Decision

Matter of: Q2 Administrators, LLC

File: B-410028

Date: October 14, 2014

Drew W. Marrocco, Esq., and Leslie Barry, Esq., Dentons US LLP, for the protester.
Lucy G. Mac Gabhann, Esq., and Douglas Kornreich, Esq., Department of Health and Human Services, for the agency.
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DIGEST

Protest that an awardee has an impaired objectivity organizational conflict of interest is denied where the agency’s contracting officer reasonably investigated the awardee’s relationship with its parent organization, and reasonably concluded that no conflict exists.

DECISION

Q2 Administrators, LLC, of Reston, Virginia, protests the issuance of a task order to C2C Solutions, Inc., of Jacksonville, Florida, under letter request for proposals (RFP) No. 140994, issued by the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS). The solicitation sought proposals from “qualified independent contractors” to conduct reconsiderations of Medicare Part B claim determinations. The protester contends that C2C has an organizational conflict of interest (OCI) that should have disqualified the firm from the competition.

We deny the protest.

1 The estimated value of the task order at issue is in excess of $10 million. Accordingly, this procurement is within our jurisdiction to hear protests related to the issuance of task orders under multiple-award indefinite-delivery, indefinite-quantity contracts. 41 U.S.C. § 4106(f)(1)(B).
BACKGROUND

CMS relies on several different types of contractors in providing benefits under Medicare Part A and Part B, including contractors that make various initial benefit determinations, adjudicate claim appeals, and improve the quality of care. As relevant to the OCI alleged here, we explain each type of CMS contractor in turn below.

Medicare Administrative Contractors (MAC) process and pay claims, and make initial determinations on whether an individual is entitled to benefits and the amount of benefits available to that individual. 42 U.S.C. § 1395KK-1(a)(4) (2006); 42 C.F.R. §§ 405.920-928 (2014). MACs also handle the first level of claim appeals, or “redeterminations,” of initial eligibility and payment determinations. See 42 C.F.R. §§ 405.940-958.

Quality Improvement Organizations (QIO) primarily perform two quality of care functions--case reviews and, more broadly, quality improvement initiatives. See 42 U.S.C. §§ 1395y(g), 1320c-3; 78 Fed. Reg. 74826, 75144-46 (Dec. 10, 2013) (final rule revising QIO regulations and describing various QIO functions). With respect to the first function (case reviews), QIOs, among other things, make initial determinations of whether services are, or were, reasonable and medically necessary; meet quality of care standards; and would be more economical on an inpatient or outpatient basis. See 42 U.S.C. § 1320c-3(a)(2); 42 C.F.R. § 476.71. QIOs also handle redeterminations of initial determinations. 42 U.S.C. § 1320c-4; see 42 C.F.R. §§ 478.12, 14, 16. With respect to the second function (quality improvement initiatives), QIOs conduct broad, formal activities that are designed to serve as a catalyst for quality improvement of healthcare services provided to beneficiaries, and that involve providers and practitioners, among others. 42 C.F.R. §§ 476.1, 475.103; see 42 U.S.C. §§ 1320c-3(a)(10), (18).

Significantly, and as relevant here, CMS recently bifurcated the two primary QIO functions, establishing separate procurements and contract types for the initial case review function and quality improvement initiatives function. The bifurcation was intended to address, among other things, concerns over the tension and potential

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conflict of interest that arise where the same QIO performs case reviews of providers’ care, while also attempting to engage those same providers in quality improvement initiatives. 78 Fed. Reg. at 75152; Supp. Agency Report (AR) at 16-17. As a result, since January 27, 2014, all case review functions are now performed by Beneficiary and Family Centered Care (BFCC)-QIO contractors, and all quality improvement initiatives functions are now performed by Quality Innovation Network (QIN)-QIO contractors. See 78 Fed. Reg. 74826, 75198; see Supp. AR at 17-18, citing 42 U.S.C. §§ 1320c-3(a)(1)-(2), (9)(A), (10)-(11), (18).

Lastly, Qualified Independent Contractors (QIC) handle secondary appeals of benefit determinations. 42 U.S.C. § 1395ff(c). Specifically, a beneficiary or healthcare provider dissatisfied with a MAC’s or a BFCC-QIO’s redetermination decision (again, redeterminations are the first level of claim appeal), may request a “reconsideration” of that decision. See 42 C.F.R. §§ 405.960-978. Reconsiderations are the second level of claim appeals, and the type of adjudication services being procured here.3

Solicitation

On March 5, 2014, CMS issued the solicitation to four contractors, including Q2 and C2C, that currently hold indefinite-delivery, indefinite-quantity (IDIQ) contracts for QIC services, to conduct reconsiderations of initial Part B claim determinations by MACs in the Part B South QIC jurisdiction.4 AR, Tab 9, Negotiation Mem., at 3; RFP, § J-1, Statement of Work (SOW), at 1-2.5 The RFP provided for issuance of a fixed-price task order, for a 2.5-month transition period, a base year, and 4 option years, on a best-value basis considering a number of evaluation factors.6 RFP at 1-5.

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4 As relevant here, the Part B South QIC jurisdiction covers the states of Arkansas, Oklahoma, and Texas, and the Commonwealth of Puerto Rico. See generally www.cms.gov/Medicare/Appeals-and-Grievances/OrgMedFFSAppeals/ReconsiderationbyaQualifiedIndependentContractor.html (current QIC contractors and jurisdictions that they serve).

5 Our citations are to the conformed version of the solicitation.

6 Specifically, the RFP stated that proposals would be evaluated based on technical approach; key personnel qualifications, availability, and overall staffing; quality assurance; security (information technology and physical); past performance; subcontracting approach; and price. RFP at 20-23. The protester does not challenge CMS’s evaluations of proposals under these factors.
Consistent with the statutory requirement that a QIC be independent from the contractor whose determinations the QIC is reviewing, 42 U.S.C. § 1395ff(c)(2), the solicitation included the following conflict of interest provision:

a qualified independent contractor (QIC) is defined as “an entity or organization that is independent of any organization under contract with the Secretary that makes initial determinations[, including, but not limited to, Medicare Administrative Contractors and/or Quality Improvement Organizations]. QIC contractors are required to demonstrate, as part of their technical and business proposal, an approach to performing the work required in the statement of work that is free from any apparent or perceived conflict of interest. With regard to an impaired objectivity conflict, the QIC contractor must demonstrate sufficient independence between itself and any of its related entities that meet the definition above. Indicia of independence would include for example, distinct corporate identities, separate facilities, different management, and separate work forces. Additionally, if the entities are independent, the resources of one entity should not affect the contract performance of the other. As it is CMS’ responsibility to ensure that a QIC does not have impaired objectivity when reviewing reconsiderations, which is crucial to the integrity of the appeals process, proposals will be evaluated to ensure that any potential conflicts are sufficiently mitigated prior to award. If CMS determine[s] that a perceived or actual conflict of interest is not sufficiently mitigated, the contractor will be precluded from receiving an award in accordance with FAR [Federal Acquisition Regulation §] 9.504(e).

RFP, § H.2, at 9.

The solicitation required an offeror to submit with its proposal either: (1) information that has changed from that disclosed in its most recent conflicts of interest certificate—in accordance with § H.2 (as described above), or (2) if no information has changed, a statement that the contractor’s conflict of interest certificate is correct and accurate, and a statement that the contractor has reviewed the specific work required by the task order and determined that it has no actual, apparent, or potential conflicts of interest. RFP, § L.4.J, at 17-18. The RFP stated that the agency would evaluate an offeror based on the information provided and its most

QIC contractors, under their umbrella IDIQ contracts with CMS, are required to submit annual conflict of interest certificates disclosing in detail the firm’s financial interests in other entities, contractual relationships, organizational structure, and program for identifying and mitigating conflicts of interests, among other things. See, e.g., AR, Tab 4, Protester’s QIC Contract, §§ H.2.d-e, at 24-31.
recent conflict of interest certificate in accordance with RFP sections H.2 and L.4. RFP, § M.1.D, at 19.

C2C and Q2 (the protester) submitted proposals in response to the RFP, and, as instructed by the solicitation, provided their most recent annual conflict of interest certifications and updated disclosure statements. Contracting Officer’s (CO) Statement at 2.

C2C, in its proposal, disclosed that the firm is a wholly-owned subsidiary of TMF Health Quality Institute (TMF) of Austin, Texas. AR, Tab 5.A.2(g), C2C Bus. Proposal, OCI Statement, at 1. C2C also disclosed that TMF provided QIO services in Texas under a prime contract with CMS, which would expire on July 31, 2014.8 AR, Tab 5.A.3(a), C2C Bus. Proposal, OCI Certificate, at 14. However, C2C’s certificate stated that its parent organization’s QIO contract did not present a potential conflict of interest, and that (with the exception of a MAC subcontract that the parent/subsidiary proposed to mitigate, see infra n.9), C2C did not otherwise have an actual, apparent, or potential conflict providing the required QIC services in the Part B South QIC jurisdiction. See id.; AR, Tab 5.A.2(g), C2C Bus. Proposal, OCI Statement, at 1.

The agency’s contracting officer and a technical evaluation panel (TEP) evaluated proposals and conflict of interest certifications, and determined that neither offeror had an OCI that would prohibit it from conducting Part B South reconsiderations in an independent and objective manner, and that both proposals were excellent overall. See AR, Tabs 7.A, 7.C, Initial & Final TEP Evaluations; Tab 7.B, OCI Mem.; CO’s Statement at 8. CMS selected C2C’s $70 million proposal (which was approximately 11 percent less than Q2’s $78 million price) for award, finding that it provided the best value to the agency. See AR, Tab 10, Q2 Debriefing, at 2

On June 25, CMS issued the QIC task order to C2C. Q2 filed its protest with our Office on July 3, challenging the agency’s issuance of a task order to C2C on the basis of TMF’s established relationships with providers in Texas under its earlier, QIO contract.9

On July 18, CMS separately announced the award of multiple IDIQ contracts, including an award to TMF, for QIN-QIO services. See www.fbo.gov/spg/HHS/HCF/ AGG/HHSM-500-2014-RFP-QIN-QIO/listing.html. On that same date, CMS also announced that the agency had issued task orders, under the ID/IQ contracts,  

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8 QIC proposals were due on March 26. CO’s Statement at 3.

9 The protester also challenged the award to C2C on the basis of two other TMF subcontracts, but withdrew those protest grounds after reviewing CMS’s agency report. Protest at 4-6; Protester’s Comments at 16.
to TMF for QIN-QIO services in Arkansas, Oklahoma, and Texas. On July 31, CMS further announced that it had issued a task order to TMF for QIN-QIO services in Puerto Rico. \textit{Id.} Based upon these new awards, the protester supplemented its initial protest argument, complaining that TMF will also be required to establish relationships with healthcare providers in Arkansas, Oklahoma, and Puerto Rico, as well as expand provider relationships in Texas under its newly awarded QIN-QIO task orders. \textit{Supp. Protest at 1; Comments at 2.}

DISCUSSION

Q2 alleges that the agency failed to evaluate whether C2C has an impaired objectivity organizational conflict of interest because its parent organization, TMF, has, or will have, “significant partnering relationships” with providers under its QIN-QIO task order in some of the same coverage areas where C2C would be conducting reconsiderations as a QIC (i.e., Arkansas, Oklahoma, Texas, and Puerto Rico). \textit{Protest at 3-4; see supra n.4 (Part B South QIC jurisdiction).} The protester cites in this respect, various requirements under TMF’s previous QIO contract, and its recent QIN-QIO task orders, which require TMF to solicit and recruit healthcare providers to participate in various quality of care improvement initiatives. \textit{Protester’s Comments at 14; Protester’s Supp. Comments at 3-5; citing, inter alia, Agency Report (AR), Tab 12.A, TMF IDIQ Contract No. HHSM-500-2014-QIN005I, §§ C.5-C.6, Work Statement, Contractor Performance Measurement, & Comprehensive Strategic Plan, at 32-38; see Tabs 12.B-F, TMF Task Orders.}

According to Q2, TMF’s partnering relationships provide a financial incentive for C2C to rule more favorably on claim reconsiderations from those providers, because TMF will be evaluated on the number of providers that TMF is able to recruit and maintain in the QIN-QIO program.\textsuperscript{10} \textit{See Protester’s Comments at 14; Protester’s Supp. Comments at 5, 8.}

CMS argues that the contracting officer thoroughly examined the protester’s OCI allegations, properly evaluated C2C’s conflict of interest disclosures consistent with statutory and RFP requirements, and reasonably concluded that no conflict exists. \textit{Supp. AR at 3-5.} The agency emphasizes that TMF will not be making initial benefits determinations under its QIN-QIO contract, and disputes that TMF’s performance of quality improvement initiatives with Medicare providers creates an impaired objectivity OCI for TMF’s subsidiary, C2C. \textit{AR at 10-11.} CMS maintains in this regard that Q2 has not identified any potential or actual OCI, or demonstrated that C2C’s parent/subsidiary affiliation with TMF would violate the statutory independence provisions. \textit{See id.}

\textsuperscript{10} The protester does not allege any specific instances of improper behavior involving the awardee or its parent organization.
The FAR requires that contracting officers avoid, neutralize, or mitigate potential significant OCIs so as to prevent an unfair competitive advantage or the existence of conflicting roles that might bias a contractor’s judgment or impair its objectivity. FAR §§ 9.504(a), 9.505. Certain procurements may be particularly sensitive to conflicts of interests, and, as here, an agency’s statutes and regulations may impose additional, often more stringent conflict of interest limitations in addition to the FAR. See, e.g., Radiation Safety Servs., Inc., B-237138, Jan. 16, 1990, 90-1 CPD ¶ 56 at 3 (The Nuclear Regulatory Commission (NRC), because of its functions as both licensor and regulator of nuclear devices, is particularly sensitive to conflicts of interests, and NRC regulations implementing the Atomic Energy Act of 1954, as amended, 42 U.S.C. § 2210a, impose a more precise standard than the FAR). The FAR recognizes that conflicts may arise in factual situations not expressly described in the relevant FAR sections, and advises contracting officers to examine each situation individually and to exercise “common sense, good judgment, and sound discretion” in assessing whether a significant potential conflict exists and in developing an appropriate way to resolve it. FAR § 9.505.

The identification of conflicts of interest is a fact-specific inquiry that requires the exercise of considerable discretion. Guident Techs., Inc., B-405112.3, June 4, 2012, 2012 CPD ¶ 166 at 7; see Axiom Res. Mgmt., Inc. v. United States, 564 F.3d 1374, 1382 (Fed. Cir. 2009). The responsibility for determining whether an actual or apparent conflict of interest will arise, and to what extent the firm should be excluded from the competition, rests with the contracting agency. Aetna Gov’t Health Plans, Inc.; Foundation Health Fed. Servs., Inc., B-254397.15 et al., July 27, 1995, 95-2 CPD ¶ 129 at 11. OCI determinations must be based on “hard facts” that indicate the existence or potential existence of a conflict; mere inference or suspicion of an actual or potential conflict is not enough. See Turner Constr. Co., Inc. v. United States, 645 F.3d 1377, 1387 (Fed. Cir. 2011); PAI Corp. v. United States, 614 F.3d 1347, 1352 (Fed. Cir. 2010). Our Office reviews a contracting officer’s consideration of an OCI for reasonableness and, where an agency has given meaningful consideration to whether a significant conflict of interest exists, we will not substitute our judgment for the agency’s, absent clear evidence that the agency’s conclusion is unreasonable. See TeleCommunication Sys. Inc., B-404496.3, Oct. 26, 2011, 2011 CPD ¶ 229 at 3-4; PCCP Constructors, JV; Bechtel Infrastructure Corp., B-405036 et al., Aug. 4, 2011, 2011 CPD ¶ 156 at 17.

As relevant here, the protester’s arguments concern an “impaired objectivity” OCI, which arises where a firm’s ability to render impartial advice to the government will be undermined by the firm’s competing interests, such as a relationship to the service being evaluated. FAR § 9.505-4; Pragmatics Inc., B-407320.2, B-407320.3, Mar. 26, 2013, 2013 CPD ¶ 83 at 3; PURVIS Sys., Inc., B-293807.3, B-293807.4, Aug. 16, 2004, 2004 CPD ¶ 177 at 7. In this regard, the protester alleges that C2C has significant professional relationships with healthcare professionals or
institutions because of C2C’s parent organization’s (TMF’s) quality improvement initiatives with those healthcare professionals or institutions. As we describe above, Q2 contends that TMF’s significant professional relationships could present an improper financial incentive for its subsidiary, C2C, to rule more favorably on claim reconsiderations from such providers, because TMF will be evaluated on the number of providers that TMF is able to recruit and maintain in the QIN-QIO program. That is, such significant professional relationships could, the protester suggests, impair C2C’s ability to impartially reconsider, or adjudicate, claim appeals in those states where TMF provides QIN-QIO services.

The protester’s impaired objectivity allegations also concern statutory independence requirements of QICs. In this respect, the statute requires that a QIC be “independent of any organization under contract with the Secretary that makes initial determinations,” and meet the “requirements established by the Secretary consistent with paragraph [c](3),” which provide in relevant part:

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[(c)(3)](K) \text{ Independence requirements}
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(i) In general …, [a QIC] shall not conduct any activities in a case unless the entity—

(I) is not a related party (as defined in subsection (g)(5) of this section);  
(II) does not have a material familial, financial, or professional relationship with such a party in relation to such case; and  
(III) does not otherwise have a conflict of interest with such a party.

42 U.S.C. § 1395ff(c)(3)(K). We find, based on our review of the record, including all of the arguments raised by the parties, that the contracting officer meaningfully considered whether C2C had a impaired objectivity OCI, consistent with the terms of the RFP and statute (42 U.S.C. § 1395ff(c)), and reasonably concluded that no conflict existed.

As described above, the solicitation incorporated the statutory definition of a QIC, and advised offerors that CMS would review their disclosure statement and conflict of interest certificate to evaluate whether the offeror demonstrated that: it is free from any apparent or perceived conflict of interest; it has sufficient independence

\[11\text{ While FAR subpart 9.5 does not explicitly address the role of affiliates in the various types of organizational conflicts of interest, there is no basis to distinguish between a firm and its affiliates, at least where concerns about potentially biased ground rules and impaired objectivity are at issue. Aetna Gov't Health Plans, Inc.; Foundation Health Fed. Servs., Inc., supra, at 12.}\]
between itself and any of its related entities that make initial determinations; and if the entities are independent, whether the resources of one entity affect the contract performance of the other. RFP, § H.2, at 9.

The contracting officer states that, after receiving Q2’s protest, he investigated the protester’s OCI allegations by consulting with CMS contracting officials responsible for the “legacy” (e.g., TMF’s expired) QIO contract and with the contracting officials responsible for the recent QIN-QIO and BFCC-QIO competitions. CO’s Statement at 9. He also states that he met with CMS’s contractor compliance officer to discuss the recent restructuring of the QIO program. Id. Moreover, the contracting officer states that the contracting officials discussed the scopes of work for each of these types of contracts and the extent to which they could result in an OCI for a QIC contractor. See id. The contracting officer further states that he reviewed the QIC independence statute before reaching his conclusion.

Based upon this information and investigation, the contracting officer states that he concluded that: C2C is free from any apparent or perceived conflict of interest; C2C has sufficient independence from any entities that make initial determinations; and TMF’s QIN-QIO partnerships would not affect C2C’s performance. Supp. CO’s Statement at 2-3. In reaching the conclusion that no conflict exists, the contracting officer specifically found that C2C is independent of any organization under contract with CMS that makes initial determinations in Part B South QIC jurisdiction. CO’s Statement at 11-12. In this regard, the contracting officer noted that, as explained in C2C’s proposal, TMF’s legacy QIO contract, under which it had made initial determinations, expired on July 31. Id. at 9. Moreover, the contracting officer found that C2C’s parent organization, TMF, would not be conducting initial determinations under its new QIN-QIO contract and task orders. Id. That is, C2C is independent of any MAC or BFCC that makes initial determinations in Arkansas, Oklahoma, Texas, and Puerto Rico. The contracting officer also found—as required by the solicitation—satisfactory indicia of independence between C2C and TMF (the parent/subsidiary). Supp. CO’s

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12 CMS, in its pre-award OCI analysis, did not analyze whether TMF’s legacy QIO contract presented a conflict of interest for C2C. See AR, Tabs 7.A, Initial TEP Evaluation at 11; Tab 7.B, OCI Mem., at 1-3; Tab 7.C, Final TEP Evaluation, at 12. To the extent that the protester objects that the agency conducted this aspect of its OCI analysis during the pendency of this protest, see Protester’s Comments at 3, both our Office and the Court of Federal Claims have recognized that an agency may investigate possible OCIs after the filing of bid protests. See, e.g., PCCP Constructors, JV; Bechtel Infrastructure Corp., B-405036 et al., Aug. 4, 2011, 2011 CPD ¶ 156 at 16; NETSTAR-1 Gov’t Consulting, Inc. v. United States, No. 11-249C, at 8 (Fed. Cl., Oct. 17, 2011).
Statement at 4. He concluded that they operate as different companies based on their separate boards of directors and senior management, as well as geographically distinct corporate operations and separate computer and information technology (IT) systems.  Id.

With regard to the protester’s allegation of significant (material) financial or professional relationships, the contracting officer found no direct financial relationship between healthcare providers and TMF.  Id. at 3. The contracting officer observed that providers’ claims are paid by the government through MACs, and C2C is paid for its reconsideration services directly by the government, regardless of the outcome of the claim.  Id. at 4. He also considered whether C2C and TMF would have any financial motivation to rule favorably on reconsiderations, and concluded that C2C would be jeopardizing much more financially than TMF would stand to gain, when comparing the relative value and period of performance for the QIC task orders and QIN-QIO.  Id. at 4. The contracting officer also concluded that the relationship between TMF and providers was too attenuated with regard to C2C to impair the objectivity of C2C because multiple claim reviews occur before C2C would reconsider claims from any of the providers affected by the initial claim determination and redetermination.  Id. at 3-4. That is, C2C provides the third claim review (or second appeal). The contracting officer also noted that appeal files, as submitted to C2C, contain no information on whether the provider-claimant had any involvement with TMF’s quality improvement initiatives.  Id.

We see no basis on which to conclude that the contracting officer’s conclusions here were unreasonable. The contracting officer concluded that C2C is independent of any organization under contract with CMS that makes initial determinations, that the relationship between C2C and the provider relationships of its parent company were too remote to raise concerns, and that there was no direct financial benefit to either the parent or subsidiary organizations. Our Office has recognized that an agency may reasonably find that certain relationships between companies or corporate affiliates are too remote or that the possibility of a conflict is too unlikely or speculative to conclude that there is a disqualifying OCI.  See, e.g., AdvanceMed Corp.; TrustSolutions, LLC, B-404910.4 et al., Jan. 17, 2012, 2012 CPD ¶ 25, at 10-12 (protest that awardee would have impaired objectivity OCI providing Zone Program Integrity Contractor (ZPIC) services because it would audit preferred providers and entities with whom its parent organization holds contracts is denied where CO reasonably concluded that possibility of a conflict was too remote and too far removed). Accordingly, we find no basis to sustain the protester’s contention that the contracting officer abused his discretion in concluding that no conflict exists in this situation.

The protest is denied.

Susan A. Poling
General Counsel