

**THIRD MODIFICATION TO AUDIT SERVICES FOR STATE EMPLOYEE AND
RETIREE BENEFITS PROGRAM CONTRACT**

CATEGORY 2- DENTAL BENEFITS PLAN AUDITS

THIS THIRD MODIFICATION is made as of this 11th of Sept 2015 by and between The Segal Company (Eastern States), Inc. (Contractor), and the State of Maryland, acting through the Department of Budget and Management.

IN CONSIDERATION of the promises and the covenants herein contained, the parties agree to modify the Contract (defined below) as follows:

1. Definitions

In this Modification, the following words have the meanings indicated:

- 1.1 “Contract” means Category 2, Dental Benefit Plans Audit of the Contract for Audit Services for State Employee and Retiree Benefits Program between the Contractor and the State of Maryland acting through the Department of Budget and Management dated December 20, 2010 as amended by the First Modification dated September 19, 2013 and the Second Modification dated May 1, 2014.
- 1.2 “Contractor” means The Segal Company (Eastern States), Inc.
- 1.3 “Department” means the Maryland Department of Budget and Management.
- 1.4 “Financial Proposal” means Contractor’s Best and Final Financial Proposal for Category 2- Dental Benefits Plan Audit dated August 10, 2010.
- 1.5 “Modification” means this Modification Agreement.
- 1.6 “RFP” means the Request for Proposals for Audit Services for Employee and Retiree Benefits Program, No. F10B0400010 dated April 26, 2010 including addenda, attachments and Excel worksheets, as amended through November 7, 2011.
- 1.7 “State” means the State of Maryland.

2. Scope of Modification

This Modification amends the Contract specifically as described herein. Except as specifically revised by the terms of this Modification, all of the terms of the Contract shall remain in full force and effect.

3. Section 3 Scope of Work

The following RFP Sections in the Scope of Work are modified as follows:

3.1.7 Dental Benefits Plans

Preventive and diagnostic dental benefits are available to employees and retirees through one stand-alone fully-insured plan for a Dental HMO, and one self-insured Dental PPO with in-network and out-of-network benefits. Premiums for each of the HMO and DPPO dental plans are paid 50% by the employee and 50% by the State. Performance guarantees are to be met.

3.3.4 Audit of Claims Processing

A. The Contractor shall audit claims processing in at least the following areas;

- Confirm claims are processed in accordance with the TPA Contractor's established administrative procedures and contract terms;
- Review and assess financial, procedural, and payment accuracy (e.g. identifying over and under payments to providers);
- Review system edits and controls for claims processing, including data integrity and sufficient to support claims payments;
- Review of patient eligibility;
- Ensure that third party recovery procedures, including COB, are followed in accordance with standard insurance industry protocols and the contract;
- Verify allowances and provider discounts are within appropriate fee schedules;
- Verify that coverage is provided in accordance with State plan design (e.g. that services are not denied when they should be covered or covered when they should be denied, that Medicare-eligible retirees are provided with only Medicare A and B supplemental coverage, that FSA reimbursements are permitted by the applicable federal tax code provision, etc.);
- Identify error patterns or trends and identify causes, assess effects, and provide recommendations for corrections;
- Confirm accuracy of benefit accumulators (*i.e.*, deductibles, out-of-pocket, plan maximums);and
- Confirm that overpayments identified in prior audits have been credited to the State.

B. The audit must include an electronic screening for 100% of all claims data. Such analysis shall determine and address whether claims are properly processed. The State expects that this in-depth analysis will provide greater confidence in the results and identify outlying claims processes, systemic processing errors, etc. Where appropriate to provide 95% confidence with 3% precision in the claims analysis, a sampling methodology, using up to 20 claims, may be used in addition to the 100% electronic claims analysis.

C. The claims processing audit shall be performed for the following category:

- Category 2 (Dental Plans): Dental PPO Plan

3.3.8 Audits of Clinical Processes

A. The Contractor shall perform clinical evaluations of programs conducted by TPA Contractors. The evaluation shall compare the programs implemented and administered by the TPA Contractor to relevant industry standards, norms and Benchmarks as well as contract requirements. The programs to be evaluated include but are not limited to:

- Claims appeals processes, including timing and adequate clinical review systems are in place; and

B. The Clinical Audit must be performed for the following categories:

- Category 2 (Dental Plans): all self-insured plans

3.3.9 Review of Internal Audits

A. The Contractor shall review internal audits conducted by TPA contractors, including but not be limited to:

- Review the TPA Contractor's internal audit controls to ensure proper controls are in place for improper billing, claims processing, fraud, etc.;
- Verify that significant findings or payment due to the State under the previous year's audit have been corrected or paid;
- Review of TPA Contractor SOC 1 Reports (formerly SAS-70 Reports) and SOC2 Reports;
- Verify appropriateness of the internal audit program(s), i.e. that it meets industry standards; and
- Verify that any recoveries identified through the TPA Contractor's internal audits have been credited back to the State.

B. The review of internal audits must be performed for the following categories:

- Category 2 (Dental Plans): all self-insured plans

4. Audit Cycle 5, Contract Year 5 Payment Provisions

4.1 The Audit Cycle 5, Contract Year 5 Fees set forth in Appendix A, Exhibit 1 and incorporated by reference shall include the scope of work changes described in Section 3 of this Modification.

4.2 Except with the express written consent of the Procurement Officer, payment to the Contractor for audit services required pursuant to this Contract for the Audit Cycle 5, Contract Year 2015 shall not exceed \$49,911.

This payment ceiling includes the fixed fee services and any optional audit services authorized by the Department.

4.3 Attachment J (Plan Year to be Audited) is updated to incorporate the additional change in Dental plan and claim audit requirements. See Dental Updates to Attachment J, attached and incorporated by reference herein.

IN WITNESS THEREOF, the parties have executed this Third Modification as of the date hereinabove set forth.

CONTRACTOR:
The Segal Company (Eastern States), Inc.

[Redacted Signature]

By: [Signature]

Date 8/24/2015

Witness [Redacted Signature]

STATE OF MARYLAND:
DEPARTMENT OF BUDGET AND
MANAGEMENT

[Redacted Signature]

By: David R. Brinkley, Secretary

Date 9/11/15

Witness [Redacted Signature]

APPROVED FOR FORM AND LEGAL SUFFICIENCY
THIS 18th DAY OF September, 2015.

[Redacted Signature]
ASSISTANT ATTORNEY GENERAL

Dental Updates to Attachment J

2. Dental Benefit Plans

	Audit Cycle 1		Audit Cycle 2		Audit Cycle 3		Audit Cycle 4		Audit Cycle 5	
Plan Year to be Audited	7/1/2010 6/30/2011		7/1/2011 6/30/2012		7/1/2012 6/30/2013		7/1/2013 12/31/2013 & 1/1/20104 12/31/2014		1/1/2015 12/31/2015	
Audit to be performed and completed	7/1/2011 6/30/2012		7/1/2012 6/30/2013		7/1/2013 6/30/2014		1/1/2015 12/31/2015		1/1/2016 12/31/2016	
Type of Audit	DPPO FI United Concordia	DHMO FI United Concordia	DPPO FI United Concordia	DHMO FI United Concordia	DPPO FI United Concordia	DHMO FI United Concordia	DPPO FI United Concordia	DHMO FI United Concordia	DPPO SF United Concordia	DHMO FI Delta Dental
3.3.3 Administrative/Operational Audits	X	X	X	X	X	X	X	X	X	X
3.3.4 Claims Processing									X	
3.3.5 Performance Guarantees	X	X	X	X	X	X	X	X	X	X
3.3.6 Contract Terms	X	X	X	X	X	X	X	X	X	X
3.3.8 Clinical Processes									X	
3.3.9 Review of Internal Audits									X	