

October 8, 2014

Don Myron, Administrator
Oregon Medical Insurance Pool
250 Church Street SE, Suite 200
Salem, Oregon 97301-3921

Dear Don:

Moss Adams is pleased to present this Statement of Work to the Oregon Medical Insurance Pool ("you," "your," and "OMIP"). This letter is to confirm the scope, timing and fee estimates of our proposed engagement and the nature of and limitations on the services we will provide. This Engagement Letter and the attached Professional Services Agreement, which is incorporated by reference, represent the entire agreement (the "Agreement") regarding the services to be rendered by Moss Adams LLP ("Moss Adams," "we," "us," and "our") to OMIP.

SCOPE OF SERVICES

For the engagement, Moss Adams will complete two objectives related to claims audit and consulting services.

1) Medical Claims Payment Review

Moss Adams will conduct a medical claims payment review to test the performance of Regence Blue Cross Blue Shield of Oregon ("Regence"), the third party administrator responsible for processing claims for the Oregon Medical Insurance Pool Program ("State Program") and Federal High Risk Pool Program ("Federal Program"). Moss Adams will perform separate reviews for each program.

For each review, our methodology consists of selecting a claims sample using a stratified random sampling approach based on paid dollar amounts. During our planning meetings we will discuss options with OMIP for achieving a sufficient confidence level with a reasonable sample size. We anticipate the sample size for each review to be approximately 200-225 claims.

With the sample selected, we will test the claim from submission through reimbursement to determine that claims were paid correctly. Additionally, we will track any changes to the claim after receipt. We will test the claims for the following:

- Verification of member eligibility for services
- Identification and verification of any needed authorization for services
- Determination if applicable benefit limitations were applied
- Proper calculation of claim payment based on contract terms including:
 - Duplicate payments
 - Accurate payment of coding modifiers
 - Case rates with carve-outs
 - Payment based on Medicare based methodologies

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- Use of 'lesser-of' language where applicable
- Appropriateness of non-medical necessity denials
- Coordination of Benefits/Third Party Liability identification and processing
- Review for potentially inappropriate billing
- Accurate co-pay and deductible application and communication
- Correct application of network discounts

Completion will require on-site access to the Regence's claims, eligibility, provider contract, and plan benefit data to determine payment and processing accuracy.

2) Assessment of Claims Refund Processing

Moss Adams will conduct a review of the claims refund process performed by Regence and OMIP. Specifically, we will evaluate whether refunds have been credited correctly within Regence's claims system and OMIP's financial records. These refunds are a result of overpaid claims that have been reimbursed by providers.

Our methodology consists of selecting a sample using a random sampling approach. During our planning meetings we will discuss options with OMIP for achieving a sufficient confidence level with a reasonable sample size. We will perform the following as part of our assessment:

- Validate that provider refunds have been correctly deposited
- Ensure that no reductions have been made to provider payments in addition to validated refund deposits/provider refunds

Completion will require access to Regence's claims system, as well as OMIP's financial accounting records.

TIMELINES

These timelines are examples based upon our experience with other claims review engagements. Generally, timelines are determined based upon the availability of the parties and the ability to receive the information we will need to conduct our procedures. The timelines are estimates and can be modified based on OMIP's needs and the cooperation of other participating parties. With regards to the Federal Program specifically, we recognize that there are time sensitivities. We developed the timelines below in anticipation of being able to meet the requested deadlines. Therefore, it should be noted that the speed of delivery in receiving information from you and availability of personnel generally determines the ultimate date for finalizing each report and meeting stated deadlines.

Federal Program Claims Review

Activity	Estimated Timeline (week of)
Planning Meeting with OMIP and agreements signed	Oct 13 2014
Audit kick-off meeting with Regence	Oct 13
Medical claims data request to Regence	Oct 13
Receive medical claim data and perform sample selection	Oct 27
On-site claims testing	Nov 10
Present report to OMIP for Federal Program claims	Nov 24

Assessment of Claims Refund processing

Activity	Estimated Timeline (week of)
Receive data related to claims refunds	Oct
Review claim refund processing in Regence system	Nov
Validate claim refunds in OMIP financial records	Nov
Present findings to OMIP	Nov 24

State Program Claims Review

Activity	Estimated Timeline (week of)
Audit kick-off meeting with Regence	Jan 12 2015
Medical claims data request to Regence	Jan 12
Receive medical claim data and perform sample selection	Jan 26
On-site claims testing	Feb 9
Present report to OMIP for State Program claims	Feb 23

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PROJECT DELIVERABLES

Based upon our testing for each review, we will develop a custom report of our findings. For each review, our final report will include a detailed description of our observations including recommendations based on our knowledge of industry and general business practices will be provided.

For the claims sample review, we will also include:

- A comparison of Moss Adams results to industry metrics and self-reported results (if any)
 - Financial Accuracy – weighted percentage of claims dollars paid correctly
 - Processing Accuracy - weighted percentage of claims payments issued correctly, including financial and non-financial errors.
 - Payment Accuracy – weighted percentage of claims payments issued correctly, excluding non-financial errors.
- A description of the payment errors that have been identified and will classify the probable reason for the error (i.e. duplicate payment, paid at wrong fee schedule rate, modifier not applied etc.).

For the assessment of claims refund processing, we will also include:

- A detailed listing of validated claims refunds identified in Regence's claim system and OMIP's financial records

FEES

Our fees will be based on the experience of the individuals involved and the amount of work performed. The estimated fees for the projects are shown below. You will also be billed for out-of-pocket costs such as report production, typing, postage, travel, etc.

DESCRIPTION OF SERVICE	ESTIMATED COSTS
Claim Sample Review (2 reviews - Federal Program and State Program)	\$70,000 - \$80,000
Assessment of Claim Refund Processing	\$10,000-\$15,000

Francis Orejudos will be the primary lead on this project and assisting with the project will be David Paszkiewicz, as well as other Health Care Consulting Services team members.

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All out-of-pocket costs will be billed separately. If our time is less than anticipated, we will bill the lesser amount. If our time is more than anticipated, we will discuss this with you before proceeding further. Our timing and our fee are dependent upon the ability to receive all requested documentation from your organization. Any time spent due to finding additional documentation or rework requested or required due to not all documentation being available will be billed separately.

We will provide a detailed invoice of all activity related to this project. Our fees will be billed monthly, along with out-of-pocket costs as work progresses. Billings are due and payable upon receipt. If payment is not received within 30 days of receipt of our bill, we reserve the right to cease further work. Invoices outstanding past 30 days will be charged interest at 1% per month. Our fees will be billed monthly, along with out-of-pocket costs as work progresses. Bills for services will be due when rendered. Our invoices are due and payable on receipt.

We are pleased to have this opportunity to provide these services to OMIP. We will be available to begin at a mutually agreeable time and will provide you with checklists of items needed in preparation for our arrival.

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We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in this Agreement, please sign the enclosed copy of this letter and return it to us with the Professional Services Agreement. If you have any questions, please let us know.

Sincerely,



William Norris, Partner  
For Moss Adams LLP  
Enclosures



Francis Orejudos, Senior Manager

**AGREED AND ACCEPTED BY OMIP**

This Engagement Letter and the attached Professional Services Agreement set forth the entire understanding of OMIP with respect to the services to be provided by Moss Adams LLP:

Signature \_\_\_\_\_

Printed name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

## PROFESSIONAL SERVICES AGREEMENT

### Health Care Consulting Services

This Professional Services Agreement (the "PSA") together with the Engagement Letter, which is hereby incorporated by reference, represents the entire agreement (the "Agreement") relating to services that Moss Adams will provide to the Company. Any undefined terms in the PSA shall have the same meaning as set forth in the Engagement Letter.

#### Execution of this Agreement

This Agreement may have been forwarded to you by email, facsimile transmission or as an attachment to an Engagement Letter. Your acceptance of this Agreement, returned by the same or similar means is legally binding upon Moss Adams and you. The party executing this Agreement represents that he/she has the authority to make this Agreement with Moss Adams.

#### Fees and Expenses

Billings are due upon presentation and become delinquent if not paid within 30 days of the invoice date. Any past due fee under this Agreement shall bear interest at the highest rate allowed by law on any unpaid balance. If we elect to suspend our engagement for nonpayment, we may not resume our work until the account is paid in full. If we elect to terminate our services for nonpayment, or as otherwise provided in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our work. You will be obligated to compensate us for fees earned for services rendered and to reimburse us for expenses made through the date of termination. You acknowledge and agree that in the event we stop work or terminate this Agreement as a result of your failure to pay on a timely basis for services rendered by Moss Adams as provided in this Agreement, or if we terminate this Agreement for any other reason, we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

You may request that we perform additional services not contemplated by this Agreement. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We will also issue a separate Agreement covering the additional services.

#### Timely and Professional Performance

Moss Adams will use all reasonable efforts to provide the services within the timeframe stipulated. Moss Adams will exercise due professional care and competence in the performance of the services. Moss Adams will not be liable for failures or delays in the performance of services that arise from causes beyond its control, including the untimely performance by the Company, its representatives, advisors, or agents, of its obligations under the Agreement.

#### Limitation on Liability

YOU AGREE THAT MOSS ADAMS' TOTAL LIABILITY FOR ANY AND ALL DAMAGES WHATSOEVER ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT FROM ANY CAUSE, INCLUDING BUT NOT LIMITED TO CONTRACT LIABILITY OR MOSS ADAMS' NEGLIGENCE, ERRORS, OMISSIONS, STRICT LIABILITY, BREACH OF CONTRACT OR BREACH OF WARRANTY SHALL NOT, IN THE AGGREGATE, EXCEED THE FEES PAID TO MOSS ADAMS UNDER THIS AGREEMENT.

IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR OTHERWISE ARISING OUT OF THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

#### Indemnity

You will indemnify and hold harmless Moss Adams and its employees (Indemnified Persons) from any and all liabilities and expenses, including reasonable attorney's fees, arising out of any action by a third party related to this engagement and will assume the defense thereof with counsel suitable to Moss Adams. No employee of Moss Adams or Indemnified Person shall be subjected to any personal liability whatsoever, nor will any such claim be asserted by or on behalf of any other party relying on the services rendered under this Agreement.

## **Intellectual Property Rights**

We may use intellectual property in performing our services, including without limitation, data, software, designs, utilities, tools, spreadsheets, models, systems, ideas, methods and techniques ("Materials"). In the event you receive access to Materials during the performance of our services, such items are provided solely for your internal use and in an "as is" condition without warranty of any kind. We assume no responsibility for results obtained by anyone other than Moss Adams from use of such items. We retain all intellectual property rights in the Materials (including any developments, improvements, and knowledge generated during the performance of our services), and in any working papers compiled in connection with the services.

You will own all final deliverables prepared for and delivered to you, excluding any Materials contained or embodied therein ("Deliverables"). You will have a non-exclusive, non-transferable license to use Materials solely for the purposes for which they are delivered to the extent they form part the Deliverables. Notwithstanding anything to the contrary, we may retain a copy of all Deliverables in our files.

## **Internal Use and Third Parties**

All services shall be solely for your informational purposes and internal use, and no engagement creates privity between Moss Adams and any person or party other than you ("third party"). None of our services are intended for the express or implied benefit of any third party, and no third party is entitled to rely on the services we provide you, including without limitation, any advice, opinions, or reports. In the event of any such reliance, you agree to indemnify and hold harmless Moss Adams and its personnel from all third-party claims, liabilities, costs, and expenses.

## **Responsibility for Financial Statements**

Client agrees that full responsibility for the financial statements is the Client's own. This responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. Client is responsible for adjusting the financial statements to correct material misstatements. Client is also responsible for identifying and ensuring compliance with applicable laws and regulations. As a result of this engagement, Moss Adams assumes no responsibility to provide you with assurance about whether the financial statements are free from material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact.

## **Subpoena or Other Release of Documents**

As a result of our services to you, we may be required or requested to provide information or documents to you or a third-party in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding (including a grand jury investigation), in which we are not a party. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we will construe your inaction or failure as consent to comply with the request. Our efforts in complying with such requests or demands will be deemed a part of this engagement and we shall be entitled to additional compensation for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

## **Document Retention Policy**

At the conclusion of this engagement, we will return to you all original records you supplied to us. Your Company records are the primary records for your operations and comprise the backup and support for the results of this

## **Professional Services Agreement**

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engagement. Our records and files, including our engagement documentation whether kept on paper or electronic media, are our property and are not a substitute for your own records. Our firm policy calls for us to destroy our engagement files and all pertinent engagement documentation after a retention period of seven years (or longer, if required by law or regulation), after which time these items will no longer be available. We are under no obligation to notify you regarding the destruction of our records. We reserve the right to modify the retention period without notifying you. Catastrophic events or physical deterioration may result in our firm's records being unavailable before the expiration of the above retention period.

Except as set forth above, you agree that Moss Adams may destroy paper originals and copies of any documents, including, without limitation, correspondence, agreements, and representation letters, and retain only digital images thereof.

### **Use of Electronic Communication**

In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the Internet. Such communications may include information that is confidential to the Company. Our firm employs measures in the use of facsimile machines and computer technology designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume that you consent to our use of facsimile transmissions to your representatives and other use of these electronic devices during this engagement as we deem appropriate.

### **Enforceability**

In the event that any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of this Agreement.

### **Use of Moss Adams' Name**

The Company may not use any of Moss Adams' name, trademarks, service marks or logo in connection with the services contemplated by this Agreement or otherwise without the prior written permission of Moss Adams, which permission may be withheld for any or no reason and may be subject to certain conditions.

### **Use of Third-Party Service Providers**

We may use third-party service providers in serving you. In such circumstances, if we need to share confidential information about the Company with these service providers, we will require that the third-party service providers maintain the confidentiality of your information.

### **Use of Nonlicensed Personnel**

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

### **Confidentiality**

- a) Subject to the limitations set forth in Paragraph (b), all information disclosed by you to Moss Adams shall be deemed to be "Confidential Information" for all purposes of this Agreement.
- b) The term "Confidential Information" shall not include information that (i) is now, or hereafter becomes, through no act or failure to act on the part of Moss Adams, generally known or available in the public domain; (ii) is



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known by Moss Adams at the time of receiving such information; (iii) is hereafter furnished to Moss Adams by a third party, as a matter of right and without restriction on disclosure; (iv) is the subject of a written permission to disclose provided by you; or (v) is in response to a subpoena or order of a court or other governmental body of the United States or any political subdivision thereof or otherwise required by law to be disclosed, provided that Moss Adams gives prompt written notice of such requirement prior to disclosure.

- c) Moss Adams shall maintain all Confidential Information in confidence and may use such Confidential Information only to the extent required to provide services under this Agreement. Moss Adams shall not disclose any Confidential Information to any third party except as necessary to provide services under this Agreement. Moss Adams shall not use Confidential Information for any other purpose or in any manner that would constitute a violation of any laws or regulations, including without limitation the export control laws of the United States. No rights or licenses to trademarks, inventions, copyrights, or patents are implied or granted under this Agreement. Nothing in this Agreement grants Moss Adams the right to distribute or commercialize any Confidential Information.
- d) Moss Adams shall protect the Confidential Information received with the same degree of care used to protect its own Confidential Information from unauthorized use or disclosure, but in no event less than reasonable care.

### Dispute Resolution Procedure, Venue and Limitation Period

This Agreement shall be governed by the laws of the state of Washington, without giving effect to any conflicts of laws principles. If a dispute arises out of or relates to the engagement described herein, and if the dispute cannot be settled through negotiations, the parties agree first to try in good faith to settle the dispute by mediation using an agreed upon mediator. If the parties are unable to agree on a mediator, the parties shall petition the state court that would have jurisdiction over this matter if litigation were to ensue and request the appointment of a mediator, and such appointment shall be binding on the parties. Each party shall be responsible for its own mediation expenses, and shall share equally in the mediator's fees and expenses.

If the claim or dispute cannot be settled through mediation, each party hereby irrevocably (a) consents to the exclusive jurisdiction and venue of the appropriate state or federal court located in King County, state of Washington in connection with any dispute hereunder or the enforcement of any right or obligation hereunder, and (b) WAIVES ITS RIGHT TO A JURY TRIAL. EACH PARTY FURTHER AGREES THAT ANY SUIT ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE FILED IN A COURT OF PROPER JURISDICTION WITHIN ONE (1) YEAR AFTER THE CAUSE OF ACTION ARISES.

### Termination

This Agreement may be terminated by either party, with or without cause, upon ten (10) days' written notice. In such event, we will stop providing services hereunder except on work, mutually agreed upon in writing, necessary to carry out such termination. In the event of termination, (a) you shall pay us for services provided and expenses incurred through the effective date of termination, (b) we will provide you with all finished reports that we have prepared pursuant to this Agreement, and (c) neither party shall be liable to the other for any damages that occur as a result of our ceasing to render services.

### Entire Agreement

This Professional Services Agreement and the Engagement Letter constitute the entire Agreement and understanding between you and Moss Adams. You agree that in entering into this Agreement you have not relied upon any oral or other representations, promises or statements made by anyone which is not set forth herein. Any modification of this Agreement must be in writing and signed by both parties.