies when calculating the applicable contingent percentage rate but where the applicable contingent percentage rate shall only be applied to Overpayment recoveries received on or after January 1, 2012.

Underpayments Identified: The Contractor shall be paid on a contingent fee basis, as set forth below, for any services that result in fee-for-service Underpayments identified by Contractor from January 1, 2012 through the end of the Contract term that are approved and paid by the Agency regardless of whether the approval and/or payment occurs during the Contract Term or thereafter.

Underpayments Contingency Fee Payment: For fee-for-service Underpayments identified by Contractor pursuant to Section 6.2.6 of the RFP between January 1, 2012, and the expiration or termination of this Contract, Contractor will be paid a percentage of the actual Underpayments approved and paid by the Agency, where such approval shall not be unreasonably withheld or delayed. The contingency fee payment shall be 8.5% of paid Underpayments.

Contingency Fee Payment Obligations Survive Contract Termination: Any contingency fee payment obligations associated with completed review/audits performed pursuant to Section 6.2.6 of the RFP shall survive termination of the Contract.

Limitation on Contingency Fee Payment Obligations: Notwithstanding anything contained herein to the contrary, the Agency's contingency fee payment obligations in

any state fiscal year shall not exceed the total amounts recovered pursuant to Section 6.2.6 of the RFP in that state fiscal year.

Section 6. Ratification, Authorization & Contingency

Except as expressly amended and supplemented herein, the Contract shall remain in full force and effect, and the parties hereby ratify and confirm the terms and conditions thereof. Each party to this Second Amendment represents and warrants to the other that it has the right, power, and authority to enter into and perform its obligations under this Second Amendment, and it has taken all requisite actions (corporate, statutory, or otherwise) to approve execution, delivery and performance of this Second Amendment, and this Second Amendment constitutes a legal, valid and binding obligation upon itself in accordance with its terms. This Second Amendment is subject to and contingent upon CMS approval.

Section 7. Execution

IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Second Amendment and have caused their duly authorized representatives to execute this Second Amendment.

Contractor, by:	Iowa Department of Human Services, by:
Signature:	Signature:
Printed Name: Shelby Solomon	Printed Name: Charles M. Palmer
Title: President, Ingenix Government Solutions	Title: Director
Date:	Date: