STATE OF NEBRASKA SERVICE CONTRACT AMENDMENT

State Purchasing Bureau
1526 K Street, Suite 130
Lincoln, Nebraska 68508
OR
P.O. Box 94847
Lincoln, Nebraska 68509-4847
Telephone: (402) 471-6500
Fax: (402) 471-2089

PAGE	ORDER DATE
1 of 3	09/22/14
BUSINESS UNIT	BUYER
65080008	MICHELLE THOMPSON (AS)

CONTRACT NUMBER
38349 O4

VENDOR NUMBER: 1850215

VENDOR ADDRESS:

HEALTH FITNESS CORPORATION
1650 W 82ND ST FL 11
MINNEAPOLIS MINNESOTA 55431-1419

THE CONTRACT PERIOD IS:

JULY 01, 2014 THROUGH JUNE 30, 2015

THIS SERVICE CONTRACT HAS BEEN AMENDED PER THE FOLLOWING INFORMATION:

THIS CONTRACT IS NOT AN EXCLUSIVE CONTRACT TO FURNISH THE SERVICES SHOWN BELOW, AND DOES NOT PRECLUDE THE PURCHASE OF SIMILAR SERVICES FROM OTHER SOURCES.

THE STATE RESERVES THE RIGHT TO EXTEND THE PERIOD OF THIS CONTRACT BEYOND THE TERMINATION DATE WHEN MUTUALLY AGREEABLE TO THE VENDOR/CONTRACTOR AND THE STATE OF NEBRASKA.

Original/Bid Document 2787 Z1

Contract to supply and deliver a Wellness Program for Nebraska State Employees to the State of Nebraska as per the attached specifications for the contract period July 1, 2014 through June 30, 2015. The contract may be renewed for one (1) additional one (1) year period when mutually agreeable to the vendor and the State of Nebraska. The State reserves the right to extend the period of this contract beyond the termination date when mutually agreeable to the vendor and the State of Nebraska.

The State may request that payment be made electronically instead of by state warrant. ACH/EFT Enrollment Form can be found at: <http://www.das.state.ne.us/accounting/forms/achenrol.pdf>
The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system mean the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Responsibility Act of 1996, 8 U.S.C. 1324a, known as E-Verify Program, or an equivalent federal program designed by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of a newly hired employee.
The contractor, by signature to the Request For Proposal, certifies that the contractor is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal department or agency from participating in transactions (debarred). The contractor also agrees to include the above requirements in any and all subcontracts into which it enters. The contractor shall immediately notify the Department if, during the term of this contract, contractor becomes debarred. The Department may immediately terminate this contract by providing contractor written notice if contractor becomes debarred during the term of this contract.
If the Contractor is an individual or sole proprietorship, the following applies:
1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at: <http://das.nebraska.gov/lb403/attestation_form.pdf>
2. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation require to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.
3. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

The contract resulting from the Request for Proposal shall incorporate the following documents:

9/23/14 PR Michelle Thompson 9-22-14
BUYER
9/24/14
MATERIEL ADMINISTRATOR

STATE OF NEBRASKA SERVICE CONTRACT AMENDMENT

PAGE	ORDER DATE
2 of 3	09/22/14
BUSINESS UNIT 65080008	BUYER MICHELLE THOMPSON (AS)

VENDOR NUMBER: 1850215

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1. Amendment to Contract Award with the most recent dated amendment having the highest priority;
2. Contract Award and any attached Addenda;
3. The signed Request for Proposal form and the Contractor' s proposal;
4. Amendments to RFP and any Questions and Answers; and
5. The original RFP document and any Addenda.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to Contract Award with the most recent dated amendment having the highest priority, 2) Contract Award and any attached Addenda, 3) the signed Request For Proposal form and the Contractor' s proposal 4) Amendments to RFP and any Questions and Answers, 5) the original RFP document and any Addenda.

Any ambiguity in any provision of this contract which shall be discovered after its execution shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.
Once Requests for Proposal are opened they become the property of the State of Nebraska and will not be returned.

It is understood by the parties that in the State of Nebraska' s opinion, any limitation on the contractor' s liability is unconstitutional under the Nebraska State Constitution, Article XIII, Section III and that any limitation of liability shall not be binding on the State of Nebraska despite inclusion of such language in documents supplied by the contractor' s bid response.

Vendor Contact: Amy Brammer
Office Phone: 940-384-9900
Cell Phone: 612-751-6043
Fax: 940-383-1127
E-Mail: amy.brammer@hfit.com

THIS IS THE FIRST RENEWAL OF THE CONTRACT AS AMENDED. (06/25/2014 ked)

AMENDMENT ONE (1) AS ATTACHED. (07/30/2014 ked)

AMENDMENT TWO (2) AS ATTACHED. (09/22/2014 ked)

Line	Description	Quantity	Unit of Measure	Unit Price	Extended Price
31	DISEASE MANAGEMENT WELLNESS OPTIONS FY14-15	1,862,871.0700	$	1.0000	1,862,871.07
32	GAPS IN CARE WELLNESS OPTIONS FY14-15	400,000.0000	$	1.0000	400,000.00
33	BIOMETRICS WELLNESS OPTIONS FY14-15	453,772.1000	$	1.0000	453,772.10
34	REPORTING WELLNESS OPTIONS FY14-15	360,000.0000	$	1.0000	360,000.00
35	HEALTH RISK ASSESSMENT	470,000.0000	$	1.0000	470,000.00

MT 9.22.14
BUYER INITIALS

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CONTRACT NUMBER
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Line	Description	Quantity	Unit of Measure	Unit Price	Extended Price
	WELLNESS OPTIONS FY14-15				
36	HEALTH ADVISING/COACHING-PHONE/SEMINARS WELLNESS OPTIONS FY14-15	920,000.0000	$	1.0000	920,000.00
	Total Order				**4,466,643.17**

MT 9.22.14
BUYER INITIALS

R43500|NISH0003 100416

AMENDMENT TWO
Contract 38349 O4
Wellness Program for Nebraska State Employees for the State of Nebraska
Between
The State of Nebraska and Health Fitness Corporation

This Amendment (the "Amendment") is made by the State of Nebraska and Health Fitness Corporation; parties to Contract 38349 O4 (the "Contract"), and upon mutual agreement and other valuable consideration the parties agree to and hereby replace and supersede Section III. Terms and Conditions, A. General as follows effective September 22, 2014:

A. GENERAL

The contract resulting from this Request for Proposal shall incorporate the following documents:

1. Amendment to Contract Award with the most recent dated amendment having the highest priority;
2. Contract Award and any attached Addenda;
3. Business Associates Agreement (BAA) or any other service amendments or attachments;
4. The Request for Proposal form and the Contractor's Proposal, signed in ink
5. Amendments to RFP and any Questions and Answers; and
6. The original RFP document and any Addenda.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to Contract Award with the most recent dated amendment having the highest priority, 2) Contract Award and any attached Addenda, 3) Business Associates Agreement (BAA) or any other service amendments or attachments, 4) the signed Request for Proposal form and the Contractor's Proposal, 5) Amendments to RFP and any Questions and Answers, 6) the original RFP document and any Addenda.

Any ambiguity in any provision of this contract which shall be discovered after its execution shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

Once proposals are opened they become the property of the State of Nebraska and will not be returned.

This amendment and any attachments hereto will become part of the Contract. Except as set forth in this Amendment, the Contract is unaffected and shall continue in full force and effect in accordance with its terms. If there is conflict between this amendment and the Contract or any earlier amendment, the terms of this amendment will prevail.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date of execution by both parties below.

State of Nebraska	Contractor: Health Fitness Corporation
By:	By:
Name: Bo Botelho	Name: Steven A. Alavi
Title: Materiel Administrator	Title: Chief Financial Officer
Date: 9/24/14	Date: September 16, 2014

STATE OF NEBRASKA

BUSINESS ASSOCIATE AGREEMENT

THIS BUSINESS ASSOCIATE AGREEMENT ("Agreement") amends and is made a part of all Services Agreements (as defined below) between Health Fitness Corporation ("Business Associate") and State of Nebraska ("Company") on behalf of the Group Health Plans sponsored by Company (the "Plan"). This Agreement is effective September 22, 2014 or upon the effective date of the underlying Services Agreement, whichever is later ("Effective Date"). This Agreement supersedes and replaces any prior Business Associate Agreements between the parties.

1. **Definitions**.

a. **Catch-all definitions**. The following terms used in this Agreement shall have the same meaning as those terms in the HIPAA Rules: Breach, Covered Entity, Data Aggregation, Designated Record Set, Disclose or Disclosure, Electronic Protected Health Information, Health Care Operations, Minimum Necessary, Notice of Privacy Practices, Protected Health Information or PHI, Required By Law, Secretary, Security Incident, Subcontractor, Unsecured Protected Health Information, and Use. Other capitalized terms used but not otherwise defined in this Agreement shall have the meaning ascribed in the HIPAA Rules.

b. **Specific definitions**.

(1) ***"Business Associate"*** shall generally have the same meaning as the term "Business Associate" at 45 CFR 160.103, and in reference to the party to this Agreement, shall mean the party identified above as Business Associate.

(2) ***"Business Associate Functions"*** means functions performed by Business Associate on behalf of the Plan in the course of providing or arranging for plan administration services which involve the creation, receipt, maintenance or transmission of PHI by Business Associate or its agents or Subcontractors. It is anticipated that the services provided by Business Associate will be performed as part of the Plan's "health care operations" as defined in the HIPAA Rules.

(3) ***"HIPAA Rules"*** shall mean the Privacy, Security, Breach Notification, and Enforcement Rules at 45 CFR Part 160 and Part 164. A reference in this Agreement to a section in the HIPAA Rules means the section as in effect or as amended at the time the section is to be applied.

(4) ***"Individual"*** shall generally have the same meaning ascribed in the HIPAA Rules and shall refer only to Individuals who are covered persons under the Plan.

(5) ***"Services Agreements"*** means all agreements whether now in effect or hereafter entered into, between Company and Business Associate for the performance of Business Associate Functions by Business Associate on behalf of the Plan.

2. **Purpose**. The Plan is a Covered Entity under HIPAA. The HIPAA Rules require the Plan to obtain, and Business Associate to provide, satisfactory written contractual assurances before Business Associate may create, receive, maintain, or Disclose PHI to perform Business Associate Functions on behalf of the Plan. This Agreement is entered into to provide the contractual assurances required under the HIPAA Rules.

3. **Obligations of Business Associate**. As an express condition of performing Business Associate Functions, Business Associate agrees to:

a. Not Use or Disclose PHI other than as permitted or required by this Agreement or as otherwise Required by Law.

b. Use appropriate safeguards, and comply with Subpart C of 45 CFR Part 164 with respect to Electronic Protected Health Information, to prevent Use or Disclosure of PHI other than as provided for in this Agreement.

c. Report to the Plan's designated privacy official, without unreasonable delay but in no event more than three (3) business days after discovery by Business Associate, any Use or Disclosure of PHI not provided for by this Agreement of which Business Associate becomes aware, including any Breach of Unsecured Protected Health Information as required at 45 CFR 164.410, and any Security Incident of which it becomes aware, together with any remedial or mitigating action taken or proposed to be taken with respect thereto. If Business Associate does not have available complete information in satisfaction of 45 CFR 164.410(c) within three (3) business days of discovery of the impermissible Use or Disclosure, Business Associate shall provide all information it has at such time, and immediately update the Plan with additional information as it becomes available through prompt investigation. This Agreement serves as Business Associate's notice to the Plan that attempted but unsuccessful Security Incidents regularly occur and that no further notice will be made by Business Associate unless there has been a successful Security Incident or attempts or patterns of attempts that Business Associate determines to be suspicious.

Business Associate shall cooperate with the Plan in mitigating any harmful effects of any impermissible Use or Disclosure. In the case of a Breach as determined to exist in the sole discretion of the Plan which was due to a violation of this Agreement by Business Associate, Business Associate shall pay for the reasonable costs of investigation, mitigation and notification to affected Individuals. As an alternative to Business Associate reimbursing Company and the Plan for the costs of notification, the Plan may elect to have Business Associate directly provide the notifications to Individuals for breaches caused by Business Associate, provided that Company and the Plan shall have final approval of all content of notifications to Individuals.

d. In accordance with 45 CFR 164.502(e)(1)(ii) and 164.308(b)(2), ensure that any Subcontractors that create, receive, maintain, or transmit PHI on behalf of Business Associate agree in writing to the same restrictions, conditions, and requirements that apply to Business Associate with respect to such information.

e. Within ten (10) business days of request by an Individual or notification by the Plan, make available to the Individual such Individual's PHI maintained by Business Associate in a Designated Record Set in accordance with 45 CFR 164.524. The parties agree that Individuals will be directed to Business Associate to make all requests for access to PHI. Business Associate will provide such access according to its own procedures for such access in accordance with the requirements of 45 CFR 164.524. If the requested PHI is maintained in one or more Designated Record Sets electronically and if the Individual requests an electronic copy of such PHI, Business Associate must provide the Individual with access to PHI in the electronic form and format requested by the Individual, if it is readily producible in such form and format; or, if not, in a readable electronic form and format as agreed to between Business Associate and the Individual. Business Associate shall provide the requested information directly to the Individual, along with a notice to the Individual that a copy of the individual's request has been furnished to the Plan and that the Plan may provide additional information to the Individual in response to the request.

If the Individual's request covers records not maintained by Business Associate, Business Associate shall notify the Plan within three (3) days of the request. The Plan will be responsible for providing access or otherwise responding directly to the Individual pursuant to the HIPAA Rules with respect to PHI not in the possession of Business Associate or an agent or subcontractor of Business Associate. Business Associate may charge the Individual reasonable fees related to this access, as determined by Business Associate, but only in such amounts as permitted by the HIPAA Rules. The Plan authorizes Business Associate to require payment of such fees from the Individual prior to releasing any records.

f. Business Associate agrees to receive requests for amendment and amend PHI as required by 45 CFR 164.526 on the Plan's behalf for as long as such information is maintained by Business Associate. The parties agree that Individuals will be directed to Business Associate to make all such requests for amendment of PHI. Business Associate will amend such PHI according to its own procedures for such amendment in accordance with the requirements of 45 CFR 164.526. If the Individual's request covers records not maintained by Business Associate, Business Associate shall notify the Plan within three (3) days of such request. The Plan will be responsible for amending or otherwise responding directly to the Individual pursuant to the HIPAA Rules with respect to PHI not in the possession of Business Associate or an agent or contractor of Business Associate. Business Associate shall notify the Plan of any amendments made to PHI.

g. Business Associate agrees to process all requests for disclosure accounting by Individuals for as long as such information is maintained by Business Associate. Individuals will be directed to Business Associate to make all such requests. Business Associate will provide the accounting that is required under 45 CFR 164.528 on the Plan's behalf directly to the Individual. Business Associate will provide such accounting according to its own procedures for such accounting in accordance with the requirements of 45 CFR 164.528.

Business Associate shall notify the Plan within three (3) days of any request made by an Individual for a disclosure accounting. The Plan will be responsible for responding directly to the Individual (or the Individual's personal representative) pursuant to 45 CFR 164.528 with respect to disclosures of PHI by persons or entities other than Business Associate or a subcontractor or agent of Business Associate.

Business Associate shall provide directly to the Individual the requested accounting of disclosures made by Business Associate or a subcontractor or agent of Business Associate, along with a notice to the Individual that a copy of the Individual's request has been furnished to the Plan and that the Plan may provide additional information to the Individual in response to the request.

h. Make its internal practices, books and records relating to this Agreement available to the Secretary of HHS and to the Plan for purposes of determining the Plan's and Business Associate's compliance with the HIPAA Rules.

i. So that the Plan may meet its obligations to evaluate requests for restrictions and confidential communications in connection with the disclosure of PHI under 45 CFR 164.522, Business Associate and the Plan agree that, to the extent that communications are within the control of Business Associate, Business Associate will perform these evaluations on behalf of the Plan. Business Associate will evaluate such requests according to its own procedures for such requests, in accordance with the requirements of 45 CFR 164.522, and shall implement such appropriate operational steps as are required by its own procedures. Such evaluation will not relieve the Plan of any additional and independent obligations to evaluate restrictions or implement confidential communications where requested by an Individual. Accordingly, Business Associate will evaluate requests for restrictions and requests for confidential communications, and will respond to these requests as appropriate under Business Associate's procedures. The Plan agrees that it will not agree to such restriction or request that would affect Business Associate without the approval of Business Associate, so that Business Associate can determine whether it can reasonably administer the request.

j. So that the Plan may meet its obligation to evaluate complaints from Individuals regarding their privacy rights or privacy practices of the Plan or Business Associate, the parties agree that Individuals shall be directed to submit any such complaint to Business Associate for review and evaluation. Business Associate will evaluate such complaints according to its own procedures for complaints, and shall implement appropriate operation steps as are required by its own procedures. The Privacy Officer of the Plan shall cooperate with Business Associate in the evaluation of any such complaint. Business Associate shall provide a copy of all complaints to the Plan within three (3) days of receipt by Business Associate. If the complaint appears to involve handling of PHI by the Plan, Plan Sponsor, or other Business Associate of the Plan, Business Associate shall notify the Plan and it shall be the Plan's responsibility to review and evaluate the complaint.

k. Limit the Uses and Disclosures of, or requests for, PHI for purposes described in this Agreement to the Minimum Necessary to perform the required Business Associate Functions. Business Associate shall comply with any additional requirements for the determination of Minimum Necessary as are required from time to time by the HIPAA Rules, as amended, or through additional guidance published by the Secretary.

l. To the extent Business Associate is expressly obligated under the Services Agreements to carry out one or more of the Plan's obligation(s) under Subpart E of

45 CFR Part 164, comply with the requirements of Subpart E that apply to the Plan in the performance of such obligation(s).

m. Except for the specific Uses and Disclosures for the Business Associate's own management and administration or to carry out the legal responsibilities of Business Associate, Business Associate shall not Use or Disclose PHI in a manner that would violate the HIPAA Rules if done by the Plan.

4. **Permitted Uses and Disclosures of PHI**. Business Associate shall only Use or Disclose PHI as follows:

a. Business Associate may Use or Disclose PHI as Required by Law.

b. Business Associate may Use or Disclose PHI as necessary to carry out Business Associate Functions.

c. Business Associate may Use PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate.

d. Business Associate may Disclose PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, provided the Disclosures are Required by Law, or Business Associate obtains reasonable assurances from the person to whom the information is Disclosed that the information will remain confidential and be Used or further Disclosed only as Required by Law or for the purposes for which it was Disclosed to the person, and the person notifies Business Associate in writing of any instances of which it is aware in which the confidentiality of the information has been breached or compromised.

e. If specifically identified as a Business Associate Function in the Services Agreements, Business Associate may provide Data Aggregation services relating to the Health Care Operations of Covered Entity.

f. If de-identification is listed as a Business Associate Function in the Services Agreements, or if Business Associate is expressly permitted to de-identify PHI and use data thus de-identified for its own uses in the Services Agreements, Business Associate may Use PHI to de-identify the information in accordance with 45 CFR 164.514(a)-(c). Business Associate may use de-identified data only for the purposes specified in the Services Agreements.

5. **Responsibilities of the Plan**. The Plan agrees to:

a. Notify Business Associate promptly of any restriction on the Use or Disclosure of PHI that the Plan has agreed to or is required to abide by under 45 CFR 164.522, to the extent such restriction may affect Business Associate's Use or Disclosure of PHI.

b. Notify Business Associate of any changes in, or revocation of, the permission by an Individual to Use or Disclose PHI, to the extent that such changes may affect Business Associate's Use or Disclosure of PHI.

c. Provide Business Associate with a copy of any amendment to PHI which is accepted by Covered Entity under 45 CFR 164.526 which Covered Entity believes will apply to PHI maintained by Business Associate in a Designated Record Set.

d. Not request Business Associate to Use or Disclose PHI in any manner that would not be permissible under the HIPAA Rules if done by the Plan, with exception for any Data Aggregation services permitted under Section 4.

6. **Compliance with Electronic Transactions Rule**. If Business Associate conducts in whole or part electronic Transactions (as defined in 45 CFR 160.103) on behalf of Covered Entity for which the Secretary of HHS has established standards, Business Associate will comply, and will require any Subcontractor involved with the conduct of such Transactions to comply, with each applicable requirement of the Electronic Transactions Rule at 45 CFR Parts 160 and 162 and of any operating rules adopted by the Secretary of HHS with respect to Transactions.

7. **Supervening Law**. Upon the enactment of any law or regulation affecting the Use or Disclosure of PHI, or the publication of any decision of a court of the United States or of this state relating to any such law, or the publication of any interpretive policy or opinion of any governmental agency charged with the enforcement of any such law or regulation, the parties agree to amend this Agreement in such manner as is necessary to comply with such law or regulation. If the parties are unable to agree on an amendment within thirty (30) days, either party may terminate the Services Agreements on not less than thirty (30) days' written notice to the other.

8. **Liability and Indemnification**. Each party shall be responsible for the acts and omissions of its own agents, employees and contractors. Notwithstanding the foregoing, and notwithstanding any limitation of liability or disclaimer of damages in the Services Agreements or elsewhere, to the extent that the Secretary determines that Business Associate is acting as an agent of the Plan under the Services Agreements or this Agreement, Business Associate shall indemnify Company and the Plan for any fines, civil monetary penalties or monetary resolutions incurred by Company or the Plan, plus reasonable attorneys' fees of Company and the Plan, arising out of or relating to the actions or omissions of Business Associate which constitute a breach of this Agreement by Business Associate. This indemnification is in addition to any additional indemnification provided by Business Associate in the Services Agreement.

9. **Term and Termination**.

a. **Term**. This Agreement shall become effective on the Effective Date and shall continue in effect until all obligations of the parties have been met, including return or destruction of all PHI in Business Associate's possession (or in the possession of Business Associate's agents and Subcontractors), unless sooner terminated as provided herein. It is expressly agreed that the terms and conditions of this Agreement designed to safeguard PHI shall survive expiration or other termination of the Services Agreements and shall continue in effect until Business Associate has performed all obligations under this Agreement and has either returned or destroyed all PHI.

b. **Termination**. Company may immediately terminate this Agreement and the Services Agreements, if Company and/or the Plan makes the determination that

Business Associate has breached a material term of this Agreement. Alternatively, Company may choose to provide Business Associate with written notice of the existence of an alleged material breach, and afford Business Associate an opportunity to cure the alleged material breach upon mutually agreeable terms. Failure to take reasonable steps to cure the breach is grounds for the immediate termination of this Agreement.

c. **Business Associate Obligations Upon Termination**. Upon termination of this Agreement for any reason, Business Associate, with respect to PHI received from the Plan, or created, maintained, or received by Business Associate on behalf of the Plan, shall:

(i) Retain only that PHI which is necessary for Business Associate to continue its proper management and administration or to carry out its legal responsibilities or as to which Business Associate reasonably determines such PHI is technically incapable of being returned or destroyed;

(ii) Return to the Plan or, if not provided for in the Services Agreements, destroy the PHI retained under 8.c.(i) that the Business Associate maintains in any form;

(iii) Continue to use appropriate safeguards and comply with Subpart C of 45 CFR Part 164 with respect to Electronic Protected Health Information retained by Business Associate to prevent Use or Disclosure of the PHI, other than as provided for in this Section, for as long as Business Associate retains the PHI;

(iv) Not Use or Disclose the PHI retained by Business Associate other than for the purposes for which such PHI was retained and subject to the same conditions set out at Sections 4.c. and 4.d. which applied prior to termination; and

(v) Return to the Plan or, if not provided for in the Services Agreements, destroy the PHI retained by Business Associate under Section 8.c.(i) when it is no longer needed by Business Associate for its proper management and administration or to carry out its legal responsibilities, except where Business Associate reasonably determines such PHI is not technically capable of being returned or destroyed.

10. **Miscellaneous**.

a. **Applicability**. For purposes of this Agreement, and as applicable to the Business Associate Functions of Business Associate under the Services Agreements covered by this Agreement, references to the Plan shall include the named Plan and all other group health plans subject to HIPAA and sponsored by Company that participate in an organized health care arrangement.

b. **Survival**. The respective rights and obligations of Business Associate and the Plan or Company hereunder shall survive termination of this Agreement according to the terms hereof and the obligations imposed on the Plan or Company and Business Associate under the HIPAA Rules.

c. <u>**Interpretation; Amendment**</u>. This Agreement shall be interpreted and applied in a manner consistent with the Plan's and Business Associate's obligations under the HIPAA Rules. All amendments shall be in writing and signed by both parties, except that this Agreement shall attach to additional Services Agreements entered into between the parties in the future without the necessity of amending this Agreement each time. This Agreement is intended to cover the entire Business Associate *relationship* between the parties, as amended, from time to time, through Services Agreements or other means.

d. <u>**Waiver**</u>. A waiver with respect to one event shall not be construed as continuing, or as a bar to or waiver of any right or remedy as to subsequent events.

e. <u>**No Third-Party Beneficiaries**</u>. Nothing express or implied in this Agreement is intended to confer, nor shall anything herein confer, upon any person other than the parties and their respective successors or assigns, any rights, remedies or obligations.

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed in its name and on its behalf.

Company:	**Business Associate:**
State of Nebraska	**Health Fitness Corporation**
Signature:	Signature:
Printed Name: Bo Botelho	Printed Name: Paul Lotharius
Title: Materiel Administrator	Title: President & CEO
Date Signed: 9/24/14	Date Signed: September 9, 2014

DOCS/1204654.1

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The contractor, by signature to the Request For Proposal, certifies that the contractor is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal department or agency from participating in transactions (debarred). The contractor also agrees to include the above requirements in any and all subcontracts into which it enters. The contractor shall immediately notify the Department if, during the term of this contract, contractor becomes debarred. The Department may immediately terminate this contract by providing contractor written notice if contractor becomes debarred during the term of this contract.
If the Contractor is an individual or sole proprietorship, the following applies:
1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at: <http://das.nebraska.gov/lb403/attestation_form.pdf>
2. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation require to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.
3. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

The contract resulting from the Request for Proposal shall incorporate the following documents:

8/4/14 DK Michelle Thompson 7.31.14
BUYER

8-4-14
MATERIEL ADMINISTRATOR

STATE OF NEBRASKA SERVICE CONTRACT AMENDMENT

State Purchasing Bureau
1526 K Street, Suite 130
Lincoln, Nebraska 68508
OR
P.O. Box 94847
Lincoln, Nebraska 68509-4847
Telephone: (402) 471-6500
Fax: (402) 471-2089

PAGE	ORDER DATE
	07/30/14
BUSINESS UNIT	BUYER
65080008	MICHELLE THOMPSON (AS)

CONTRACT NUMBER
38349 O4

VENDOR NUMBER: 1850215

1. Amendment to Contract Award with the most recent dated amendment having the highest priority;
2. Contract Award and any attached Addenda;
3. The signed Request for Proposal form and the Contractor' s proposal;
4. Amendments to RFP and any Questions and Answers; and
5. The original RFP document and any Addenda.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to Contract Award with the most recent dated amendment having the highest priority, 2) Contract Award and any attached Addenda, 3) the signed Request For Proposal form and the Contractor' s proposal 4) Amendments to RFP and any Questions and Answers, 5) the original RFP document and any Addenda.

Any ambiguity in any provision of this contract which shall be discovered after its execution shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.
Once Requests for Proposal are opened they become the property of the State of Nebraska and will not be returned.

It is understood by the parties that in the State of Nebraska' s opinion, any limitation on the contractor' s liability is unconstitutional under the Nebraska State Constitution, Article XIII, Section III and that any limitation of liability shall not be binding on the State of Nebraska despite inclusion of such language in documents supplied by the contractor' s bid response.

Vendor Contact: Amy Brammer
Office Phone: 940-384-9900
Cell Phone: 612-751-6043
Fax: 940-383-1127
E-Mail: amy.brammer@hfit.com

THIS IS THE FIRST RENEWAL OF THE CONTRACT AS AMENDED. (06/25/2014 ked)

AMENDMENT ONE (1) AS ATTACHED. (07/30/2014 ked)

Line	Description	Quantity	Unit of Measure	Unit Price	Extended Price
31	DISEASE MANAGEMENT WELLNESS OPTIONS FY14-15	1,862,871.0700	$	1.0000	1,862,871.07
32	GAPS IN CARE WELLNESS OPTIONS FY14-15	400,000.0000	$	1.0000	400,000.00
33	BIOMETRICS WELLNESS OPTIONS FY14-15	380,000.0000	$	1.0000	380,000.00
34	REPORTING WELLNESS OPTIONS FY14-15	360,000.0000	$	1.0000	360,000.00
35	HEALTH RISK ASSESSMENT WELLNESS OPTIONS FY14-15	470,000.0000	$	1.0000	470,000.00

BUYER INITIALS

STATE OF NEBRASKA SERVICE CONTRACT AMENDMENT

State Purchasing Bureau
1526 K Street, Suite 130
Lincoln, Nebraska 68508
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P.O. Box 94847
Lincoln, Nebraska 68509-4847
Telephone: (402) 471-6500
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PAGE	ORDER DATE
	07/30/14
BUSINESS UNIT	BUYER
65080008	MICHELLE THOMPSON (AS)

CONTRACT NUMBER
38349 O4

VENDOR NUMBER: 1850215

Line	Description	Quantity	Unit of Measure	Unit Price	Extended Price
36	HEALTH ADVISING/COACHING-PHONE/SEMINARS WELLNESS OPTIONS FY14-15	920,000.0000	$	1.0000	920,000.00
	Total Order				**4,392,871.07**

BUYER INITIALS

R43500|NISH0003 100416

AMENDMENT ONE
38349 O4
Wellness Program for Nebraska State Employees for the State of Nebraska
Between
The State of Nebraska and Health Fitness Corporation

This Amendment (the "Amendment") is made by the State of Nebraska and Health Fitness Corporation, parties to Contract 38349 O4 (the "Contract"), and upon mutual agreement and other valuable consideration the parties agree to and hereby amend the contract as follows:

1. The current vendor contact is removed in its entirety and replaced with:

   Vendor Contact: Amy Brammer
   Office Phone: 940-384-9900
   Cell Phone: 612-751-6043
   Fax: 940-383-1127
   Email: amy.brammer@hfit.com

This amendment and any attachments hereto will become part of the Contract. Except as set forth in this Amendment, the Contract is unaffected and shall continue in full force and effect in accordance with its terms. If there is conflict between this amendment and the Contract or any earlier amendment, the terms of this amendment will prevail.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date of execution by both parties below.

State of Nebraska	Contractor: Health Fitness Corporation
By:	By:
Name: Bo Botelho	Name: Brian Gagne
Title: Materiel Administrator	Title: Chief Operations Officer
Date: 8-4-14	Date: July 23, 2014

AMENDMENT ONE
38349 O4
Wellness Program for Nebraska State Employees for the State of Nebraska
Between
The State of Nebraska and Health Fitness Corporation

This Amendment (the "Amendment") is made by the State of Nebraska and Health Fitness Corporation, parties to Contract 38349 O4 (the "Contract"), and upon mutual agreement and other valuable consideration the parties agree to and hereby amend the contract as follows:

1. The current vendor contact is removed in its entirety and replaced with:

   Vendor Contact: Amy Brammer
   Office Phone: 940-384-9900
   Cell Phone: 612-751-6043
   Fax: 940-383-1127
   Email: amy.brammer@hfit.com

This amendment and any attachments hereto will become part of the Contract. Except as set forth in this Amendment, the Contract is unaffected and shall continue in full force and effect in accordance with its terms. If there is conflict between this amendment and the Contract or any earlier amendment, the terms of this amendment will prevail.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date of execution by both parties below.

State of Nebraska	Contractor: Health Fitness Corporation
By: ______	By: ______
Name: Bo Botelho	Name: Brian Gagne
Title: Materiel Administrator	Title: Chief Operations Officer
Date: 8-4-14	Date: July 23, 2014

STATE OF NEBRASKA SERVICE CONTRACT AWARD

State Purchasing Bureau
1526 K Street, Suite 130
Lincoln, Nebraska 68508
OR
P.O. Box 94847
Lincoln, Nebraska 68509-4847
Telephone: (402) 471-6500
Fax: (402) 471-2089

CONTRACT NUMBER
38349 O4

PAGE	ORDER DATE
1 of 2	06/25/14
BUSINESS UNIT	BUYER
65080008	MICHELLE THOMPSON (AS)

VENDOR NUMBER: 1850215

VENDOR ADDRESS:

HEALTH FITNESS CORPORATION
1650 W 82ND ST FL 11
MINNEAPOLIS MINNESOTA 55431-1419

AN AWARD HAS BEEN MADE TO THE VENDOR/CONTRACTOR NAMED ABOVE FOR THE SERVICES AS LISTED BELOW FOR THE PERIOD:

JULY 01, 2014 THROUGH JUNE 30, 2015

THIS CONTRACT IS NOT AN EXCLUSIVE CONTRACT TO FURNISH THE SERVICES SHOWN BELOW, AND DOES NOT PRECLUDE THE PURCHASE OF SIMILAR SERVICES FROM OTHER SOURCES.

THE STATE RESERVES THE RIGHT TO EXTEND THE PERIOD OF THIS CONTRACT BEYOND THE TERMINATION DATE WHEN MUTUALLY AGREEABLE TO THE VENDOR/CONTRACTOR AND THE STATE OF NEBRASKA.

Original/Bid Document 2787 Z1

Contract to supply and deliver a Wellness Program for Nebraska State Employees to the State of Nebraska as per the attached specifications for the contract period July 1, 2014 through June 30, 2015. The contract may be renewed for one (1) additional one (1) year period when mutually agreeable to the vendor and the State of Nebraska. The State reserves the right to extend the period of this contract beyond the termination date when mutually agreeable to the vendor and the State of Nebraska.

The State may request that payment be made electronically instead of by state warrant. ACH/EFT Enrollment Form can be found at: <http://www.das.state.ne.us/accounting/forms/achenrol.pdf>
The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system mean the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Responsibility Act of 1996, 8 U.S.C. 1324a, known as E-Verify Program, or an equivalent federal program designed by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of a newly hired employee.
The contractor, by signature to the Request For Proposal, certifies that the contractor is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal department or agency from participating in transactions (debarred). The contractor also agrees to include the above requirements in any and all subcontracts into which it enters. The contractor shall immediately notify the Department if, during the term of this contract, contractor becomes debarred. The Department may immediately terminate this contract by providing contractor written notice if contractor becomes debarred during the term of this contract.
If the Contractor is an individual or sole proprietorship, the following applies:
1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at: <http://das.nebraska.gov/lb403/attestation_form.pdf>
2. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation require to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.
3. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

The contract resulting from the Request for Proposal shall incorporate the following documents:
1. Amendment to Contract Award with the most recent dated amendment having the highest priority;
2. Contract Award and any attached Addenda;
3. The signed Request for Proposal form and the Contractor' s proposal;

7/1/14 Michelle Thompson 6-27-14
BUYER

7/1/14
MATERIEL ADMINISTRATOR

R43500|NISK0002 100416

STATE OF NEBRASKA SERVICE CONTRACT AWARD

PAGE 2 of 2	ORDER DATE 06/25/14
BUSINESS UNIT 65080008	BUYER MICHELLE THOMPSON (AS)

VENDOR NUMBER: 1850215

State Purchasing Bureau
1526 K Street, Suite 130
Lincoln, Nebraska 68508
OR
P.O. Box 94847
Lincoln, Nebraska 68509-4847
Telephone: (402) 471-6500
Fax: (402) 471-2089

CONTRACT NUMBER
38349 O4

4. Amendments to RFP and any Questions and Answers; and
5. The original RFP document and any Addenda.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to Contract Award with the most recent dated amendment having the highest priority, 2) Contract Award and any attached Addenda, 3) the signed Request For Proposal form and the Contractor' s proposal 4) Amendments to RFP and any Questions and Answers, 5) the original RFP document and any Addenda.

Any ambiguity in any provision of this contract which shall be discovered after its execution shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.
Once Requests for Proposal are opened they become the property of the State of Nebraska and will not be returned.

It is understood by the parties that in the State of Nebraska' s opinion, any limitation on the contractor' s liability is unconstitutional under the Nebraska State Constitution, Article XIII, Section III and that any limitation of liability shall not be binding on the State of Nebraska despite inclusion of such language in documents supplied by the contractor' s bid response.

Vendor Contact: Scott Kinzer, Vice President, Business Development
Phone: 425-868-2910
Cellular: 425-870-3260
Fax: 425-868-2910
E-Mail: scott.kinzer@hfit.com

THIS IS THE FIRST RENEWAL OF THE CONTRACT AS AMENDED. (06/25/2014 ked)

Line	Description	Quantity	Unit of Measure	Unit Price	Extended Price
31	DISEASE MANAGEMENT WELLNESS OPTIONS FY14-15	1,862,871.0700	$	1.0000	1,862,871.07
32	GAPS IN CARE WELLNESS OPTIONS FY14-15	255,000.0000	$	1.0000	255,000.00
33	BIOMETRICS WELLNESS OPTIONS FY14-15	318,920.0000	$	1.0000	318,920.00
34	REPORTING WELLNESS OPTIONS FY14-15	152,975.0000	$	1.0000	152,975.00
35	HEALTH RISK ASSESSMENT WELLNESS OPTIONS FY14-15	131,800.0000	$	1.0000	131,800.00
36	HEALTH ADVISING/COACHING-PHONE/SEMINARS WELLNESS OPTIONS FY14-15	718,080.0000	$	1.0000	718,080.00
	Total Order				**3,439,646.07**

MT 6.27.14
BUYER INITIALS

R43500|NISK0002 100416

STATE OF NEBRASKA SERVICE CONTRACT AWARD

State Purchasing Bureau
301 Centennial Mall South, 1st Floor
Lincoln, Nebraska 68508
OR
P.O. Box 94847
Lincoln, Nebraska 68509-4847
Telephone: (402) 471-2401
Fax: (402) 471-2089

PAGE	ORDER DATE
1 OF 4	03/27/09
BUSINESS UNIT	BUYER
65080008	RUTH GRAY

CONTRACT NUMBER
38349 O4

VENDOR NUMBER: 1850215

VENDOR ADDRESS:

HEALTH FITNESS CORPORATION
1650 W 82ND ST FL 11
MINNEAPOLIS MN 55431-1419

AN AWARD HAS BEEN MADE TO THE VENDOR/CONTRACTOR NAMED ABOVE FOR THE SERVICES AS LISTED BELOW FOR THE PERIOD:

APRIL 01, 2009 THROUGH JUNE 30, 2014

THIS CONTRACT IS NOT AN EXCLUSIVE CONTRACT TO FURNISH THE SERVICES SHOWN BELOW, AND DOES NOT PRECLUDE THE PURCHASE OF SIMILAR SERVICES FROM OTHER SOURCES.

THE STATE RESERVES THE RIGHT TO EXTEND THE PERIOD OF THIS CONTRACT BEYOND THE TERMINATION DATE WHEN MUTUALLY AGREEABLE TO THE VENDOR/CONTRACTOR AND THE STATE OF NEBRASKA.

Original/Bid Document 2787 Z1

Contract to provide a Wellness Program for Nebraska State Employees for a period effective April 1, 2009 through June 30, 2014, with the option to renew for two (2) additional one (1) year periods as mutually agreed upon by all parties.

The contract shall incorporate the following previously submitted documents:
1. Contract Award;
2. Any Contract Amendments, in order of significance;
3. Any Request for Proposal Addenda and/or Amendments to include Questions and Answers;
4. The original RFP document;
5. The signed Request for Proposal form; and
6. The Contractor's Proposal.

CONTACT: Scott Kinzer, Vice President, Business Development
PHONE: 425-868-2910
CELLULAR: 425-870-3260
FAX: 425-868-2910
EMAIL: scott.kinzer@hfit.com

Line	Description	Qty	Unit of Measure	Unit Price	Extended Price
1	Implementation	34250	$	1.0000	34,250.00
	Wellness Options FY09-10				
2	Health Risk Assessment	124430	$	1.0000	124,430.00
	Wellness Options FY09-10				
3	Health Advising/Coaching-	403915	$	1.0000	403,915.00

Ruth A. Gray
BUYER
MATERIEL ADMINISTRATOR

AP/ch
RG

STATE OF NEBRASKA SERVICE CONTRACT AWARD

State Purchasing Bureau
301 Centennial Mall South, 1st Floor
Lincoln, Nebraska 68508
OR
P.O. Box 94847
Lincoln, Nebraska 68509-4847
Telephone: (402) 471-2401
Fax: (402) 471-2089

PAGE	ORDER DATE
2 OF 4	03/27/09
BUSINESS UNIT	BUYER
65080008	RUTH GRAY

VENDOR NUMBER: 1850215

CONTRACT NUMBER
38349 O4

Line	Description	Qty	Unit of Measure	Unit Price	Extended Price
	Phone/Seminars				
	Wellness Options FY09-10				
4	Disease Management	1335514.28	$	1.0000	1,335,514.28
	Wellness Options FY09-10				
5	Gaps in Care	238680	$	1.0000	238,680.00
	Wellness Options FY09-10				
6	Reporting	144300	$	1.0000	144,300.00
	Wellness Options FY09-10				
7	Health Risk Assessment	124430	$	1.0000	124,430.00
	Wellness Options FY10-11				
8	Health Advising/Coaching-Phone/Seminars	658265	$	1.0000	658,265.00
	Wellness Options FY10-11				
9	Disease Management	1472254.06	$	1.0000	1,472,254.06
	Wellness Options FY10-11				
10	Gaps in Care	238680	$	1.0000	238,680.00
	Wellness Options FY10-11				
11	Biometrics	261800	$	1.0000	261,800.00
	Wellness Options FY10-11				
12	Reporting	144300	$	1.0000	144,300.00
	Wellness Options FY10-11				
13	Health Risk Assessment	124430	$	1.0000	124,430.00
	Wellness Options FY11-12				
14	Health Advising/Coaching-Phone/Seminars	673900	$	1.0000	673,900.00
	Wellness Options FY11-12				
15	Disease Management	1592389.99	$	1.0000	1,592,389.99

RG
BUYER INITIALS

STATE OF NEBRASKA SERVICE CONTRACT AWARD

State Purchasing Bureau
301 Centennial Mall South, 1st Floor
Lincoln, Nebraska 68508
OR
P.O. Box 94847
Lincoln, Nebraska 68509-4847
Telephone: (402) 471-2401
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PAGE	ORDER DATE
3 OF 4	03/27/09
BUSINESS UNIT	BUYER
65080008	RUTH GRAY

VENDOR NUMBER: 1850215

CONTRACT NUMBER
38349 O4

Line	Description	Qty	Unit of Measure	Unit Price	Extended Price
	Wellness Options FY11-12				
16	Gaps in Care	238680	$	1.0000	238,680.00
	Wellness Options FY11-12				
17	Biometrics	299200	$	1.0000	299,200.00
	Wellness Options FY11-12				
18	Reporting	144300	$	1.0000	144,300.00
	Wellness Options FY11-12				
19	Health Risk Assessment	128020	$	1.0000	128,020.00
	Wellness Options FY12-13				
20	Health Advising/Coaching-Phone/Seminars	714850	$	1.0000	714,850.00
Wellness Options FY12-13					
21	Disease Management	1722329.02	$	1.0000	1,722,329.02
	Wellness Options FY12-13				
22	Gaps in Care	246840	$	1.0000	246,840.00
	Wellness Options FY12-13				
23	Biometrics	309400	$	1.0000	309,400.00
	Wellness Options FY12-13				
24	Reporting	148550	$	1.0000	148,550.00
	Wellness Options FY12-13				
25	Health Risk Assessment	131800	$	1.0000	131,800.00
	Wellness Options FY13-14				
26	Health Advising/Coaching-Phone/Seminars	718080	$	1.0000	718,080.00
Wellness Options FY13-14					
27	Disease Management	1862871.07	$	1.0000	1,862,871.07
	Wellness Options FY13-14				

RG
BUYER INITIALS

STATE OF NEBRASKA SERVICE CONTRACT AWARD

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P.O. Box 94847
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PAGE	ORDER DATE
	03/27/09
BUSINESS UNIT	BUYER
65080008	RUTH GRAY

VENDOR NUMBER: 1850215

CONTRACT NUMBER
38349 O4

Line	Description	Qty	Unit of Measure	Unit Price	Extended Price
28	Gaps in Care	255000	$	1.0000	255,000.00
	Wellness Options FY13-14				
29	Biometrics	318920	$	1.0000	318,920.00
	Wellness Options FY13-14				
30	Reporting	152975	$	1.0000	152,975.00
	Wellness Options FY13-14				
	Total Order				**14,963,353.42**

RG
BUYER INITIALS

Request for Proposal Number 2787 Z1
Contract Number 38349 O4
Proposal Opening: February 20, 2009

In accordance with Nebraska Revised Statutes §84.712.05(3), the following material(s) has not been included due to it being marked proprietary.

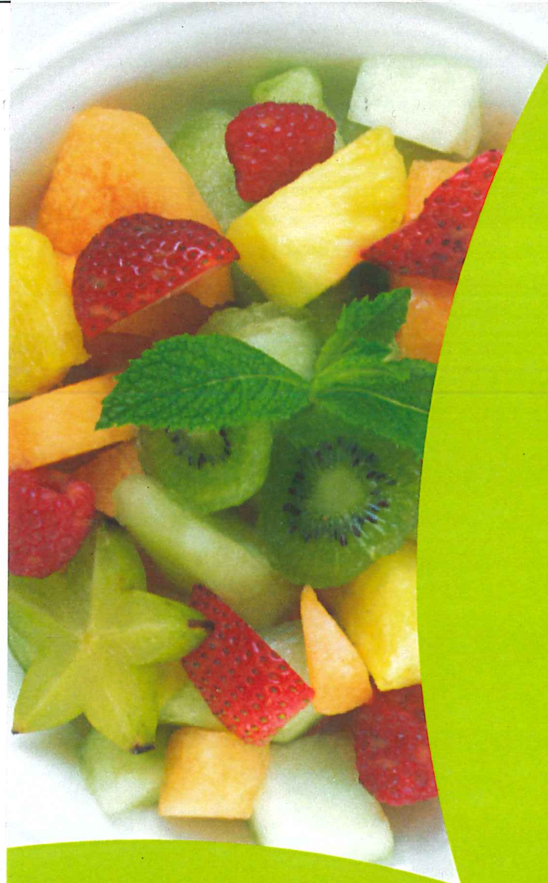
Health Fitness Corporation

1. Section IV. – Item D, Question 5
2. Technical Proposal – Corporate Overview, Item H
3. Exhibit 1 – Disaster Recovery Plan
4. Exhibit 4 – HA Participant Profile
5. Exhibit 6 – Coach/Participant Interactions
6. Exhibit 8 – Sample Preventative Care and Gaps in Care Messages
7. Exhibit 10 – Integration Diagram
8. Exhibit 11 – INSIGHT Health Assessment
9. Exhibit 12 – Worksite Screening Overview
10. Exhibit 13 – Established Marketing Campaigns
11. Exhibit 14 – Standard Health Management Reports
12. Exhibit 15 – Results Calculator and ROI Analysis Report
13. Exhibit 18 – Sample Implementation Plan
14. Exhibit 19 – HealthFitness Team Biographies
15. Exhibit 20 – Health Management Plan

In accordance with Federal U.S. Copyright Law Title 17 U.S.C. Section 101 et seq., Title 18 U.S.C. 2319, the following material(s) has not been included due to them being copyrighted.

Health Fitness Corporation

1. Table of Contents
2. Section III. Terms and Conditions
3. Certificate of Insurance
4. Disaster Recovery Plan
5. Section IV. Project Description and Scope of Work
6. Technical Proposal
7. Cost Proposal Requirements
8. Pricing/Fee Footnotes: Assumptions
9. Form A Bidder Contact Sheet
10. Exhibit 2 – eHealth Platform Overview
11. Exhibit 3 – eHealth Configurations
12. Exhibit 5 – INSIGHT Health Assessment Scientific Validity References
13. Exhibit 7 – HealthFitness Program brochures
14. Exhibit 9 – Disease Management Condition/Health Coaching Model
15. Exhibit 16 – eHealth Eligibility File Requirements
16. Exhibit 17 – HealthFitness eHealth Security
17. Exhibit 17 – Data Privacy Policies and Procedures



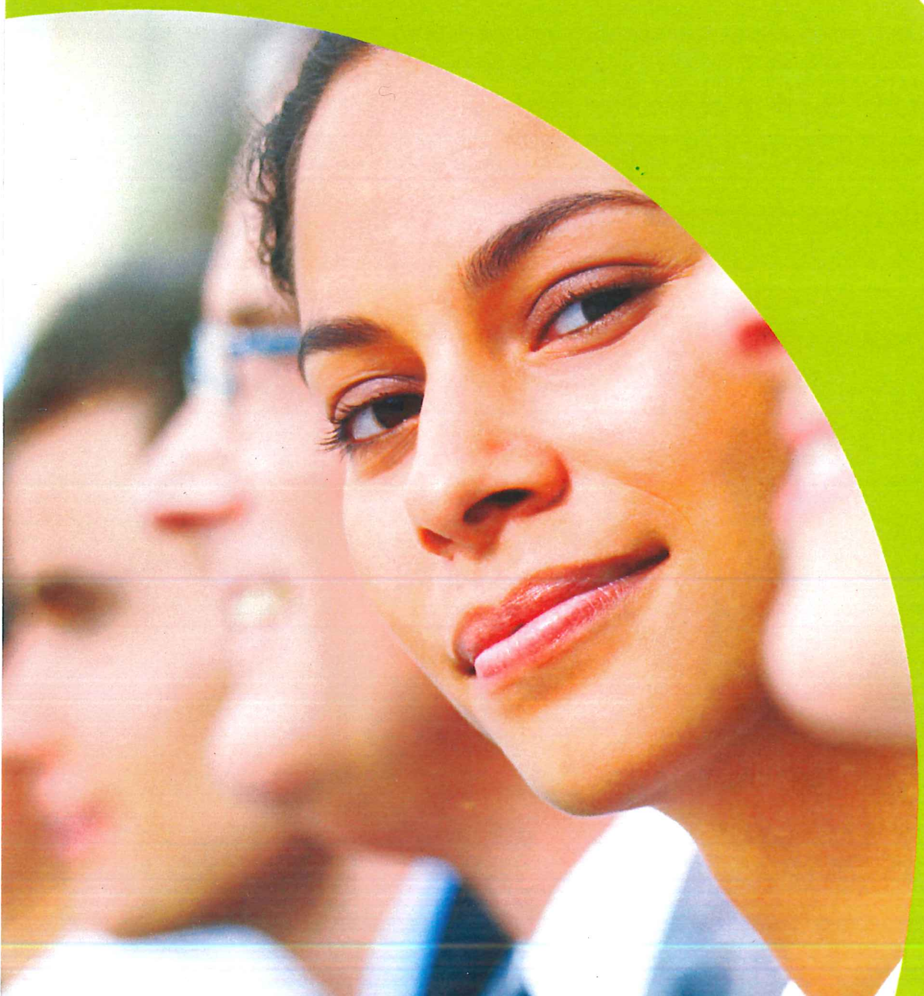
Empowered Results

Response to Request for Proposal
RFP#2787Z1
Wellness Program for Nebraska State Employees

Prepared for State of Nebraska (State Purchasing Bureau)

February 19, 2009

HealthFitness™
Empowered.Results.



HealthFitness
Empowered. Results.

Empowered Results

Response to Request for Proposal RFP#2787Z1
Wellness Program for Nebraska State Employees

Prepared for State of Nebraska
(State Purchasing Bureau)

February 19, 2009

This section has been removed due to copyright.

Certain materials are not being provided because they are copyrighted per U.S. Copyright Law Title 17 U.S.C §§ 101 et seq.,: However, documents may be viewed at 1526 K Street, Suite 130, Lincoln, NE 68508 between 8:00 AM and 5:00 PM, Monday through Friday, except state holidays.

III. Terms and Conditions

This section has been removed due to copyright.

Certificate of Insurance

This section has been removed due to copyright.

Certain materials are not being provided because they are copyrighted per U.S. Copyright Law Title 17 U.S.C §§ 101 et seq.,: However, documents may be viewed at 1526 K Street, Suite 130, Lincoln, NE 68508 between 8:00 AM and 5:00 PM, Monday through Friday, except state holidays.

Disaster Recovery Plan

This section has been removed due to copyright.

Certain materials are not being provided because they are copyrighted per U.S. Copyright Law Title 17 U.S.C §§ 101 et seq.,: However, documents may be viewed at 1526 K Street, Suite 130, Lincoln, NE 68508 between 8:00 AM and 5:00 PM, Monday through Friday, except state holidays.

IV. Project Descr/Scope of Work

This section has been removed due to copyright.

Certain materials are not being provided because they are copyrighted per U.S. Copyright Law Title 17 U.S.C §§ 101 et seq.,: However, documents may be viewed at 1526 K Street, Suite 130, Lincoln, NE 68508 between 8:00 AM and 5:00 PM, Monday through Friday, except state holidays.

Technical Proposal

This section has been removed due to copyright.

Certain materials are not being provided because they are copyrighted per U.S. Copyright Law Title 17 U.S.C §§ 101 et seq.,: However, documents may be viewed at 1526 K Street, Suite 130, Lincoln, NE 68508 between 8:00 AM and 5:00 PM, Monday through Friday, except state holidays.

Cost Proposal

This section has been removed due to copyright.

Certain materials are not being provided because they are copyrighted per U.S. Copyright Law Title 17 U.S.C §§ 101 et seq.,: However, documents may be viewed at 1526 K Street, Suite 130, Lincoln, NE 68508 between 8:00 AM and 5:00 PM, Monday through Friday, except state holidays.

ATTACHMENT A

PRICING FOR WELLNESS PROGRAM: HealthFitness--First Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
1	**Implementation (assumes a one time fee)**	Implementation	core service	1	$34,250.00	NA	$34,250.00
2	**Online Suite of Services (to include)**						
	HRA, Health Education, Behavior change modules, activity tracking, health coaching	eHealth Platform	core service (PEPY)	17,000	$6.74	NC	$114,580.00
	Seminars	SelfHelpWorks	core service	TBD	NC	NC	$0.00
	Other (describe)	Incentive Tracking (for benefit totals)	additional service	1	NC	$3,500.00	$3,500.00
3	**Paper HRA:**						
	Questionnaire	INSIGHT HRA (print)	core service (PPT)	500	$3.50	NC	$1,750.00
	HRA Individual Results	INSIGHT HRA (print)	core service (PPT)	400	$11.50	NC	$4,600.00
	Mailing Costs	INSIGHT HRA (print)	core service (PPT)		included	NC	
4	**Individual Targeted Lifestyle Modification Programs - telephonic**						
	Low Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	459	$165.00	NC	$75,735.00
	Moderate Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	689	$165.00	NC	$113,685.00
	High Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	383	$165.00	NC	$63,195.00
	Other (describe): Health Advising Telephonic post HRA	Health Advising	core service (PPT)	5,100	$11.00	NC	$56,100.00
	Other (describe): Health Advising Onsite post screening	Health Advising	core service (PPT)	TBD	$14.00	NC	TBD
	Other: Campaigns and seminars						
	Health Action Programs	Health Action Programs	core service (PPT)	3400	$28.00	NC	$95,200.00
	Seminars (onsite)	Mind Your Health	additional service	TBD	NC	cost of travel per location and materials	NC
	Other: Disease Management Programs						
	Diabetes	Nurtur	core/additional service (PPPM)	497	$34.98	NC	$208,814.93
	CAD	Nurtur	core/additional service (PPPM)	177	$27.89	NC	$59,201.55
	CHF	Nurtur	core/additional service	43	$34.09	NC	$17,410.44

ATTACHMENT A

PRICING FOR WELLNESS PROGRAM: HealthFitness--First Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
	Asthma	Nurtur	core/additional service (PPPM)	599	$24.38	NC	$175,097.16
	COPD	Nurtur	core/additional service (PPPM)	133	$26.05	NC	$41,575.80
	Depression	Nurtur	core/additional service (PPPM)	672	$39.00	NC	$314,496.00
	Back Pain	Nurtur	core/additional service (PPPM)	1109	$39.00	NC	$518,918.40
	Maternity	Nurtur	core/additional service (hourly)	TBD	$204.75	NC	NA
	Cancer	Nurtur	core/additional service (hourly)	TBD	$204.75	NC	NA
	Other: Gaps in Care/Preventive Messaging						
	Preventive reminders	Evive	core/additional service (PEPM)	17000	$0.65	NC	$132,600.00
	Gaps in Care	Evive	core/additional service (PEPM)	17000	$0.52	NC	$106,080.00
5	**Employee Customer Service Toll Free #800**		core service	1	NC	NC	NC
6	**Biometric Screenings (assumes values uploaded into HRA)**						
	Onsite	Worksite Screening	core service	4250	$44.00	NC	$187,000.00
	Lab Voucher	remote lab (walk-in)	additional service	TBD	$75.00	NC	TBD
	Other (describe):	Home Kit	additional service	TBD	$34.50	NC	TBD
	Onsite or Population	see worksite					
7	**Communication and Promotion Materials:**						
	Standard		core service	12 months	NC	NC	0
	Customized		additional service	TBD	$150/hr.	NC	0
	Other (describe): Printing		additional service	TBD	direct pass through on costs + 15%	NC	TBD
8	**Client Management Reporting**						
	Onsite client manager (assumes full time at State)	Program Manager	core service (annual)	1	$125,000	NC	$125,000
	Additional management fees	Ongoing Integration Mgmt	additional service (annual)	1	$17,500	NC	$17,500
	Data Feeds		core service	12	$150	NC	$1,800
	Custom Reports		additional service	TBD	$200/hr.	NC	TBD

ATTACHMENT A

PRICING FOR WELLNESS PROGRAM: HealthFitness--First Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
	Other (describe)						
9	**Incidentals:**						
	Travel Expenses		additional service	TBD	direct pass through on costs	NC	TBD
	Other (describe)						
	Other (describe)						

ATTACHMENT A
PRICING FOR WELLNESS PROGRAM: HealthFitness--Second Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
1	**Implementation (assumes a one time fee)**	NA	NA	NA	NA	NA	NA
2	**Online Suite of Services (to include)**						
	HRA, Health Education, Behavior change modules, activity tracking, health coaching	eHealth Platform	core service (PEPY)	17,000	$6.74	NC	$114,580.00
	Seminars	SelfHelpWorks	core service	TBD	NC	NC	$0.00
	Other (describe)	Incentive Tracking (for benefit totals)	additional service	1	NC	$3,500.00	$3,500.00
3	**Paper HRA:**						
	Questionnaire	INSIGHT HRA (print)	core service (PPT)	500	$3.50	NC	$1,750.00
	HRA Individual Results	INSIGHT HRA (print)	core service (PPT)	400	$11.50	NC	$4,600.00
	Mailing Costs	INSIGHT HRA (print)	core service (PPT)		included	NC	
4	**Individual Targeted Lifestyle Modification Programs - telephonic**						
	Low Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	765	$165.00	NC	$126,225.00
	Moderate Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	1148	$165.00	NC	$189,420.00
	High Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	638	$165.00	NC	$105,270.00
	Other (describe): Health Advising Telephonic post HRA	Health Advising	core service (PPT)	2,550	$11.00	NC	$28,050.00
	Other (describe): Health Advising Onsite post screening	Health Advising	core service (PPT)	5950	$14.00	NC	$83,300.00
	Other: Campaigns and seminars						
	Health Action Programs	Health Action Programs	core service (PPT)	4500	$28.00	NC	$126,000.00
	Seminars (onsite)	Mind Your Health	additional service	TBD	NC	cost of travel per location and materials	NC
	Other: Disease Management Programs						
	Diabetes	Nurtur	core/additional service (PPPM)	527	$36.39	NC	$230,229.28
	CAD	Nurtur	core/additional service (PPPM)	188	$29.00	NC	$65,256.75
	CHF	Nurtur	core/additional service	45	$35.45	NC	$19,190.34

ATTACHMENT A

PRICING FOR WELLNESS PROGRAM: HealthFitness--Second Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
	Asthma	Nurtur	core/additional service (PPPM)	634	$25.35	NC	$192,987.52
	COPD	Nurtur	core/additional service (PPPM)	141	$27.09	NC	$45,833.16
	Depression	Nurtur	core/additional service (PPPM)	712	$40.56	NC	$346,700.39
	Back Pain	Nurtur	core/additional service (PPPM)	1175	$40.56	NC	$572,056.62
	Maternity	Nurtur	core/additional service (hourly)	TBD	$214.99	NC	NA
	Cancer	Nurtur	core/additional service (hourly)	TBD	$214.99	NC	NA
	Other: Gaps in Care/Preventive Messaging						
	Preventive reminders	Evive	core/additional service (PEPM)	17000	$0.65	NC	$132,600.00
	Gaps in Care	Evive	core/additional service (PEPM)	17000	$0.52	NC	$106,080.00
5	**Employee Customer Service Toll Free #800**		core service	1	NC	NC	NC
6	**Biometric Screenings (assumes values uploaded into HRA)**						
	Onsite	Worksite Screening	core service	5950	$44.00	NC	$261,800.00
	Lab Voucher	remote lab (walk-in)	additional service	TBD	$75.00	NC	TBD
	Other (describe):	Home Kit	additional service	TBD	$34.50	NC	TBD
	Onsite or Population	see worksite					
7	**Communication and Promotion Materials:**						
	Standard		core service	12 months	NC	NC	0
	Customized		additional service	TBD	$150/hr.	NC	0
	Other (describe): Printing		additional service	TBD	direct pass through on costs + 15%	NC	TBD
8	**Client Management Reporting**						
	Onsite client manager (assumes full time at State)	Program Manager	core service (annual)	1	$125,000	NC	$125,000
	Additional management fees	Ongoing Integration Mgmt	additional service (annual)	1	$17,500	NC	$17,500
	Data Feeds		core service	12	$150	NC	$1,800
	Custom Reports		additional service	TBD	$200/hr.	NC	TBD

ATTACHMENT A
PRICING FOR WELLNESS PROGRAM: HealthFitness--Second Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
	Other (describe)						
9	**Incidentals:**						
	Travel Expenses		additional service	TBD	direct pass through on costs	NC	TBD
	Other (describe)						
	Other (describe)						

ATTACHMENT A

PRICING FOR WELLNESS PROGRAM: HealthFitness--Third Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
1	**Implementation (assumes a one time fee)**	NA	NA	NA	NA	NA	NA
2	**Online Suite of Services (to include)**						
	HRA, Health Education, Behavior change modules, activity tracking, health coaching	eHealth Platform	core service (PEPY)	17,000	$6.74	NC	$114,580.00
	Seminars	SelfHelpWorks	core service	TBD	NC	NC	$0.00
	Other (describe)	Incentive Tracking (for benefit totals)	additional service	1	NC	$3,500.00	$3,500.00
3	**Paper HRA:**						
	Questionnaire	INSIGHT HRA (print)	core service (PPT)	500	$3.50	NC	$1,750.00
	HRA Individual Results	INSIGHT HRA (print)	core service (PPT)	400	$11.50	NC	$4,600.00
	Mailing Costs	INSIGHT HRA (print)	core service (PPT)		included	NC	
4	**Individual Targeted Lifestyle Modification Programs - telephonic**						
	Low Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	918	$165.00	NC	$151,470.00
	Moderate Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	1377	$165.00	NC	$227,205.00
	High Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	765	$165.00	NC	$126,225.00
	Other (describe): Health Advising Telephonic post HRA	Health Advising	core service (PPT)	3,400	$11.00	NC	$37,400.00
	Other (describe): Health Advising Onsite post screening	Health Advising	core service (PPT)	6,800	$14.00	NC	TBD
	Other: Campaigns and seminars						
	Health Action Programs	Health Action Programs	core service (PPT)	4700	$28.00	NC	$131,600.00
	Seminars (onsite)	Mind Your Health	additional service	TBD	NC	cost of travel per location and materials	NC
	Other: Disease Management Programs						
	Diabetes	Nurtur	core/additional service (PPPM)	548	$37.84	NC	$249,015.99
	CAD	Nurtur	core/additional service (PPPM)	195	$30.16	NC	$70,581.70
	CHF	Nurtur	core/additional service	47	$36.87	NC	$20,756.27

ATTACHMENT A
PRICING FOR WELLNESS PROGRAM: HealthFitness--Third Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
	Asthma	Nurtur	core/additional service (PPPM)	660	$26.36	NC	$208,735.30
	COPD	Nurtur	core/additional service (PPPM)	147	$28.18	NC	$49,573.15
	Depression	Nurtur	core/additional service (PPPM)	741	$42.18	NC	$374,991.14
	Back Pain	Nurtur	core/additional service (PPPM)	1222	$42.18	NC	$618,736.44
	Maternity	Nurtur	core/additional service (hourly)	TBD	$225.75	NC	NA
	Cancer	Nurtur	core/additional service (hourly)	TBD	$225.75	NC	NA
	Other: Gaps in Care/Preventive Messaging						
	Preventive reminders	Evive	core/additional service (PEPM)	17,000	$0.65	NC	$132,600.00
	Gaps in Care	Evive	core/additional service (PEPM)	17,000	$0.52	NC	$106,080.00
5	**Employee Customer Service Toll Free #800**		core service	1	NC	NC	NC
6	**Biometric Screenings (assumes values uploaded into HRA)**						
	Onsite	Worksite Screening	core service	6,800	$44.00	NC	$299,200.00
	Lab Voucher	remote lab (walk-in)	additional service	TBD	$75.00	NC	TBD
	Other (describe):	Home Kit	additional service	TBD	$34.50	NC	TBD
	Onsite or Population	see worksite					
7	**Communication and Promotion Materials:**						
	Standard		core service	12 months	NC	NC	0
	Customized		additional service	TBD	$150/hr.	NC	0
	Other (describe): Printing		additional service	TBD	direct pass through on costs + 15%	NC	TBD
8	**Client Management Reporting**						
	Onsite client manager (assumes full time at State)	Program Manager	core service (annual)	1	$125,000	NC	$125,000
	Additional management fees	Ongoing Integration Mgmt	additional service (annual)	1	$17,500	NC	$17,500
	Data Feeds		core service	12	$150	NC	$1,800
	Custom Reports		additional service	TBD	$200/hr.	NC	TBD

ATTACHMENT A

PRICING FOR WELLNESS PROGRAM: HealthFitness--Third Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
	Other (describe)						
9	**Incidentals:**						
	Travel Expenses		additional service	TBD	direct pass through on costs	NC	TBD
	Other (describe)						
	Other (describe)						

ATTACHMENT A

PRICING FOR WELLNESS PROGRAM: HealthFitness--Fourth Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
1	**Implementation (assumes a one time fee)**	NA	NA	NA	NA	NA	NA
2	**Online Suite of Services (to include)**						
	HRA, Health Education, Behavior change modules, activity tracking, health coaching	eHealth Platform	core service (PEPY)	17,000	$6.94	NC	$117,980.00
	Seminars	SelfHelpWorks	core service	TBD	NC	NC	$0.00
	Other (describe)	Incentive Tracking (for benefit totals)	additional service	1	NC	$3,500.00	$3,500.00
3	**Paper HRA:**						
	Questionnaire	INSIGHT HRA (print)	core service (PPT)	500	$3.60	NC	$1,800.00
	HRA Individual Results	INSIGHT HRA (print)	core service (PPT)	400	$11.85	NC	$4,740.00
	Mailing Costs	INSIGHT HRA (print)	core service (PPT)		included	NC	
4	**Individual Targeted Lifestyle Modification Programs - telephonic**						
	Low Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	918	$170.00	NC	$156,060.00
	Moderate Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	1377	$170.00	NC	$234,090.00
	High Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	918	$170.00	NC	$156,060.00
	Other (describe): Health Advising Telephonic post HRA	Health Advising	core service (PPT)	3,400	$11.35	NC	$38,590.00
	Other (describe): Health Advising Onsite post screening	Health Advising	core service (PPT)	6800	$14.45	NC	TBD
	Other: Campaigns and seminars						
	Health Action Programs	Health Action Programs	core service (PPT)	4500	$28.90	NC	$130,050.00
	Seminars (onsite)	Mind Your Health	additional service	TBD	NC	cost of travel per location and materials	NC
	Other: Disease Management Programs						
	Diabetes	Nurtur	core/additional service (PPPM)	570	$39.36	NC	$269,335.70
	CAD	Nurtur	core/additional service (PPPM)	203	$31.37	NC	$76,341.17
	CHF	Nurtur	core/additional service	49	$38.34	NC	$22,449.98

ATTACHMENT A

PRICING FOR WELLNESS PROGRAM: HealthFitness--Fourth Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
	Asthma	Nurtur	core/additional service (PPPM)	686	$27.42	NC	$225,768.10
	COPD	Nurtur	core/additional service (PPPM)	152	$29.30	NC	$53,618.32
	Depression	Nurtur	core/additional service (PPPM)	770	$43.87	NC	$405,590.42
	Back Pain	Nurtur	core/additional service (PPPM)	1271	$43.87	NC	$669,225.33
	Maternity	Nurtur	core/additional service (hourly)	TBD	$237.03	NC	NA
	Cancer	Nurtur	core/additional service (hourly)	TBD	$237.03	NC	NA
	Other: Gaps in Care/Preventive Messaging						
	Preventive reminders	Evive	core/additional service (PEPM)	17000	$0.67	NC	$136,680.00
	Gaps in Care	Evive	core/additional service (PEPM)	17000	$0.54	NC	$110,160.00
5	**Employee Customer Service Toll Free #800**		core service	1	NC	NC	NC
6	**Biometric Screenings (assumes values uploaded into HRA)**						
	Onsite	Worksite Screening	core service	6800	$45.50	NC	$309,400.00
	Lab Voucher	remote lab (walk-in)	additional service	TBD	$77.25	NC	TBD
	Other (describe):	Home Kit	additional service	TBD	$35.55	NC	TBD
	Onsite or Population	see worksite					
7	**Communication and Promotion Materials:**						
	Standard		core service	12 months	NC	NC	0
	Customized		additional service	TBD	$150/hr.	NC	0
	Other (describe): Printing		additional service	TBD	direct pass through on costs + 15%	NC	TBD
8	**Client Management Reporting**						
	Onsite client manager (assumes full time at State)	Program Manager	core service (annual)	1	$128,750	NC	$128,750
	Additional management fees	Ongoing Integration Mgmt	additional service (annual)	1	$18,000	NC	$18,000
	Data Feeds		core service	12	$150	NC	$1,800
	Custom Reports		additional service	TBD	$200/hr.	NC	TBD
	Other (describe)						

ATTACHMENT A
PRICING FOR WELLNESS PROGRAM: HealthFitness--Fourth Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
9	**Incidentals:**						
	Travel Expenses		additional service	TBD	direct pass through on costs	NC	TBD
	Other (describe)						
	Other (describe)						

ATTACHMENT A
PRICING FOR WELLNESS PROGRAM: HealthFitness--Fifth Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
1	**Implementation (assumes a one time fee)**	NA	NA	NA	NA	NA	NA
2	**Online Suite of Services (to include)**						
	HRA, Health Education, Behavior change modules, activity tracking, health coaching	eHealth Platform	core service (PEPY)	17,000	$7.15	NC	$121,550.00
	Seminars	SelfHelpWorks	core service	TBD	NC	NC	$0.00
	Other (describe)	Incentive Tracking (for benefit totals)	additional service	1	NC	$3,500.00	$3,500.00
3	**Paper HRA:**						
	Questionnaire	INSIGHT HRA (print)	core service (PPT)	500	$3.70	NC	$1,850.00
	HRA Individual Results	INSIGHT HRA (print)	core service (PPT)	400	$12.25	NC	$4,900.00
	Mailing Costs	INSIGHT HRA (print)	core service (PPT)		included	NC	
4	**Individual Targeted Lifestyle Modification Programs - telephonic**						
	Low Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	918	$175.00	NC	$160,650.00
	Moderate Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	1377	$175.00	NC	$240,975.00
	High Risk - Cost/Participant	EMPOWERED Health Coaching	core service (PPT)	765	$175.00	NC	$133,875.00
	Other (describe): Health Advising Telephonic post HRA	Health Advising	core service (PPT)	3,400	$11.70	NC	$39,780.00
	Other (describe): Health Advising Onsite post screening	Health Advising	core service (PPT)	6800	$14.90	NC	TBD
	Other: Campaigns and seminars						
	Health Action Programs	Health Action Programs	core service (PPT)	4800	$29.75	NC	$142,800.00
	Seminars (onsite)	Mind Your Health	additional service	TBD	NC	cost of travel per location and materials	NC
	Other: Disease Management Programs						
	Diabetes	Nurtur	core/additional service (PPPM)	593	$40.93	NC	$291,313.49
	CAD	Nurtur	core/additional service (PPPM)	211	$32.62	NC	$82,570.61
	CHF	Nurtur	core/additional service	51	$39.88	NC	$24,281.90

ATTACHMENT A
PRICING FOR WELLNESS PROGRAM: HealthFitness--Fifth Year

Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
Asthma	Nurtur	core/additional service (PPPM)	714	$28.52	NC	$244,190.78
COPD	Nurtur	core/additional service (PPPM)	159	$30.47	NC	$57,993.57
Depression	Nurtur	core/additional service (PPPM)	801	$45.62	NC	$438,686.60
Back Pain	Nurtur	core/additional service (PPPM)	1322	$45.62	NC	$723,834.12
Maternity	Nurtur	core/additional service (hourly)	TBD	$248.89	NC	NA
Cancer	Nurtur	core/additional service (hourly)	TBD	$248.89	NC	NA
Other: Gaps in Care/Preventive Messaging						
Preventive reminders	Evive	core/additional service (PEPM)	17000	$0.69	NC	$140,760.00
Gaps in Care	Evive	core/additional service (PEPM)	17000	$0.56	NC	$114,240.00
5 **Employee Customer Service Toll Free #800**		core service	1	NC	NC	NC
6 **Biometric Screenings (assumes values uploaded into HRA)**						
Onsite	Worksite Screening	core service	6800	$46.90	NC	$318,920.00
Lab Voucher	remote lab (walk-in)	additional service	TBD	$79.50	NC	TBD
Other (describe):	Home Kit	additional service	TBD	$36.60	NC	TBD
Onsite or Population	see worksite					
7 **Communication and Promotion Materials:**						
Standard		core service	12 months	NC	NC	0
Customized		additional service	TBD	$150/hr.	NC	0
Other (describe): Printing		additional service	TBD	direct pass through on costs + 15%	NC	TBD
8 **Client Management Reporting**						
Onsite client manager (assumes full time at State)	Program Manager	core service (annual)	1	$132,625	NC	$132,625
Additional management fees	Ongoing Integration Mgmt	additional service (annual)	1	$18,550	NC	$18,550
Data Feeds		core service	12	$150	NC	$1,800
Custom Reports		additional service	TBD	$200/hr.	NC	TBD
Other (describe)						

ATTACHMENT A
PRICING FOR WELLNESS PROGRAM: HealthFitness--Fifth Year

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
9	**Incidentals:**						
	Travel Expenses		additional service	TBD	direct pass through on costs	NC	TBD
	Other (describe)						
	Other (describe)						

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Form A: Bidder Contact Sheet

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Exhibit 1

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Exhibit 2

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Exhibit 4

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Exhibit 5

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Exhibit 6

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Exhibit 8

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Exhibit 9

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Exhibit 10

Please refer to the Proprietary Information binder for this exhibit.

Exhibit 11

Please refer to the Proprietary Information binder for this exhibit.

Exhibit 12

Please refer to the Proprietary Information binder for this exhibit.

Exhibit 13

Please refer to the Proprietary Information binder for this exhibit.

Exhibit 14

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Exhibit 15

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Exhibit 16

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Exhibit 17

This section has been removed due to copyright.

Exhibit 18

Please refer to the Proprietary Information binder for this exhibit.

Exhibit 19

Please refer to the Proprietary Information binder for this exhibit.

Exhibit 20

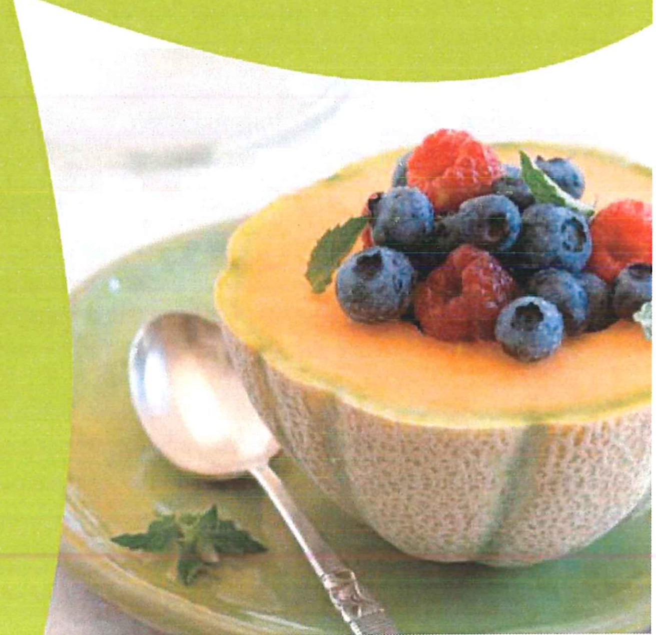
Please refer to the Proprietary Information binder for this exhibit.

Exhibit 21

Empowered Results

Annual Report 2007

HealthFitness™
Empowered. Results.



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

Commission File No. 000-25064

HEALTH FITNESS CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota	**No. [redacted]**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**

1650 West 82nd Street, Bloomington, Minnesota 55431
(Address of Principal Executive Offices)

(952) 831-6830
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $.01 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of our common stock held by non-affiliates as of June 30, 2007 was approximately $48,800,000 (based on the closing sale price of $3.16 per share as reported on the OTC Bulletin Board).

The number of shares outstanding of the registrant's common stock as of March 24, 2008 was: Common Stock, $0.01 par value, 20,255,834 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the registrant's 2008 Annual Meeting of Shareholders are incorporated by reference into Items 10, 11, 12, 13 and 14 of Part III of this report.

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We make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act on our web site, www.hfit.com, as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. We are not including the information on our web site as a part of, or incorporating it by reference into, our Form 10-K.

PART I

ITEM 1. BUSINESS

OVERVIEW

Health Fitness Corporation, a Minnesota corporation (also referred to as "we," "us," "our," the "Company," or "Health Fitness"), is a leading provider of population health improvement services and programs to corporations, hospitals, communities and universities located in the United States and Canada. We currently manage 231 corporate fitness center sites, 170 corporate health management sites and 97 unstaffed health management programs.

We provide staffing services as well as a comprehensive menu of programs, products and consulting services within our Health Management and Fitness Management business segments. Our broad suite of services enables our clients' employees to live healthier lives, and our clients to control rising healthcare costs, through participation in our assessment, education, coaching, physical activity, weight management and wellness program services, which can be offered as follows: (i) through on-site fitness centers we manage; (ii) remotely via the web and; (iii) through telephonic health coaching.

You may contact us at our executive offices at 1650 West 82nd Street, Suite 1100, Minneapolis, Minnesota 55431, telephone number (952) 831-6830. We maintain an internet website at www.hfit.com.

BUSINESS MODEL

Major corporations, hospitals and universities invest in fitness centers and health improvement programs for several reasons. First, it is widely understood that healthier employees are more productive, experience reduced levels of stress and are absent from work less often due to illness. At the same time, companies are struggling to deal with the rising cost of employee healthcare, which has historically increased at double-digit rates. According to a recent government report, U.S. spending on prescription drugs, hospital care and other health services is expected to double to $4.1 trillion over the next decade, up from $2.1 trillion in 2006. This dramatic increase in expected healthcare costs is primarily attributed to an aging population and poor lifestyle choices relating to diet and exercise. Many companies realize that they may be able to decrease the financial burden of employee healthcare and lost productivity by making health improvement programs a strategic business priority. We believe the services we offer will help employees make better lifestyle behavior choices, thus improving their health, in addition to helping companies decrease the rate of spending on employee healthcare costs.

To capitalize on the growth opportunities within the employer marketplace, we organized our business into two segments: Fitness Management Services and Health Management Services. Within each of these business segments, we provide two types of service: (i) Staffing Services, and (ii) Program and Consulting Services. Our decision to move to segment reporting was based on (i) the evolution of our Health Management segment, and management's belief that the future growth of our Company may depend on our Health Management segment; (ii) management's belief that total revenue and gross profit from our Health Management segment may outpace the total revenue and gross profit from our legacy Fitness Management segment; (iii) management has invested significant resources to hire additional service and account management staff to handle the growth we have experienced, and expect to experience in the future; (iv) management has invested, and expects to continue investing resources to enhance the functionality of our web-based software system to appeal to a wider range of current and new customers for both of our operating segments, and (v) on a monthly, quarterly and annual basis, we manage the performance of our business by reviewing internally-generated financial reports that detail revenue and gross profit results for each segment.

Following is a description of the services we offer within each segment:

Fitness Management Services

The Fitness Management segment of our business involves the management of fitness centers that have been developed and equipped by corporations and other organizations for their employees. Historically, corporations developed these fitness centers as a way to attract and retain productive employees. More recently, these same corporations have come to realize that a fitness center can play an integral role in modifying unhealthy lifestyle behaviors and improving work productivity.

In terms of size, we believe we are the largest provider of corporate fitness center management services in the United States. Currently, we manage 231 corporate sites, including two sites located in Canada, all of which accounted for approximately 61% and 66% of our 2007 and 2006 revenue, respectively. From a sales perspective, we generally obtain new corporate customers by submitting a proposal, which answers specific questions regarding our management philosophies and pricing structures.

Our Fitness Management segment derives its revenue from the following services:

Staffing Services. We have agreements with corporations and other organizations to staff and manage fitness centers they have developed for use by their employees. We derive revenue from these services through the reimbursement of staff costs, including wages, taxes and benefits, and reimbursement of our costs to provide liability insurance to protect our customers against injury claims. We also receive a management fee to cover the cost of regional and corporate support services. Costs of revenue are comprised of staff wages, employer taxes and employee benefits, in addition to fitness center operating expenses we may contractually agree to pay.

In 2007, 2006 and 2005, revenue from our Fitness Management staffing services accounted for 56.8%, 62.4% and 69.6%, respectively, of total consolidated revenue.

Program and Consulting Services. At many of our managed fitness centers, we generate additional revenue from members through the delivery of fee-for-service fitness and wellness program services. These services primarily include personal training, weight loss programs, seminars, special classes and massage therapy. Costs of revenue are comprised of commissions we pay our staff for selling and delivering these program services, in addition to the cost of inventory when products are sold in connection with a service.

Within our fitness management consulting practice, companies that are planning new fitness centers may employ us to develop floor plans and interior design plans, select and source fitness equipment and design fitness programs. For companies that desire to develop a commercial fitness center, we can perform a comprehensive analysis of market potential for the center. Services can include demographic analysis, market analysis, and multiple-year financial business plan development.

In 2007, 2006 and 2005, revenue from our Fitness Management program and consulting services accounted for 3.8%, 4.0% and 4.4%, respectively, of total consolidated revenue.

Health Management Services

The Health Management segment of our business involves the delivery of services to help corporations and other organizations assess the health characteristics of their employees. We also provide health education services to employees dealing with multiple health risks to improve their lifestyle behaviors.

This segment of our business has experienced the fastest rate of growth, with 2007 revenue growing approximately 29% over 2006, and 2006 revenue growing approximately 49% over 2005. This growth is attributed to our past and recent investments to strategically enhance this segment, which has improved our ability to meet the increasing market demand for health improvement services, as well as meet the increasing needs of our customers. Currently, we manage 170 corporate health management sites and 97 unstaffed health management programs, which accounted for approximately 39% and 34% of our 2007 and 2006 revenue, respectively. In this segment, we generally obtain new corporate customers by submitting a proposal, which answers specific questions regarding our management philosophies and pricing structures.

Our Health Management segment derives its revenue from the following services:

Staffing Services. We have agreements with corporations and other organizations to staff and manage the delivery of health promotion programs, lifestyle coaching services, and injury prevention and treatment services. These relationships may or may not involve the management of an on-site fitness center. We derive revenue from these services through the reimbursement of staff costs, including wages, taxes and benefits, and reimbursement of our cost to provide liability insurance to protect our customers against injury claims. We also receive a management fee to cover the cost of regional and corporate support services. Costs of revenue are comprised of staff wages, employer taxes and employee benefits, in addition to operating expenses we may contractually agree to pay.

In 2007, 2006 and 2005, revenue from our Health Management staffing services accounted for 22.6%, 21.5% and 22.3%, respectively, of total consolidated revenue.

Program and Consulting Services. We offer a comprehensive menu of products and services to assess the health risks of our customer's employees, and manage specific health risks by delivering programs to educate and coach participants to improve lifestyle behaviors. We derive program revenue from participant fees we charge for our e-Health platform; paper and web-based health risk assessments; biometric screenings to assess blood profiles and body composition; and face-to-face, web-based and telephonic health coaching services. We also derive revenue from data collection and reporting services as it relates to the demonstration of program effectiveness. Revenue from these program services are generally paid by our corporate customer, although they may ask their employees to share in the cost. Our costs of revenue for these services are mainly comprised of supply expenses and the direct cost of staff wages, taxes and benefits.

Within our health management consulting practice, we provide corporations and other organizations with a comprehensive analysis of the effectiveness of employee health improvement programs, with a focus on demonstrating a return on investment. We also provide a suite of occupational health consulting services, including injury prevention program design, work-hardening programs, injury treatment, return-to-work programs and regulatory compliance consulting.

In 2007, 2006 and 2005, revenue from our Health Management program and consulting services accounted for 16.7%, 12.1% and 3.7%, respectively, of total consolidated revenue.

CONTRACT DURATION

In each of our business segments, the duration of staffing and program service agreements may widely vary, from those that are month-to-month, to those that have a term of five years. A typical staffing services contract carries a term of three years, with revenue recognized upon delivery of service. Contract duration for program and consulting services generally ranges from month-to-month up to three years, depending on the scope of services to be delivered. Revenues for these services are recognized upon delivery of service.

SEGMENT FINANCIAL INFORMATION

We assess and manage the performance of each business segment by reviewing internally-generated reports that detail revenue and gross profit results for each of our customer sites. This information is used to formulate plans regarding the future prospects of our business, and aids in our determination of how we will invest our resources to ensure we achieve our future revenue and profitability targets.

The following table provides an analysis of business segment revenue and gross profit for each of the years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
Revenue			
Fitness Management Services			
Staffing Services	$39,747,239	$39,670,546	$38,226,444
Program and Consulting Services	2,679,881	2,574,463	2,392,272
	42,427,120	42,245,009	40,618,716
Health Management Services			
Staffing Services	15,819,481	13,669,201	12,267,973
Program and Consulting Services	11,711,450	7,664,330	2,055,516
	27,530,931	21,333,531	14,323,489
Total Revenue			
Staffing Services	55,566,720	53,339,747	50,494,417
Program and Consulting Services	14,391,331	10,238,793	4,447,788
	$69,958,051	$63,578,540	$54,942,205
Gross Profit			
Fitness Management Services			
Staffing Services	$8,643,280	$8,861,829	$8,772,194
Program and Consulting Services	1,155,217	1,129,585	810,401
	9,798,497	9,991,414	9,582,595
Health Management Services			
Staffing Services	3,974,348	3,399,875	3,499,117
Program and Consulting Services	5,868,032	4,239,295	735,462
	9,842,380	7,639,170	4,234,579
Total Gross Profit			
Staffing Services	12,617,628	12,261,704	12,271,311
Program and Consulting Services	7,023,249	5,368,880	1,545,863
	$19,640,877	$17,630,584	$13,817,174

With respect to segment asset allocation in accordance with SFAS 131, management believes the Company does not have assets that are related solely to each segment, except for the segmentation of goodwill for annual impairment testing, and thus has not allocated assets to our reportable segments for the following reasons:

a. The Company is a service business that depends heavily on the joint efforts of our staff to operate and grow each segment of our business.

b. We do not maintain a large asset infrastructure. The tangible and intangible assets we do own, including the web-based software system we acquired from HealthCalc, are deployed across both segments of our business to generate segment revenue and gross profit results.

c. Our future growth plans involve a tighter integration between our Fitness and Health Management segments, resulting in opportunities to cross-sell our fitness and health management services to existing customers within each segment. It is difficult to ascertain which assets are responsible for segment results.

d. We do not separate assets into our reportable segments for internal accounting and reporting purposes. Management believes an arbitrary allocation of assets to each reportable segment would not result in meaningful information about our business.

GROWTH STRATEGY

In the long-term, we believe that we can enhance our position as the leading integrator of fitness and health management services for corporations and other large organizations. Key elements of our growth strategy include:

- Pursue both aggressive organic growth and strategic opportunities in our Health Management business segment. We believe the market for population health management programs will continue to grow.

- Pursue new customers in our Fitness Management business segment to expand market share. As the largest provider of corporate fitness management services, we believe we can continue to add new customers, and sell additional fitness services to our current customers. However, this segment operates in a mature market, and price competition is common.

- Maximize opportunities to sell our Fitness Management customers on adopting the services we offer in our integrated Health Management model.

- Pursue strategic opportunities that provide operational capabilities and long-term financial value.

We intend to continue investing in our Health Management business segment commensurate with the addition of new business, including investments in people, systems and infrastructure in order to enhance our ability to scale, gain greater cost efficiencies and provide a broader base of services.

OPERATIONS

In our Fitness Management segment, we have one Vice President of Account Services, who has management responsibility for all of our geographical regions in the United States. Each region is managed by a Regional Vice President, who is responsible for fitness center and wellness program staffing, service quality, financial performance, client relationships and the introduction of new service capabilities to our customers.

In our Health Management segment, we have one Vice President of Account Services, who manages all activities related to our health management customers. We also have Regional Vice Presidents who are directly responsible for program implementation, service delivery, financial performance and client relationships.

The Vice President of each segment reports to a Senior Vice President of Account Services, who in turn reports directly to our Chief Operations Officer. These two positions have primary operational management responsibility for our entire business.

Our corporate office provides centralized administrative support, including accounting and finance, human resources and payroll, information technology systems, sales and marketing, and executive management functions, including the offices of the Chief Financial Officer and Chief Executive Officer, who also retains responsibility as our head of sales.

All expenses related to the operating areas noted above are contained in the Operating Expenses section of our Statements of Operations contained in Item 8 of this Form 10-K.

SALES AND MARKETING

We market our services to corporations, members of the fitness centers we manage and to individuals eligible to participate in their corporate health improvement program. Our sales force actively pursues new corporate customers for each segment of our business, which spans a wide variety of industries. Our sales force is primarily responsible for identifying potential corporate customers and sales lead partners, and managing the overall sales process. Our corporate marketing department supports the marketing needs of our sales function, in addition to developing point of sale materials for fitness center programs and collateral materials designed to solicit participation in a health improvement program.

SEASONALITY

In our Fitness Management segment, we do not experience any seasonal fluctuations in the realization of new business, or recognition of revenue. In our Health Management business segment, we may experience seasonal fluctuations in the realization of new business, which will generally be timed with the start of a client's benefit plan year. We have also found that the early stage of certain health management engagements result in a higher rate of revenue recognition due to the delivery of on-site biometric screening services. Thereafter, revenue will decrease to a lower level until we deliver a second phase of biometric screening services to assess health improvement, which is generally one year after the initial phase of screenings.

RESEARCH AND DEVELOPMENT

All research and development activities pertaining to the maintenance of our e-Health technology platform, as well as activities leading up to establishing technological feasibility for significant e-Health platform enhancements, are expensed as incurred.

SIGNIFICANT CUSTOMER RELATIONSHIP

We had one customer that provided 9.8%, 10.3% and 11.9% of our total revenue in 2007, 2006 and 2005, respectively. For this customer, we provide fitness center management and employee wellness administration services for approximately 50 locations. The agreement with this customer was recently renewed and expires on December 31, 2009, and will automatically renew for successive one year periods unless either party delivers written notice at least 90 days prior to termination. We believe that our relationship with this customer is good.

COMPETITION

Within the business-to-business fitness management services industry, there are relatively few national competitors. However, virtually all markets are home to regional providers that manage several sites within their geographic areas. The principal method of competition among fitness management service providers is price, and our target client base has generally been price-sensitive. With our national presence and almost 30 years of history, management believes that we are recognized as a leading provider of corporate fitness management services, that we have a cost-effective business model, and that we are well positioned to compete in this industry.

Within the business-to-business health management services industry, there has been a trend toward consolidation as companies establish a better position to compete for the growth that is expected in this industry. Disease management and managed care companies have made acquisitions of health management companies within the past twenty-four months. To effectively compete with these organizations, which are larger and have access to more resources, we have made considerable investments into the development of our corporate health management business model. Our December 2005 acquisition of HealthCalc.Net, Inc. and the development of our web-based and telephonic health coaching services have enabled us to more effectively compete with these larger companies. With additional strategic investments to augment our current capabilities, we believe we can build a sustainable competitive advantage in order to compete for new business opportunities against these larger competitors.

PROPRIETARY RIGHTS

We have three registered trademarks, "Insight"®, "It Pays To Be Healthy"® and "Live For Life"® that are used in connection with the sale and delivery of our fitness and health management services. We do not have any other significant proprietary rights.

GOVERNMENT REGULATION

Management believes there is no significant government regulation which materially limits our ability to provide fitness and health management services to our corporate, hospital, community and university-based clients. Although our occupational health, health risk assessment and health coaching services, in addition to the group health plan we sponsor for our employees, are subject to the requirements of the Health Insurance Portability and Accountability Act of 1996, or HIPAA, we do not believe that these regulations have a material impact on our activities.

FOREIGN OPERATIONS

We provide services to companies located in Canada through our wholly-owned subsidiary Health Fitness Corporation of Canada, Inc. Revenue recognized from our Canadian customers totaled approximately $241,000, $259,300 and $277,600 for the years ended December 31, 2007, 2006 and 2005, respectively. Although we invoice these customers in their local currency, we do not believe there is a risk of material loss due to foreign currency translation.

EMPLOYEES

At December 31, 2007, we had 878 full-time and 2,931 part-time and on-call employees, of which 117 were employed at our corporate, divisional and regional offices. The remainder is primarily engaged in providing our staffing and programs services to our Fitness and Health Management customers. Management believes our relationship with employees is good.

AVAILABLE INFORMATION

We file reports with the Securities and Exchange Commission, or as referred to herein as the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and other reports from time to time. We are an electronic filer and the SEC maintains an Internet site at www.sec.gov that contains the reports, proxy, information statements and other information filed electronically. The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may also obtain information from the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, we maintain at our website (www.hfit.com), and make available free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such information is filed electronically with the SEC. The information provided on our website is not a part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

OUTLOOK AND TRENDS

Within our Health Management business segment, the high cost of employee health care and lost employee productivity has become a key concern for many corporations. According to published reports, annual health care costs are expected to continue to increase at double digit rates for the next several years due to a number of factors, including an aging workforce, unhealthy populations entering the workforce and obesity-related medical conditions due to poor nutrition and a lack of exercise. We believe that, as part of a broader strategy to reduce health care costs and lost productivity, many companies will be interested in addressing the health needs of employees, and their dependents and retirees, and will also desire to implement specific strategies to help "at-risk" individuals. We believe that we can provide the products, services, expertise and personnel to effectively meet this need.

Within our Fitness Management segment, recessionary pressures in recent years have negatively affected the corporate landscape, which has negatively affected the prices we offer to induce renewal of customer agreements, and to obtain new customers. Although we believe that price competition will not materially affect results of operations, we believe that price competition will continue for the foreseeable future. In addition, we have customers that operate in industries that are experiencing negative financial and competitive pressures. Specifically, in 2007 we experienced the termination of fitness management services at a large automotive company. Although we believe that the loss of this business will not materially affect our results of operations, additional large contract terminations from customers operating in a troubled industry may have a material adverse effect on our results of operation.

ITEM 1A. RISK FACTORS

The foregoing discussion in this Item 1 and the discussion contained in Item 7 of this Form 10-K contain various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on current expectations or beliefs concerning future events. Such statements can be identified by the use of terminology such as "anticipate," "believe," "estimate," "expect," "intend," "may," "could," "possible," "plan," "project," "will," "forecast" and similar words or expressions. Our forward-looking statements generally relate to growth strategies, demand for our services, financial results, marketing efforts, competitive conditions and cash requirements. Although it is not possible to foresee all of the factors that may cause actual results to differ from our forward-looking statements, such factors include, among others, the risk factors that follow. However, investors are cautioned that all forward-looking statements involve risks and uncertainties.

We may not be able to implement our growth strategy successfully. Our growth strategy is based on becoming the leading integrator of fitness and health management services for corporations and other large organizations. The key elements of our strategy are to pursue growth in our Health Management business segment, pursue new customers in our Fitness Management business segment, sell our Fitness Management customers on adopting the services we offer in our integrated Health Management model, and pursue strategic opportunities that provide operational and financial value. Our ability to implement each of these elements depends largely upon our ability to make strategic investments in our Health Management business segment to fund this growth, and the success of those investments. If we do not have sufficient resources to make the necessary investments, or do not successfully make these investments, our growth strategy will be adversely affected and we may not be able to increase our revenues or profitability. Similarly, if we are unable to implement any of the elements of our growth strategy, our growth may be adversely affected.

We may experience difficulty managing growth, including attracting qualified staff. We have experienced substantial growth during the past few years, both organically and by acquisition. Our ability to grow in the future will depend on a number of factors, including the ability to obtain new customers, expand existing customer relationships, develop additional fitness and health improvement programs and services and hire and train qualified staff. We may experience difficulty in attracting and retaining qualified staff in various markets to meet growth opportunities. Further, in order to attract qualified staff, we may be required to pay higher salaries and enhance benefits in more competitive markets, which may result in a material adverse effect on our results of operation and financial condition. Sustaining growth may require us to sell our services at lower prices to remain competitive, which may result in a material adverse effect on our results of operation and financial condition. There can be no assurance that we will be able to manage expanding operations effectively or that we will be able to maintain or accelerate our growth, and any failure to do so may result in a material adverse effect on our results of operation and financial condition.

We may not be able to successfully cross-sell our health management programs to our fitness management customers. A part of our growth strategy involves continuing and expanding our efforts to sell health management services to our fitness management customers. Our cross-selling efforts may not be successful since our experience indicates that some current customers have different internal departments involved with procuring fitness management services, on the one hand, and health management services, on the other hand. As a result, we may be required to establish new relationships with personnel within our customers, which will limit the potential benefit of established relationships we have developed. We may also be required to overcome different purchasing requirements and standards to the extent they vary within internal departments of our customers. We may experience similar difficulties in cross-selling all of our services to foreign operations of our domestic customers. If we experience significant limitations as a result of the foregoing circumstances, or any other circumstances, we may not be able to increase our revenues or profitability to the extent we anticipate.

The timing of new and lost staffing service contracts may not be indicative of trends in our business or of future quarterly financial results. We evaluate our business, in part, by reviewing trends in our financial performance. We believe an important indicator of our outlook is revenue to be derived from fitness and health management service contracts we secure with customers. Fitness and health management service contracts are often long-term contracts (i.e., 3 to 5 years), automatically renew on an annual basis and generally require 30 to 60 days notice to terminate in order to avoid the automatic renewal provision. Revenue from new contracts often is not recognized for a period of 90 to 180 days after proposal acceptance due to lead times necessary to execute a contract and hire staff to begin providing services. Since termination notice periods are considerably less than the time it takes to begin servicing new contracts, the revenue lost in a reporting period may significantly exceed the revenue gained from new contracts.

Because of these timing differences, management generally does not view changes in quarterly revenue, whether sequential or as compared to prior quarter changes, to be indicative of its outlook or trends in our business or to be reflective of revenue expected in succeeding quarters. Rather, management generally evaluates revenue trends in our fitness and health management services business based upon 12 to 18-month periods since we believe this helps to minimize the timing impact from new and terminated contracts. Management cautions investors not to place undue reliance upon fluctuations in quarterly revenue viewed in isolation from revenue information over longer periods of time (e.g., comparative trailing 12-month information), and to not view quarterly revenue as necessarily being indicative of our outlook or results to be expected in future quarters.

We are dependent on maintaining our relationships with third party partners to provide programs and services. Our growth strategy depends in part upon continuous development and improvement of attractive and effective fitness and health management programs and services. Our failure to anticipate trends or to successfully develop, improve or implement such programs or services may have a material adverse effect on our results of operation and financial condition. We currently contract with certain third party partners to provide a portion of such programs and services and anticipate that this will continue to be the case. If any of such third party partners no longer makes these programs and services available to us, there is no assurance that we would be able to replace such third-party partner programs and services, and if we could not do so, our ability to pursue our growth strategies would be seriously compromised.

Failure to renew existing customer contracts could have a negative effect on our financial condition and results of operations. The majority of our contracts are with large corporations for the management of on-site fitness centers and corporate wellness programs. While the specific terms of such agreements vary, some contracts are subject to early termination by the corporate customer without cause. Although we have a history of consistent contract renewals, there can be no assurance that future renewals will be secured. The early termination or non-renewal of corporate contracts may have a material adverse effect on our results of operation and financial condition.

Our financial results are subject to discretionary spending of our customers. Our revenue, expenses and net income are subject to general economic conditions. A significant portion of our revenue is derived from companies who historically have reduced their expenditures for on-site fitness management services during economic downturns. Should the economy weaken, or experience more significant recessionary pressures, corporate customers may reduce or eliminate their expenditures for on-site fitness center management services, and prospective customers may not commit resources to such services. Also, should the size of a customer's workforce be reduced, we may have to reduce the number of staff assigned to manage a customer's fitness center. These factors may have a material adverse effect on our results of operation and financial condition.

We operate within a highly competitive market against formidable companies. We compete for new and existing corporate customers in a highly fragmented and competitive market. Management believes that our ability to compete successfully depends on a number of factors, including quality and depth of service, locational convenience and cost. The market for on-site fitness center management services is price-sensitive, and the health management market is dominated by competitors that are larger and have more resources and experience. From time to time, our competitors in either or both of the fitness management and health management markets may put us at a disadvantage by proposing a substantially lower price than us. There can be no assurance that we will be able to compete successfully against current and future competitors, or that competitive pressures faced by us will not have a material adverse effect on our results of operation and financial condition.

We have implemented, on a limited basis, a business model for managing corporate fitness centers on a cost-neutral or for-profit basis. We have, on a limited basis, implemented a model of managing corporate fitness centers on a cost-neutral or for-profit basis. In connection with this business model, we have complete responsibility to generate and account for all fitness center revenues, which are recognized as we provide services. From the revenue we recognize and collect, we pay for all expenses to operate the fitness center. We derive our management fee revenue from the profits of the fitness center. The application of this business model may require us to fund operating losses until enough memberships are sold, and other revenue sources are generated in order to achieve profitability. We believe it may be necessary to fund operating losses from this type of business model for up to twenty-four months before the fitness center achieves profitability. Currently, existing contracts representing this business model do not present a material risk or represent a material contribution to our results of operation. However, there is no assurance that the number and scope of such contracts will not become material in the future or that we will be able to manage such centers profitably or to fund losses for these centers until profitability is achieved.

Failure to identify acquisition opportunities may limit our growth. An important part of our growth has been the acquisition of complementary businesses. We may choose to continue this strategy in the future. Management's identification of suitable acquisition candidates involves risks inherent in assessing the value, strengths, weaknesses, overall risks and profitability of acquisition candidates. Management may be unable to identify suitable acquisition candidates. If we do not make suitable acquisitions, we may find it more difficult to realize growth objectives and to enhance shareholder value.

Future acquisitions may be dilutive to shareholders, cause us to incur additional indebtedness and large one-time expenses or create intangible assets that could result in significant amortization expense. If we spend significant funds or incur additional debt, our ability to obtain necessary financing may decline and we may become more vulnerable to economic downturns and competitive pressures. Management cannot guarantee that we will be able to successfully complete any future acquisitions, that we will be able to finance acquisitions or that we will realize any anticipated benefits from completed acquisitions.

We may not realize the anticipated benefits of acquisitions we complete. On December 23, 2005, we acquired HealthCalc.Net, Inc. In the future, we may acquire other businesses. The process of integrating new businesses into our operations poses numerous risks, including:

- an inability to assimilate acquired operations, information systems and technology platforms, and internal control systems and products;

- diversion of management's attention;

- difficulties and uncertainties in transitioning business relationships from the acquired entity to us; and

- the loss of key employees of acquired companies.

If we are unsuccessful in integrating other future acquisitions into our operations, we might not realize all of the anticipated benefits of such acquisitions. In such instances, our acquisitions might not be accretive to our earnings, the costs of such acquisitions may otherwise outweigh the benefits and the market price of our common stock might decline.

The loss of any of our key employees could have a material adverse effect on our performance and results of operations. Our success is highly dependent on the efforts, abilities and continued services of its executive officers, including Gregg Lehman, Ph.D., our President and Chief Executive Officer, Wesley Winnekins, our Chief Financial Officer, and other key employees. The loss of any of the executive officers or key employees may have a material adverse effect on our results of operation and financial condition. We also believe that our future success will depend on our ability to attract, motivate and retain highly-skilled corporate, regional and site-based personnel. Although historically we have been successful in retaining the services of our senior management, there can be no assurance that we will be able to do so in the future.

Our results of operations could be adversely impacted by litigation. Because of the nature of our business, we may be subject to claims and litigation alleging negligence or other grounds for liability arising from injuries or other harm alleged by our clients' employees. We have occasionally been named a defendant in claims relating to accidents that occurred in the fitness centers we manage. There can be no assurance that additional claims will not be filed, and that our insurance will be adequate to cover liabilities resulting from any claim.

The indemnification provisions in our management agreements with customers may obligate us to pay claims that arise from our acts or omissions. A majority of our management agreements include a provision that obligates us to indemnify and hold harmless the customer and their employees, officers and directors from any and all claims, actions and/or suits (including attorneys' fees) arising directly or indirectly from any act or omission of the Company or its employees, officers or directors in connection with the operation of our business. A majority of these management contracts also include a provision that obligates the customer to indemnify and hold us harmless against all liabilities arising out of the acts or omissions of the customer, their employees and agents. We can make no assurance that claims by our customers, or their employees, officers or directors, will not be made in the course of operating our business.

Our insurance policies may not provide adequate coverage. We maintain the following types of insurance policies: commercial general liability, professional liability, automobile liability, commercial property, employee dishonesty, employment practices, directors and officers liability, workers compensation and excess umbrella liability. The policies provide for a variety of coverages and are subject to various limitations, exclusions and deductibles. While we believe our insurance policies are sufficient in amount and coverage for our current operations, there can be no assurance that coverage will continue to be available in adequate amounts or at a reasonable cost, and there can be no assurance that the insurance proceeds, if any, will cover the full extent of loss resulting from any claims.

We could experience a potential depressive effect on the price of our common stock following the exercise and sale of existing convertible securities. At December 31, 2007, the Company had outstanding stock options and warrants to purchase an aggregate of 4,032,731 shares of common stock. The exercise of such outstanding stock options and warrants, and the sale of the common stock acquired thereby, may have a material adverse effect on the price of our common stock. In addition, the exercise of such outstanding stock options and warrants and sale of such shares of our common stock could occur at a time when we might otherwise be able to obtain additional equity capital on terms and conditions more favorable to us.

Our common stock is thinly traded, and subject to volatility. Our common stock is traded on the Over the Counter Bulletin Board. Investing in OTC securities is speculative and carries a high degree of risk. Many OTC securities are relatively illiquid, or "thinly traded," which can enhance volatility in the share price and make it difficult for investors to buy or sell without dramatically affecting the quoted price or may be unable to sell a position at a later date. As a result, an investor may find it more difficult to dispose of or obtain accurate quotations as to the price of a share of our common stock. If limited trading in our stock continues, it may be difficult for investors to sell their shares in the public market at any given time at prevailing prices.

Our share repurchase plan could affect our stock price and add volatility. On March 24, 2008, we announced that our Board of Directors authorized the repurchase of up to $2.5 million of the Company's outstanding common stock. Any repurchases pursuant to this repurchase plan could affect our stock price and add volatility. The repurchase plan is at our discretion, and thus there can be no assurance that any repurchases will actually be made under the plan, nor is there any assurance that a sufficient number of shares of our common stock will be repurchased to satisfy any market expectations. Furthermore, there can be no assurance that any repurchases conducted under the plan will be made at the best possible price. The announcement and existence of the share repurchase plan could also cause our stock price to be higher than it would be in the absence of such a plan and could potentially reduce the market liquidity for our stock. Additionally, we are permitted to and could discontinue our share repurchase plan at any time and any such discontinuation could cause the market price of our stock to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease approximately 28,000 square feet of commercial office space for our corporate headquarters in Bloomington, Minnesota, mostly under a lease that expires in December 2012. Our monthly base rent for this office space is approximately $31,000, plus taxes, insurance and other related operating costs. We also assumed a lease in connection with our 2005 acquisition of HealthCalc for approximately 8,200 square feet of office space in Dallas, Texas, which expires in December 2012. Our minimum monthly base rent for this space is approximately $14,000.

ITEM 3. LEGAL PROCEEDINGS

We are, from time to time, subject to claims and suits arising in the ordinary course of business. Such claims have, in the past, generally been covered by insurance. Management believes the resolution of other legal matters will not have a material effect on our financial condition or results of operation, although no assurance can be given with respect to the ultimate outcome of any such actions. Furthermore, there can be no assurance that our insurance will be adequate to cover all liabilities that may arise out of claims brought against us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by Item 10 relating to directors, our code of ethics, procedures for shareholder recommendations of director nominees, the audit committee and compliance with Section 16 of the Exchange Act is incorporated herein by reference to the sections entitled "Election of Directors", "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance," which appear in the Company's definitive proxy statement for its 2008 Annual Meeting.

The names, ages and positions of our executive officers are as follows:

Name	Age	Position
Gregg O. Lehman, Ph.D.	60	President, Chief Executive Officer and Director
John E. Griffin	51	Chief Operations Officer
Wesley W. Winnekins	46	Chief Financial Officer and Treasurer
Jeanne C. Crawford	50	Chief Human Resources Officer and Secretary
David T. Hurt	42	Vice President Account Services-Fitness Management
Katherine M. Hamlin	41	Vice President Account Services-Health Management
Brian J. Gagne	45	Senior Vice President-Account Services
John F. Ellis	48	Chief Information Officer
James O. Reynolds, M.D.	60	Chief Medical Officer

Gregg O. Lehman, Ph.D. has been the President and Chief Executive Officer of the Company since January 1, 2007. From March 2006 through December 2006 Mr. Lehman served as Chairman, President and Chief Executive Officer of INSPIRIS Inc., a Nashville-based specialty care management company that provides care to frail Medicare Advantage members in long-term care facilities. From 2003 to 2006, Mr. Lehman was President and Chief Executive Officer of Gordian Health Solutions, Inc., a Nashville company dedicated to improving the health of employees and dependents for employers and health plans. From 1998 to 2003, Mr. Lehman served as President and Chief Executive Officer of the National Business Coalition on Health, a Washington D.C.-based movement of ninety employer-led coalitions seeking better quality and more cost-effective healthcare for employees. Mr. Lehman, who has a Ph.D. and an M.S. from Purdue University in Higher Education Administration, has been a director of the Company since September 22, 2006.

John E. Griffin has been the Company's Chief Operations Officer since February 1, 2008. Mr. Griffin is responsible for overseeing the Company's information technology, account services functions and operations, excluding sales and marketing, finance, human resources and research, development and outcomes. Mr. Griffin has served as President of The Meridian Group, a consulting company he founded that focused on health case financial forecasting, budgeting, strategic planning and operational management, since August 2006 and from September 1995 to April 2003. From July 2007 through January 31, 2008, the Company engaged Mr. Griffin as an operations consultant. From April 2003 to July 2006, Mr. Griffin served as Chief Operating Officer of Gordian Health Solutions, a Nashville-headquartered population health management organization. Mr. Griffin has also served as Chief Operating Officer of eClickMD, Inc. and Computer Sentry Software, Inc. Mr. Griffin holds a Doctor of Jurisprudence from the University of Tennessee College of Law and a Bachelor of Science in Business Administration with a major in accounting. He is a member of the Health Law Section of the Tennessee Bar Association.

Wesley W. Winnekins has been Chief Financial Officer and Treasurer of the Company since February 2001. Prior to joining the Company, Mr. Winnekins served as CFO (from January 2000 to February 2001) of University.com, Inc., a privately held provider of on line learning solutions for corporations. From June 1995 to April 1999 he served as CFO and vice president of operations for Reality Interactive, a publicly held developer of CD-ROMs and online training for the corporate market. From June 1993 to May 1995 he served as controller and director of operations for The Marsh, a Minneapolis-based health club, and was controller of the Greenwood Athletic Club in Denver from October 1987 to January 1989. From May 1985 to October 1987, he served in the audit practice at

Arthur Andersen. Mr. Winnekins received a Bachelor's in Business Administration with a major in Accounting from Iowa State University. He has passed the CPA exam.

Jeanne C. Crawford has been the Company's Chief Human Resources Officer (formerly titled Vice President - Human Resources) since July 1998 and Secretary of the Company since February 2001. From July 1996 through July 1998, Ms. Crawford served as a Human Resource consultant to the Company. From October 1991 through September 1993, Ms. Crawford served as Vice President of Human Resources for RehabClinics, Inc. a publicly held outpatient rehabilitation company. From May 1989 through October 1991, Ms. Crawford served as Director of Human Resources for Greater Atlantic Health Service, an HMO and physicians medical group. From 1979 through 1989, Ms. Crawford served in various human resources management positions in both the retail and publishing industries. Ms. Crawford graduated cum laude from Temple University with a bachelor's degree in business administration, and is a member of the Society for Human Resources Management.

David T. Hurt has served as Vice President Account Services-Fitness Management, where he is responsible for the operation of accounts within the Company's Fitness Management business segment, since April 2001. He directs the overall development and management of Corporate, Hospital, Community and University fitness center operations. Mr. Hurt has been active in the industry for more than 16 years. His experience in health and fitness management began in 1988 with the Valley Wellness Center in Harrisonburg, Virginia. In recent years, he has been involved in the successful development and management of several start-up fitness center projects ranging in size from 45,000 – 150,000 square feet. Mr. Hurt is a graduate of James Madison University, where he received a bachelor's degree in sports management.

Katherine M. Hamlin was appointed as the Company's Vice President Account Services-Health Management, in March 2005. In this role, she directs the implementation and management of the Company's Health Management accounts. From December 2003 to March 2005, she served as the Company's Vice President of Marketing. Previously, Ms. Hamlin spent 15 years with the Health & Fitness Division of Johnson & Johnson Health Care Systems Inc., a subsidiary of Johnson & Johnson, a business acquired by the Company. Ms. Hamlin was the Director of Marketing Services and National Sales leading business expansion in the United States and internationally, while exploring new markets. Ms. Hamlin serves on the board for International Council on Active Aging (ICAA). She is a member of the Alliance for Work Life Progress (AWLP), National Business Group on Health (NBGH), American Marketing Association (AMA) and Wellness Councils of America (WELCOA). Ms. Hamlin has a bachelor's degree in business with an emphasis in exercise science and sports management from the University of Tennessee and a Master of Business Administration from East Tennessee State University. Additionally, Katherine has completed advanced studies in organizational theory from Pepperdine University.

Brian J. Gagne has served as the Company's Senior Vice President-Account Services since January 2008 and served as National Vice President-Health Management from August 2006 to December 2007, and as Vice President of Programs and Partnerships from December 2003 to August 2006. In his current role, he oversees the Company's Fitness and Health Management account services function. Mr. Gagne brings more than 16 years of health, fitness and wellness experience in the corporate, commercial and medical fitness markets. Mr. Gagne joined the Company after the acquisition of Johnson & Johnson Health Care Systems in December 2003. Prior to Health Fitness, he was the Director of Integrated Behavioral Solutions and was responsible for the strategic design and development of patient education programs and tools for the Johnson & Johnson Family of Companies. Mr. Gagne started his career in 1987 as an Exercise Physiologist at Gottlieb Health & Fitness Center (GHFC). Mr. Gagne has a master's degree in exercise physiology and a bachelor's degree in exercise science from the University of Illinois-Chicago.

John F. Ellis serves as the Company's Chief Information Officer. Mr. Ellis is formerly a Founder and Chief Executive Officer of HealthCalc.Net, Inc., a company we acquired in December 2005. From January 1995 to August 1999, Mr. Ellis held a position of Senior Specialist with Perot Systems, an information technology consulting group. From November 1989 to January 1995, Mr. Ellis held a position of Vice President of Information Technology at People Karch International, a health and fitness software development services firm. Mr. Ellis holds a B.S. in Physical Education from The Citadel.

James O. Reynolds, M.D., has been the Company's Chief Medical Officer since February 1, 2008. Dr. Reynolds has oversight of all clinical aspects of the Company's programs and services and the Company's Research, Development and Outcomes division. Dr. Reynolds served from October 2005 to January 2008 as Principal and Senior Healthcare Consultant for Mercer Human Resource Consulting, a global provider of consulting, outsourcing and investment services, where he served as a senior clinical consultant on Mercer's Health and Productivity Management specialty practice. From September 2003 to October 2005, Dr. Reynolds served as Vice President and Medical Director, Integrated Care Solutions, for CorSolutions Medical, Inc., a provider of disease management and related services to employers, health plans and government-sponsored healthcare programs that was acquired by Matria Healthcare, Inc. in 2005. From January 2001 to September 2003, Dr. Reynolds served as Co-Founder, Chief Operating Officer and Executive Vice President of Health and Productivity Corporation of America, which was acquired by CorSolutions in 2003. Prior to these positions, Dr. Reynolds served in various positions in the healthcare industry, was in private practice as an internal medicine physician, and served as an Associate Professor of Medicine at the University of Missouri Hospital and Clinics. Dr. Reynolds has Bachelor's of Science from Drury College, an M.D. degree from the University of Missouri and is board certified in internal medicine. He is an active member of the American College of Physicians, American Medical Association, and the American College of Environmental and Occupational Medicine.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Trading of the Company's common stock is conducted in the over-the-counter markets (often referred to as "pink sheets") or on the OTC Bulletin Board under the symbol "HFIT."

The following table sets forth, for the periods indicated, the range of low and high closing prices for the Company's common stock as reported by the OTC Bulletin Board.

Fiscal Year 2007:	Low	High
Fourth quarter	$2.27	$3.20
Third quarter	2.80	3.20
Second quarter	2.42	3.16
First quarter	2.45	2.98
Fiscal Year 2006:	Low	High
Fourth quarter	$1.52	$2.65
Third quarter	1.48	1.90
Second quarter	1.78	2.40
First quarter	2.18	2.75

The trading volume for the Company's common shares has historically been relatively limited and a consistently active trading market for our common stock may not occur on the OTC Bulletin Board or in the "pink sheets."

On March 24, 2008, the published high and low sale prices for the Company's common stock were $2.30 and $2.00 per share, respectively. On March 24, 2008, there were issued and outstanding 20,255,834 shares of common stock of the Company held by 609 shareholders of record (not including shares held in street name).

DIVIDENDS

We have never declared or paid any cash dividends on our common stock and do not intend to pay cash dividends on our common stock in the foreseeable future. However, we have paid dividends to our preferred shareholders as disclosed herein, but we currently have no preferred stock outstanding. The Company presently expects to retain any earnings to finance the development and expansion of its business. The payment of dividends, if any, is subject to the discretion of the Board of Directors, and will depend on the Company's earnings, financial condition, capital requirements and other relevant factors.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

For information on our equity compensation plans, refer to Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

REPURCHASES

We did not engage in any repurchases of our Common Stock during the fourth quarter of 2007.

On March 24, 2008, we announced that our Board of Directors authorized the repurchase of up to $2.5 million of the Company's outstanding common stock. Under the plan, the Company may repurchase shares on the open market in amounts and at times deemed appropriate by management and in accordance with Rule 10b-18 and other pertinent rules and regulations. Share repurchases will be funded by the Company's available working capital. The timing and amount of any such repurchases under the plan will depend on share price, economic and market conditions and applicable corporate and regulatory requirements. The share repurchase plan is effective on April 1, 2008 and will continue for a period of six months, subject to the Company's right to announce earlier termination or an extension of the plan. The Company's insiders will be prohibited from trading in the company's stock throughout the duration of the plan. The plan does not require the Company to repurchase a specific number of shares, and may be modified, suspended, or discontinued at any time.

SALES OF UNREGISTERED SECURITIES

There were no unregistered sales of the Company's equity securities during the fourth quarter or year ended December 31, 2007 that were not previously disclosed on a Form 8-K.

ITEM 6. SELECTED FINANCIAL DATA

The data given below as of and for each of the five years in the period ended December 31, 2007, has been derived from the Company's Audited Consolidated Financial Statements. In order to understand the effect of accounting policies and material uncertainties that could affect our presentation of financial information, such data should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto included under Item 8 to this Form 10-K and in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operation included under Item 7 to this Form 10-K.

	Years Ended December 31,				
	2007	2006	2005	2004	2003
STATEMENT OF OPERATIONS DATA (in thousands except per share amounts):					
REVENUE	$ 69,958	$ 63,579	$ 54,942	$ 52,455	$ 31,479
NET EARNINGS	910	3,025	1,345	1,674	633
NET EARNINGS (LOSS) APPLICABLE TO COMMON SHAREHOLDERS	910	1,352	1,204	1,588	(27)
NET EARNINGS PER COMMON SHARE:					
Basic	$0.05	$0.07	$0.09	$0.13	$0.00
Diluted	$0.04	$0.03	$0.08	$0.10	$0.00
BALANCE SHEET DATA (in thousands):					
TOTAL ASSETS	$35,962	$32,318	$27,585	$20,934	$19,808
LONG-TERM DEBT	--	--	--	$1,613	$4,350
SHAREHOLDERS' EQUITY	$26,478	$23,798	$10,488	$11,484	$9,732

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing under Item 8. Some of the information contained in this discussion and analysis or set forth elsewhere in this annual report, including information with respect to our plans and strategy for our business and expected financial results, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" under Item 1A for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

BUSINESS DESCRIPTION

As a leading provider of population health improvement services and programs to corporations, hospitals, communities and universities located in the United States and Canada, we currently manage 231 corporate fitness center sites, 170 corporate health management sites and 97 unstaffed health management programs.

We provide staffing services as well as a comprehensive menu of programs, products and consulting services within our Health Management and Fitness Management business segments. Our broad suite of services enables our clients' employees to live healthier lives, and our clients to control rising healthcare costs, through participation in our assessment, education, coaching, physical activity, weight management and wellness program services, which can be offered as follows: (i) through on-site fitness centers we manage; (ii) remotely via the web; and (iii) through telephonic health coaching.

In December 2005, we acquired all of the capital stock of HealthCalc.Net, Inc. ("HealthCalc"), a leading provider of web-based fitness, health management and wellness programs to corporations, health care organizations, physicians and athletic/fitness centers. We spent most of 2006 integrating HealthCalc's capabilities into the service offerings we provide in our two business segments. The discussion of HealthCalc's financial contribution to our results of operation for 2006, compared to 2005, is limited to HealthCalc's 2006 contribution to our revenue and expense growth. In 2006, the revenue and gross profit derived from HealthCalc's customers was classified as Health Management segment activity, as the revenue and gross profit derived from Fitness Management segment customers of HealthCalc was immaterial.

CRITICAL ACCOUNTING POLICIES

The following discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. On an ongoing basis, management evaluates its estimates and judgments. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. Management bases its estimates and judgments on historical experience, observation of trends in the industry, information provided by customers and other outside sources and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in Note 1 of the Consolidated Financial Statements. Critical accounting policies are those that we believe are both important to the portrayal of our financial condition and results and are based on estimates that are reasonably likely to change or require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of our consolidated financial statements:

Segment Reporting – Effective with the fourth quarter of 2006, we made a decision to move to segment reporting based upon (i) the evolution of our Health Management segment, and management's belief that the future growth of our Company may depend on our Health Management segment; (ii) management's belief that total revenue and gross profit from our Health Management segment may outpace the total revenue and gross profit from our legacy Fitness Management segment; (iii) management has invested significant resources to hire additional service and account management staff to handle the growth we have experienced, and expect to experience in the future; (iv) management has invested, and expects to continue investing resources to enhance the functionality of our web-based software system to appeal to a wider range of current and new customers for both of our operating segments, and (v) on a monthly, quarterly and annual basis, we manage the performance of our business by reviewing internally-generated financial reports that detail revenue and gross profit results for each segment. As a result of these factors, we follow FASB Statement No. 131, *Disclosure about Segments of an Enterprise and Related Information* ("SFAS 131"), for the two segments of our business: Fitness Management and Health Management. We do not believe that our decision to follow FASB Statement No. 131 will impact the presentation of our financial information or the ability to compare our financial results to prior periods.

Revenue Recognition – Revenue is recognized at the time the service is provided to the customer. For annual contracts, monthly amounts are recognized ratably over the term of the contract. Certain services provided to the customer may vary on a periodic basis. The revenues relating to these services are estimated in the month that the service is performed. Amounts received from, or billed to customers in advance of providing services are treated as deferred revenue and recognized when the services are provided. We have contracts with third-parties to provide ancillary services in connection with their fitness and wellness management services and programs. Under such arrangements, the third-parties invoice and receive payments from us based on transactions with the ultimate customer. We do not recognize revenues related to such transactions as the ultimate customer assumes the risk and rewards of the contract and the amounts billed to the customer are either at cost or with a fixed markup.

Trade and Other Accounts Receivable – Trade and other accounts receivable represent amounts due from companies and individuals for services and products. We grant credit to customers in the ordinary course of business. We generally do not require collateral or any other security to support amounts due. Management performs ongoing credit evaluations of customers. We maintain allowances for potential credit losses which, when realized, have been within management's expectations. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers and their geographic dispersion.

Inventories – Inventories, which consist primarily of health management resource materials and supplies used in our biometric screenings services, are stated at the lower of cost or market. Cost is determined using average cost, which approximates the first-in, first-out method.

Goodwill – Goodwill represents the excess of the purchase price and related costs over the fair value of net assets of businesses acquired. The carrying value of goodwill is not amortized, but is tested for impairment on an annual basis or when factors indicating impairment are present. We elected to complete the annual impairment test of goodwill on December 31 of each year and determined that our goodwill relates to two reporting units for purposes of impairment testing.

In connection with goodwill impairment testing as of December 31, 2006, and consistent with the guidance provided in paragraphs 34 and 35 of SFAS 142, *Accounting for Goodwill*, we allocated our total goodwill of $14,546,250 to our Fitness and Health Management business segments based upon the ratio of the estimated market value for each segment to the total estimated market value for the entire company. In connection with this allocation, 24.4%, or $3,549,285 of our total goodwill was allocated to our Fitness Management segment, and 75.6%, or $10,996,965 was allocated to our Health Management segment. This allocation of goodwill to each segment will be the base amount that is subject to write-down should we determine that impairment exists in future years.

Stock-Based Compensation – We maintain a stock option plan for the benefit of certain eligible employees and directors of the Company. Commencing January 1, 2006, we adopted Statement of Financial Accounting Standard No. 123R, "Share Based Payment" ("SFAS 123R"), using the modified prospective method of adoption, which requires all share-based payments, including grants of stock options, to be recognized in the income statement as an operating expense, based on their fair values over the requisite service period. The compensation cost we record for these awards is based on their fair value on the date of grant. The Company continues to use the Black Scholes option-pricing model as its method for valuing stock options. The key assumptions for this valuation method include the expected term of the option, stock price volatility, risk-free interest rate and dividend yield. Many of these assumptions are judgmental and highly sensitive in the determination of compensation expense. Further information on our share-based payments can be found in Note 8 in the Notes to the Consolidated Financial Statements under Item 8 in this Form 10-K.

Valuation of Derivative Instruments – In accordance with the interpretive guidance in EITF Issue No. 05-4, "The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument Subject to EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", we originally valued warrants we issued in November 2005 in our financing transaction as a derivative liability. We had to make certain periodic assumptions and estimates to value the derivative liability. Factors affecting the amount of this liability included changes in our stock price, the computed volatility of our stock price and other assumptions. The change in value is reflected in our statements of operations as non-cash income or expense. Further information regarding our warrant valuation can be found in the section titled "Liquidity and Capital Resources" and in our Note 2 to the Consolidated Financial Statements under Item 8 in this Form 10-K.

Software Development Costs - We expense all costs of software development that we incur to establish technological feasibility of an enhancement, including activities related to initial planning, functionality design, health content sourcing and organization, technical performance requirements and assessing integration issues with the overall software system. Accordingly, software development costs incurred subsequent to the determination of technological feasibility are capitalized. Capitalization of costs ceases and amortization of capitalized software development costs commences when the products are available for general release. We amortize our capitalized software development costs using the straight-line method over the estimated economic life of the product, which is generally three to five years.

Capitalized software development costs are stated at the lower of amortized cost or net realizable value. Recoverability of these capitalized costs is determined by comparing the forecasted future revenues from the related products, based on management's best estimates using appropriate assumptions and projections at the time, to the carrying amount of the capitalized software development costs. If the carrying value is determined not to be recoverable from future revenues, an impairment loss is recognized equal to the amount by which the carrying amount exceeds the future revenues.

Income Taxes – The Company records income taxes in accordance with the liability method of accounting. Deferred income taxes are provided for temporary differences between the financial reporting and tax basis of assets and liabilities and federal operating loss carryforwards. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment. Tax benefits are recognized when management believes the benefit is more likely than not to be sustained upon review from the relevant authorities. If the Company were to record a liability for unrecognized tax benefits, interest and penalties would be recorded as a component of income tax expense. We do not record a tax liability or benefit in connection with the change in fair value of certain of our warrants. Income taxes are calculated based on management's estimate of the Company's effective tax rate, which takes into consideration a federal tax rate of 34% and an effective state tax rate of approximately 7%. This normal effective tax rate of 41% is less than the tax rate resulting from income tax expense we recognized during the year ended December 31, 2007 due to the tax rate effects of compensation expense for incentive stock options.

RESULTS OF OPERATIONS

Years Ended December 31, 2007 and 2006

Revenue. Revenue increased $6,379,000 or 10.0%, to $69,958,000 for 2007, from $63,579,000 for 2006.

Of this growth in revenue, our Fitness Management segment grew $182,000, which includes growth of $77,000 from staffing services and $105,000 from program and consulting services. The growth in staffing revenue is due to revenue from new 2007 contracts slightly outpacing revenue losses from terminated contracts. The revenue growth for program and consulting services is primarily due to higher biometric screening and flu shot services at our fitness center sites.

Our Health Management segment contributed total growth of $6,197,000, which includes growth of $2,150,000 from staffing services and growth of $4,047,000 from program and consulting services. Overall, the growth in staffing revenue is attributable to new customers and the expansion of sales to existing customers. The increase in program and consulting services, compared to last year, was primarily driven by an increase in biometric screening services, health coaching services, flu shots and eHealth platform sales and customizations.

During the fourth quarter, we obtained six new customer commitments in our Health Management segment that may realize incremental annualized revenue of approximately $1.3 million. In our Fitness Management segment, we obtained one new customer commitment that may realize incremental annualized revenue of approximately $0.2 million. The $1.5 million total for potential new, incremental annualized revenue is offset by a potential annualized revenue loss of $2.1 million from fitness ($1.8 million) and health ($0.3 million) management contract cancellations.

For 2007, we obtained 33 new customer commitments in our Health Management segment that may realize incremental annualized revenue of approximately $8.4 million, which includes approximately $0.7 million of potential annualized revenue from two existing fitness management customers. In our Fitness Management segment, we obtained six new customer commitments, and received a commitment to expand our management services for an existing customer, all of which may realize incremental annualized revenue of approximately $2.9 million. The $11.3 million combined total for this potential incremental annualized revenue will be offset by a potential annualized revenue loss of $5.4 million, of which $5.1 million and $0.3 million is related to fitness and health managements contract terminations, respectively. Approximately $0.7 million of these contract cancellations is due to our decision to not renew an underperforming fitness management contract.

Gross Profit. Gross profit increased $2,010,000, or 11.4%, to $19,641,000 for 2007, from $17,631,000 for 2006.

Of this increase in gross profit, our Fitness Management segment declined $193,000, which includes a decline of $219,000 from staffing services and a slight increase of $26,000 from program and consulting services. This decline in gross profit is primarily due to the gross profit loss attributable to 2007 staffing contract cancellations, which had more favorable pricing than the new staffing contracts we secured during 2007.

Our Health Management segment contributed gross profit growth of $2,203,000, which includes growth of $574,000 from staffing services and growth of $1,629,000 from program and consulting services. This growth in gross profit is primarily due to the 29.1% health management revenue growth we experienced during 2007.

Total gross margin increased to 28.1%, from 27.7% for the same period last year. Gross margin for our Health Management segment remained at 35.8% for 2007. This result is due to a gross margin increase for staffing services, which grew to 25.1%, from 24.9% last year, and a gross margin decrease for programs and consulting services, which fell to 50.1%, from 55.3% last year. The gross margin decrease for programs and consulting services is primarily due to a higher level of unproductive staff time for biometric screening and health coaching services during the fourth quarter. Also contributing to this gross margin decline were flu shots we delivered during the fourth quarter, which contributed approximately $850,000 in revenue and no gross margin.

Gross margin for our Fitness Management segment fell to 23.1%, from 23.7% for 2006. This result is primarily due to a gross margin decrease for staffing services, which fell to 21.7%, from 22.3%. This decline is primarily due to a $300,000 workers compensation premium refund we received in the third quarter of 2006, lower pricing for our new 2007 contracts, and gross margin loss due to the cancellation of a large automotive contract effective March 31, 2007. We also experienced a gross margin decline for programs and consulting services, which fell to 43.1%, from 43.9%. This margin decrease is primarily due to lower participant fees for screening and flu shot services we provided during the fourth quarter to various fitness center management customers.

Operating Expenses and Operating Income. Operating expenses increased $3,827,000 or 27.4%, to $17,781,000 for 2007, from $13,954,000 for 2006.

This increase is due to a $2,225,000, or 26.0% increase in salaries, and a $1,800,000, or 35.7% increase in other selling, general and administrative expenses. These increases are primarily due to planned investments in additional staff and other operating expenses within certain operating units, including Research, Development and Outcomes, Marketing, Technology and Account Services. These expense increases were partially offset by a $198,000 decrease in amortization expense related to intangibles acquired in a prior acquisition.

Operating margin declined to 2.7% for 2007, from 5.8% for 2006. This decrease is primarily due to planned investments we made to strengthen our health management service capabilities to support our future growth plans.

Other Income and Expense. Interest expense increased $28,000 to $36,000 for 2007, from $8,000 for 2006. This increase was due to the use of our credit line to temporarily fund working capital needs during 2007.

The change in fair value of warrants was $0 for 2007, compared to $841,000 for 2006. This decrease is due to elimination of liability accounting, in the second quarter of 2006, for the warrants we issued to investors in connection with our 2005 PIPE financing. Refer to "Critical Accounting Policies", *Valuation of Derivative Instruments,* and the section titled "Liquidity and Capital Resources" contained under this Item 7 for further discussion of the accounting for this equity transaction.

Income Taxes. Income tax expense decreased $589,000 to $906,000 for 2007, from $1,495,000 for 2006. The decrease is primarily due to lower operating income in 2007 compared to 2006. Included in income tax expense for 2007 is an additional $99,400 of expense resulting from a change in estimated 2006 income taxes payable.

Our effective tax rate, which excludes the additional tax expense attributable to a change in estimated 2006 income tax payable, was 44.4% of earnings before income taxes for 2007, compared to 40.6% for 2006, which excludes from earnings before income taxes the $841,215 gain related to a change in fair value of warrants (see Note 2). Compared to our normal effective tax rate of 41%, our current effective tax rate is higher due primarily to the non-deductibility of compensation expense for incentive stock options, which added approximately 4.0% to our effective tax rate for 2007.

Dividend and Deemed Dividend to Preferred Shareholders. There was no dividend or deemed dividend to preferred shareholders for 2007, compared to a dividend and deemed dividend to preferred shareholders of $96,000 and $1,576,000, respectively, for 2006. This decrease is attributable to the conversion of our Series B Convertible Preferred Stock to common stock on March 10, 2006. We do not expect to reduce earnings applicable to common shareholders for dividends and deemed dividends to preferred shareholders in the upcoming year, since we no longer have any preferred stock outstanding.

Net Earnings Applicable to Common Shareholders. As a result of the above, net earnings applicable to common shareholders decreased $442,000 to $910,000 for 2007, from $1,352,000 for 2006. This decrease is attributed to the operational investments we made during 2007 to strengthen our health management service capabilities.

Years Ended December 31, 2006 and 2005

Revenue. Revenue increased $8,636,000 or 15.7%, to $63,578,000 for 2006, from $54,942,000 for 2005.

Of this growth in revenue, our Fitness Management segment contributed total growth of $1,626,000, which includes growth of $1,444,000 from Fitness Management staffing services and growth of $182,000 from Fitness Management program services.

Our Health Management segment contributed total growth of $7,010,000, which includes $1,870,000 attributable to HealthCalc, growth of $1,401,000 from Health Management staffing services and growth of $3,739,000 from Health Management program services.

During 2006, we added a total of $8.2 million of potential annualized revenue from new contracts, and increases to existing contracts, in our Health Management business segment. We also added a total of $3.8 million of potential annualized revenue from new contracts, and increases to existing contracts, in our Fitness Management business segment. The combined total for this potential annualized revenue is offset by a potential annualized revenue loss of $2.1 million from 2006 contract cancellations.

Gross Profit. Gross profit increased $3,813,000, or 27.6%, to $17,630,000 for 2006, from $13,817,000 for 2005.

Of this increase in gross profit, our Fitness Management segment contributed a total of $409,000, which includes growth of $90,000 from Fitness Management staffing services and growth of $319,000 from Fitness Management program services.

Our Health Management segment contributed total gross profit growth of $3,404,000, which includes $1,277,000 attributable to HealthCalc, a gross profit loss of $99,000 from Health Management staffing services and growth of $2,226,000 from Health Management program services. The decrease in gross profit for Health Management staffing services is due to pricing incentives to renew existing contracts, and the addition of new contracts with less favorable pricing than our existing contracts.

As a percent of revenue, gross profit increased to 27.7%, from 25.1% for the same period last year. This increase is predominantly driven by the increase in gross profit for our Health Management programs revenue, which increased to 55.3% for 2006, from 35.8% for 2005. Gross profit for the years ended December 31, 2006 and 2005 includes a $313,000 and $225,000 benefit, respectively, related to a refund of workers compensation premiums for our 2005 and 2004 plan years. Excluding the effect of these premium refunds, gross profit as a percent of revenue would be 27.2% and 24.7% for the years ended December 31, 2006 and 2005, respectively.

Operating Expenses and Operating Income. Operating expenses increased $3,651,000 or 35.4%, to $13,954,000 for 2006, from $10,303,000 for 2005. This increase is attributable to a $2,776,000 increase in salaries and a $1,328,000 increase in other operating expenses. Of the increase in salaries, $338,000 is attributable to staff additions we made to improve our fitness and health management contract management, $373,000 is attributable to stock-based compensation, $1,268,000 is attributable to new staff from our acquisition of HealthCalc and $797,000 is attributable to staff added in our general corporate areas.

Of the increase in other operating expenses, $229,000 is attributable to higher travel and office expenses for our contract management staff, $312,000 is attributable to HealthCalc and $787,000 is attributable to higher contract services, legal fees and general office costs for our corporate office. These expense increases were offset by a $453,000 decrease in amortization expense related to past acquisitions.

As a result of the previously discussed changes in gross profit and operating expenses, operating income increased $162,000, or 4.6%, to $3,676,000 for 2006, from $3,514,000 for 2005.

Other Income and Expense. Interest expense decreased $18,000 to $8,000 for 2006, from $26,000 for 2005. This decrease is attributable to lower charges related to the amortization of previously incurred debt issuance costs.

The change in fair value of warrants to a non-cash gain of $841,000 in 2006, from a non-cash loss of $634,000 for 2005, is attributable to a decrease in our stock price from 2005 to 2006. These non-cash amounts are related to 1,530,000 warrants we issued in connection with the sale of $10.2 million of our Series B Convertible Preferred Stock in November 2005. Refer to "Critical Accounting Policies", *Valuation of Derivative Instruments,* and the section titled "Liquidity and Capital Resources" contained under this Item 7 for further discussion of the accounting for this equity transaction.

Income Taxes. Current income tax expense decreased $24,000 to $1,495,000 for 2006, from $1,519,000 for 2005. The decrease is primarily due to a 57.8% increase in earnings before income taxes, adjusted for changes in permanent and temporary timing differences between book and tax balances for stock option expense, change in fair value of warrants, depreciation and amortization, prepaid expenses and vacation accruals.

In 2006, we paid cash taxes of $1,503,000, compared to $672,000 for 2005. This increase is attributable to the full utilization of our operating loss carryforwards.

Our effective tax rate decreased to 33.1% for 2006, compared to 53.0% for 2005. This decrease is primarily attributable to the change in fair value of warrants between 2005 and 2006, and tax planning we finished in early 2006 to consolidate our state tax reporting obligations.

Net Earnings. As a result of the above, net earnings for 2006 increased $1,680,000 to $3,025,000, compared to net earnings of $1,345,000 for 2005.

Dividend and Deemed Dividend to Preferred Shareholders. Dividend to preferred shareholders decreased $45,000 to $96,000, compared to $141,000 for 2005. Deemed dividends to preferred shareholders increased to $1,576,000, from $0 for 2005. This decrease in dividends and the increase in deemed dividends to preferred shareholders is attributable to the conversion of our Series B Convertible Preferred Stock to common stock on March 10, 2006.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital increased $2,669,000 to $8,460,000 for 2007, from $5,791,000 for 2006. This increase is largely attributable to increases in cash, accounts receivable, inventory and a decrease in accrued acquisition earnout, which were offset by an increase in accounts payable and accrued expenses.

In addition to cash flows generated from operating activities, our other primary source of liquidity and working capital is provided by a $7,500,000 Credit Agreement with Wells Fargo Bank, N.A. (the "Wells Loan"). At our option, the Wells Loan bears interest at prime, or the one-month LIBOR plus a margin of 2.25% to 2.75% based upon our Senior Leverage Ratio (effective rate of 7.25% and 8.25% at December 31, 2007 and 2006, respectively). The availability of the Wells Loan decreases $250,000 on the last day of each calendar quarter, beginning September 30, 2003, and matures on June 30, 2009, as amended. Working capital advances from the Wells Loan are based upon a percentage of our eligible accounts receivable, less any amounts previously drawn. The facility provided maximum borrowing capacity of $3,250,000 and $4,000,000 at December 31, 2007 and 2006, respectively, and no debt was outstanding on those dates. All borrowings are collateralized by substantially all of our assets. At December 31, 2007, we were not in compliance with a financial covenant. Wells Fargo was made aware of this noncompliance and has agreed to waive its default rights with respect to this breach. Wells Fargo has also agreed to continue making capital advances available to us as new loan covenants are negotiated. This noncompliance had no impact on our liquidity, capital resources or results of operations.

On November 14, 2005 (the "Effective Date"), in a Private Investment in Public Equity transaction (the "PIPE Transaction"), we issued an aggregate of 1,000 shares of Series B Convertible Preferred Stock (the "Series B Stock"), together with warrants to purchase 1,530,000 shares of common stock at $2.40 per share, to a limited number of accredited investors for aggregate gross proceeds of $10.2 million. After selling commissions and expenses, we received net proceeds of approximately $9.4 million. The Series B Stock automatically converted into 5,100,000 shares of our common stock on March 10, 2006, the date the Securities and Exchange Commission (the "SEC") first declared effective a registration statement covering these shares. On the date of this conversion, we recorded a $1,576,454 deemed dividend to preferred shareholders by recording a reduction to net earnings applicable to common shareholders in the consolidated statement of operations for the quarter ended March 31, 2006, with a corresponding increase being recorded to additional paid in capital in the consolidated balance sheet as of March 31, 2006. We used the proceeds from this PIPE Transaction to redeem our Series A Convertible Preferred Stock and to fund the acquisition of HealthCalc.Net, Inc.

In accordance with the terms of the PIPE Transaction, we were required to file with the SEC, within sixty (60) days from the Effective Date, a registration statement covering the common shares issued and issuable in the PIPE Transaction. We were also required to cause the registration statement to be declared effective on or before the expiration of one hundred twenty (120) days from the Effective Date. We would have been subject to liquidated damages of one percent (1%) per month of the aggregate gross proceeds ($10,200,000), if we failed to meet these date requirements. On March 10, 2006, the SEC declared effective our registration statement and, as a result, we did not pay any liquidated damages for failure to meet the filing and effectiveness date requirements. We could nevertheless be subject to the foregoing liquidated damages if we fail (subject to certain permitted circumstances) to maintain the effectiveness of the registration statement. On June 15, 2006, we entered into an agreement with the accredited investors to amend the Registration Rights Agreement to cap the amount of liquidated damages we could pay at 9% of the aggregate purchase price paid by each accredited investor.

The warrants, which were issued together with the Series B Stock, have a term of five years, and give the investors the option to require us to repurchase the warrants for a purchase price, payable in cash within five (5) business days after such request, equal to the Black Scholes value of any unexercised warrant shares, only if, while the warrants are outstanding, any of the following change in control transactions occur: (i) we effect any merger or consolidation, (ii) we effect any sale of all or substantially all of our assets, (iii) any tender offer or exchange offer is completed whereby holders of our common stock are permitted to tender or exchange their shares for other securities, cash or property, or (iv) we effect any reclassification of our common stock whereby it is effectively converted into or exchanged for other securities, cash or property. On June 15, 2006, we entered into an agreement with the accredited investors to amend the Warrant Agreement to give us the ability to repurchase the warrants, in the case of a change in control transaction, using shares of stock, securities or assets, including cash.

Under EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF 00-19"), the fair value of the warrants issued under the PIPE Transaction were previously reported as a liability due to the requirement to net-cash settle the transaction. There are two reasons for this treatment: (i) there are liquidated damages, payable in cash, of 1% of the gross proceeds per month ($102,000) should we fail to maintain effectiveness of the registration statement in accordance with the PIPE Transaction; and (ii) our investors may put their warrants back to us for cash if we initiate a change in control that meets the definition previously discussed. As a result of the amendments we structured with the accredited investors on June 15, 2006, we were allowed to account for the warrants as equity. As a result of this accounting change, we made a final valuation of our warrant liability on June 15, 2006, which resulted in non-cash income of $406,694 for our second quarter in 2006, and the remaining warrant liability of $1,369,674 was reclassified to additional paid in capital. We are no longer required to revalue these warrants on a prospective basis.

On March 24, 2008, we announced that our Board of Directors authorized the repurchase of up to $2.5 million of the Company's outstanding common stock. Under the plan, the Company may repurchase shares on the open market in amounts and at times deemed appropriate by management and in accordance with Rule 10b-18 and other securities and other rules and regulations. Share repurchases will be funded by the Company's available working capital. The timing and amount of any such repurchases under the plan will depend on share price, economic and market conditions and applicable corporate and regulatory requirements. The share repurchase plan is effective on April 1, 2008 and will continue for a period of six months, subject to the Company's right to announce earlier termination or an extension of the plan. The plan does not require the Company to repurchase a specific number of shares, and may be modified, suspended, or discontinued at any time.

On a short and long-term basis, we believe that sources of capital to meet our obligations will be provided by cash generated through operations and the Wells Loan. We also believe that our current and available resources will enable us to finance our working capital needs without having to raise additional capital.

The following table represents the Company's contractual obligations at December 31, 2007:

		Payments Due By Period			
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
Long-term debt obligations	$--	$--	$--	$--	$--
Operating lease obligations	$3,064,000	$651,000	$1,205,000	$1,208,000	$--

Inflation

We do not believe that inflation has significantly impacted our results of operations in any of the last three completed fiscal years.

Off-balance Sheet Arrangements

As of December 31, 2007, the Company had no off-balance sheet arrangements or transactions with unconsolidated, limited purpose entities. Refer to the footnotes to the Company's Consolidated Financial Statements contained herein for disclosure related to the Company's "Commitments and Contingencies."

Private Securities Litigation Reform Act

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Such "forward-looking" information is included in this Form 10-K, including this Item 7, as well as in other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company).

Forward-looking statements include all statements based on future expectations and specifically include, among other things, statements relating to management's belief that the future growth of our Company may depend on our Health Management segment, management's belief that total revenue and gross profit from our Health Management segment may outpace the total revenue and gross profit from our legacy Fitness Management segment, management's expectation that it will continue to invest resources to enhance the functionality of our web-based software system, our belief that we can enhance our position as the leading integrator of fitness and health management services for corporations and other large organizations, our belief that the market for population health management programs will continue to grow, our believe that we can continue to add new customers and sell additional fitness services to our current customers, our intent to invest in the Health Management business segment commensurate with the addition of new business, our belief that we are well positioned to compete in the fitness management services industry, our belief that we can build a sustainable competitive advantage in order to compete for new business opportunities against larger competitors in the health management services industry, our belief that many companies will be interested in addressing the health needs of employees and their dependents and retirees and that we can provide the products, services, expertise and personnel to effectively meet this need, our belief that price competition and the loss of a fitness management services contract with a large automotive company will not materially affect results of operations, our belief that sources of capital to meet our obligations will be provided by cash generated through operations and the Wells Loan, and our belief that our current and available resources will enable us to finance our working capital needs without having to raise additional capital, as well as statements regarding increasing revenue, improving margins, marketing efforts, competitive conditions, the effect of price competition and changes to the economy, the sufficiency of our liquidity and capital resources, and our share repurchase plan. In addition, the estimated annualized revenue value of our new and lost contracts is a forward looking statement, which is based upon an estimate of the anticipated annualized revenue to be realized or lost. Such information should be used only as an indication of the activity we have recently experienced in our two business segments. These estimates, when considered together, should not be considered an indication of the total net, incremental revenue growth we expect to generate in any year, as actual net growth may differ from these estimates due to actual staffing levels, participation rates and contract duration, in addition to other revenue we may lose in the future due to contract termination. Any statements that are not based upon historical facts, including the outcome of events that have not yet occurred and our expectations for future performance, are forward-looking statements. The words "potential," "believe," "estimate," "expect," "intend," "may," "could," "will," "plan," "anticipate," and similar words and expressions are intended to identify forward-looking statements. Such statements are based upon the current beliefs and expectations of our management. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include, but are not limited to, our inability to deliver the health management services demanded by major corporations and other clients, our inability to successfully cross-sell health management services to our fitness management clients, our inability to successfully obtain new business opportunities, our failure to have sufficient resources to make investments, our ability to make investments and implement strategies successfully, continued delays in obtaining new commitments and implementing services, and those matters identified and discussed in Item 1A of this Form 10-K under "Risk Factors."

RECENTLY PASSED LEGISLATION

Sarbanes-Oxley. On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002, referred to herein as the Act, which immediately impacts Securities and Exchange Commission registrants, public accounting firms, lawyers and securities analysts. This legislation is the most comprehensive securities legislation since the passage of the Securities Acts of 1933 and 1934. It has far reaching effects on the standards of integrity for corporate management, board of directors, and executive management. We do not expect any material adverse effect on our business as a result of the passage of this legislation. We were in compliance with the Act as of December 31, 2007.

Refer to management's certifications contained elsewhere in this report regarding our compliance with Sections 302 and 906 of the Act.

HIPAA. The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996, referred to herein as HIPAA, require group health plans and health care providers who conduct certain administrative and financial transactions electronically, referred to herein as Standard Transactions, to (a) comply with a certain data format and coding standards when conducting electronic transactions; (b) use appropriate technologies to protect the security and integrity of individually identifiable health information transmitted or maintained in an electronic format; and (c) protect the privacy of patient health information. Our occupational health, health risk assessment and health coaching services, in addition to the group health plan we sponsor for our employees, are subject to HIPAA's requirements. We are in compliance with HIPAA requirements for our affected business segments. Our corporate, hospital, community and university-based fitness center management lines of business are not subject to the requirements of HIPAA.

RECENT ACCOUNTING PRONOUNCEMENTS

We adopted the provisions of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. Previously, we had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards 5, *Accounting for Contingencies*. As required by Interpretation 48, which clarifies Statement 109, *Accounting for Income Taxes*, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, we applied Interpretation 48 to all tax positions for which the statute of limitations remained open. As a result of the implementation of Interpretation 48, we recognized no liability for unrecognized tax benefits, which would have been accounted for as a reduction to the January 1, 2007, balance of retained earnings.

We are subject to income taxes in the U.S. federal jurisdiction, various state, and Canadian jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. We completed US Federal (IRS) tax examinations for the 2005 tax year during the past year. With few exceptions, we are no longer subject to US Federal or state and local tax examinations by tax authorities for years before 2004. We have recorded no liability for unrecognized tax benefits during the year. If we were to record a liability for unrecognized tax benefits, interest and penalties would be recorded as a component of income tax expense.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. However, on December 14, 2007, the FASB issued proposed FSP FAS 157-b, which would delay the effective date of SFAS 157 for all non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This proposed FSP partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. Effective for 2008, we will adopt SFAS 157 except as it applies to those non-financial assets and non-financial liabilities as noted in proposal FSP FAS 157-b. The partial adoption of SFAS 157 will not have a material impact on our consolidated financial position, results of operation or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," ("SFAS 159") which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2008. We do not believe that the adoption of SFAS 159 will have a material effect on our financial position or results of operation.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(revised 2007), *Business Combinations* ("SFAS 141R"). SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, IPR&D and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. SFAS 141R is effective for fiscal years beginning after December 15, 2008 (our 2009 fiscal year). This statement will impact us if we complete an acquisition after the effective date.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest holders. SFAS 160 is effective for fiscal years beginning after December 15, 2008 (our 2009 fiscal year). We do not believe the adoption of SFAS 160 will have a material effect on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have no history of, nor do we anticipate in the future, investing in derivative financial instruments, derivative commodity instruments or other such financial instruments. We invoice our Canadian customers in their local currency, and such transactions are considered immaterial in relation to our total billings. As a result, the exposure to foreign currency fluctuations and other market risks is not material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Balance Sheets of the Company as of December 31, 2007 and 2006, and the related Consolidated Statements of Operations, Stockholders' Equity, and Cash Flows for each of the three years in the period ended December 31, 2007, and the notes thereto have been audited by Grant Thornton LLP, independent registered public accounting firm.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Health Fitness Corporation
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheets of Health Fitness Corporation and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Item 15 (a)(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Health Fitness Corporation and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company changed its method of accounting for share-based payments to adopt Financial Accounting Standards Board Statement No. 123(R), *Share-Based Payments*.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
March 24, 2008

HEALTH FITNESS CORPORATION

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	$ 1,946,028	$ 987,465
Trade and other accounts receivable, less allowances of $243,300 and $283,100	14,686,879	12,404,856
Inventory	569,458	326,065
Prepaid expenses and other	226,891	375,824
Deferred tax assets	406,367	217,476
Total current assets	17,835,623	14,311,686
PROPERTY AND EQUIPMENT, net	1,400,570	767,675
OTHER ASSETS		
Goodwill	14,546,250	14,509,469
Software technology, less accumulated amortization of $795,100 and $370,200	1,734,920	1,658,575
Trademark, less accumulated amortization of $345,500 and $246,300	147,561	246,809
Other intangible assets, less accumulated amortization of $241,700 and $166,500	287,334	362,528
Deferred tax assets	-	437,010
Other	9,807	24,597
	$ 35,962,065	$ 32,318,349
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	$ 2,121,154	$ 1,811,939
Accrued salaries, wages, and payroll taxes	4,011,580	3,249,424
Accrued acquisition earnout	-	1,475,000
Other accrued liabilities	1,187,045	120,044
Accrued self funded insurance	333,724	201,053
Deferred revenue	1,722,254	1,663,121
Total current liabilities	9,375,757	8,520,581
DEFERRED TAX LIABILITY	108,623	-
LONG-TERM OBLIGATIONS	-	-
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value; 50,000,000 shares authorized; 19,928,590 and 19,220,217 shares issued and outstanding at December 31, 2007 and 2006	199,285	192,202
Additional paid-in capital	29,350,211	27,565,901
Accumulated comprehensive income from foreign currency translation	(56,413)	(35,186)
Accumulated deficit	(3,015,398)	(3,925,149)
	26,477,685	23,797,768
	$ 35,962,065	$ 32,318,349

See notes to consolidated financial statements.

HEALTH FITNESS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	2007	2006	2005
REVENUE	$ 69,958,051	$ 63,578,540	$ 54,942,205
COSTS OF REVENUE	50,317,174	45,947,956	41,125,031
GROSS PROFIT	19,640,877	17,630,584	13,817,174
OPERATING EXPENSES			
Salaries	10,769,048	8,544,885	5,769,082
Other selling, general and administrative	6,840,621	5,040,709	3,712,429
Amortization of trademarks and other intangible assets	171,081	368,618	821,611
Total operating expenses	17,780,750	13,954,212	10,303,122
OPERATING INCOME	1,860,127	3,676,372	3,514,052
OTHER INCOME (EXPENSE)			
Interest expense	(35,771)	(7,512)	(25,965)
Change in fair value of warrants	-	841,215	(634,435)
Other, net	(8,627)	9,646	10,585
EARNINGS BEFORE INCOME TAXES	1,815,729	4,519,721	2,864,237
INCOME TAX EXPENSE	905,978	1,495,184	1,518,946
NET EARNINGS	909,751	3,024,537	1,345,291
Deemed dividend to preferred shareholders	-	1,576,454	-
Dividend to preferred shareholders	-	96,410	140,890
NET EARNINGS APPLICABLE TO COMMON SHAREHOLDERS	$ 909,751	$ 1,351,673	$ 1,204,401
NET EARNINGS PER COMMON SHARE:			
Basic	$ 0.05	$ 0.07	$ 0.09
Diluted	0.04	0.03	0.08
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	19,685,980	18,023,298	12,780,724
Diluted	20,593,112	18,772,675	16,929,636

See notes to consolidated financial statements.

HEALTH FITNESS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity	Comprehensive Income
BALANCE AT JANUARY 1, 2005	12,582,170	$125,822	$17,836,675	$2,459	$(6,481,223)	$11,483,733	
Issuance of common stock through stock purchase plan	89,227	892	162.116	-	-	163,008	
Issuance of common stock for options	98,681	987	14,566	-	-	15,553	
Issuance of common stock for acquisition	847,281	8,473	1,991,527	-	-	2,000,000	
Issuance of common stock for warrants	169,990	1,700	(1,700)	-	-	-	
Net repurchase of Series A preferred stock and warrants	-	-	(3,539,466)	-	-	(3,539,466)	
Payment of Series B preferred stock financing costs	-	-	(813,021)	-	-	(813,021)	
Reallocation of deferred financing costs	-	-	(25,272)	-	-	(25,272)	
Dividend to preferred shareholders	-	-	-	-	(140,890)	(140,890)	
Net earnings	-	-	-	-	1,345,291	1,345,291	$1,345,291
Foreign currency translation	-	-	-	(1,214)	-	(1,214)	(1,214)
Comprehensive Income							$1,344,077
BALANCE AT DECEMBER 31, 2005	13,787,349	$ 137,874	$ 15,625,425	$ 1,245	$ (5,276,822)	$ 10,487,722	
Issuance of common stock through stock purchase plan	90,572	905	170,384	-	-	171,289	
Redemption of common stock for option exercises	(31,554)	(315)	(67,526)			(67,841)	
Issuance of common stock for options	253,850	2,538	75,392	-	-	77,930	
Payment of Series B preferred stock financing costs			(161,725)			(161,725)	
Issuance of common stock for Series B preferred stock	5,100,000	51,000	10,149,000	-	-	10,200,000	
Reclassification of warrant liability			1,369,674			1,369,674	
Issuance of common stock for board of directors compensation	20,000	200	31,800	-	-	32,000	
Stock option compensation	-	-	373,477	-	-	373,477	
Deemed dividend to preferred shareholders	-	-	-	-	(1,576,454)	(1,576,454)	
Dividend to preferred shareholders	-	-	-	-	(96,410)	(96,410)	
Net earnings	-	-	-	-	3,024,537	3,024,537	$3,024,537
Foreign currency translation	-	-	-	(36,431)	-	(36,431)	(36,431)
Comprehensive Income							$2,988,106
BALANCE AT DECEMBER 31, 2006	19,220,217	$ 192,202	$ 27,565,901	$ (35,186)	$ (3,925,149)	$ 23,797,768	
Issuance of common stock through stock purchase plan	57,854	578	160,664	-	-	161,242	
Redemption of common stock for option exercises	(14,129)	(141)	(40,177)	-	-	(40,318)	
Issuance of common stock for option exercises	328,725	3,287	248,873	-	-	252,160	
Issuance of common stock for executive compensation	50,000	500	109,917	-	-	110,417	
Redemption of common stock for executive compensation	(16,667)	(167)	(41,968)	-	-	(42,135)	
Issuance of common stock for accrued acquisition earnout	262,590	2,626	734,874	-	-	737,500	
Issuance of common stock for board of directors compensation	40,000	400	118,600	-	-	119,000	
Payment of Series B preferred stock financing costs	-	-	(17,415)	-	-	(17,415)	
Executive equity compensation program	-	-	53,097	-	-	53,097	
Stock option compensation	-	-	457,845	-	-	457,845	
Net earnings	-	-	-	-	909,751	909,751	$909,751
Foreign currency translation	-	-	-	(21,227)	-	(21,227)	(21,227)
Comprehensive Income							$888,524
BALANCE AT DECEMBER 31, 2007	19,928,590	$ 199,285	$ 29,350,211	$ (56,413)	$ (3,015,398)	$ 26,477,685	

See notes to consolidated financial statements.

HEALTH FITNESS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$909,751	$ 3,024,537	$ 1,345,291
Adjustment to reconcile net earnings			
to net cash provided by operating activities:			
Common stock issued for Board of Directors compensation	119,000	32,000	-
Stock-based compensation	579,225	373,477	-
Depreciation and amortization	959,331	905,205	905,873
Warrant valuation adjustment	-	(841,215)	634,435
Deferred taxes	356,742	57,814	1,169,200
Loss on disposal of assets	-	-	1,897
Change in assets and liabilities, net of assets acquired:			
Trade and other accounts receivable	(2,282,023)	(3,565,810)	(554,637)
Inventory	(243,393)	(326,065)	-
Prepaid expenses and other	148,933	133,449	(295,319)
Other assets	14,790	22,508	39,910
Trade accounts payable	287,985	1,088,382	(222,537)
Accrued liabilities and other	1,961,828	1,338,479	127,031
Deferred revenue	59,133	(205,325)	(175,294)
Net cash provided by operating activities	2,871,302	2,037,436	2,975,850
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(992,841)	(588,180)	(232,485)
Capitalized software development costs	(501,285)	(266,760)	-
Business acquisitions, net of cash acquired	(36,781)	(1,589,780)	(4,344,476)
Acquisition earnout payment	(737,500)	-	-
Net cash payment made for acquisition	-	-	(7,085)
Net cash used in investing activities	(2,268,407)	(2,444,720)	(4,584,046)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under line of credit	22,042,206	-	13,899,950
Repayments under line of credit	(22,042,206)	-	(15,512,709)
Net proceeds from issuance of preferred stock and warrants	-	-	9,386,979
Repurchase of equity securities	-	-	(5,114,382)
Costs from the issuance of preferred stock	(17,415)	(161,725)	-
Proceeds from the issuance of common stock	161,242	171,288	163,008
Proceeds from the exercise of stock options	211,841	10,091	15,553
Payment of Series B preferred stock dividend	-	(96,410)	-
Net cash provided by (used in) financing activities	355,668	(76,756)	2,838,399
NET INCREASE (DECREASE) IN CASH	958,563	(484,040)	1,230,203
CASH AT BEGINNING OF YEAR	987,465	1,471,505	241,302
CASH AT END OF YEAR	$ 1,946,028	$ 987,465	$ 1,471,505

SUPPLEMENTAL CASH FLOW DISCLOSURES

	2007	2006	2005
Supplemental cash flow information:			
Cash paid for interest	$31,295	$1,681	$30,366
Cash paid for taxes	348,650	1,502,987	672,147
Noncash investing and financing activities affecting cash flows:			
Redemption of common stock for executive compensation	(42,135)	-	-
Deemed dividend to preferred shareholders	-	(1,576,454)	-
Dividend to preferred shareholders	-	-	(140,890)
Common stock issued in business acquisition	737,500	-	2,000,000
Value of warrants issued to placement agents	-	-	114,191
Redemption of common stock	(40,319)	(67,841)	-

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business – We provide fitness and health management services and programs to corporations, hospitals, communities and universities located in the United States and Canada. Fitness and health management services include the development, marketing and management of corporate, hospital, community and university based fitness centers, worksite health promotion, injury prevention and work-injury management consulting, and on-site physical therapy. Programs include fitness and health services for individual customers, including health risk assessments, biometric screenings, nutrition and weight loss programs, personal training, smoking cessation, massage therapy, back care and ergonomic injury prevention.

Segment Reporting – We reflect our business into two segments: Fitness Management and Health Management. We made this decision based on the following factors: (i) the evolution of our Health Management segment, and management's belief that the future growth of our Company may depend on our Health Management segment; (ii) management's belief that total revenue and gross profit from our Health Management segment may outpace the total revenue and gross profit from our legacy Fitness Management segment; (iii) management has invested significant resources to hire additional service and account management staff to handle the growth we have experienced, and expect to experience in the future; (iv) management has invested, and expects to continue investing resources to enhance the functionality of our web-based software system to appeal to a wider range of current and new customers for both of our operating segments, and (v) on a monthly, quarterly and annual basis, we manage the performance of our business by reviewing internally-generated financial reports that detail revenue and gross profit results for each segment.

Management believes the Company does not have assets that are related solely to each segment, and thus has not allocated assets to our reportable segments for the following reasons: (i) Health Fitness is a service business that depends heavily on the joint efforts of our staff to operate and grow each segment of our business, (ii) we do not require or maintain a large asset infrastructure. The tangible and intangible assets we do own, including the web-based software system we acquired from HealthCalc, are deployed across both segments of our business to generate segment revenue and gross profit results, (iii) our future growth plans involve a tighter integration between our Fitness and Health Management segments, resulting in significant opportunities to cross-sell our fitness and health management services to existing customers within each segment, and (iv) management believes an arbitrary allocation of assets to each reportable segment would not result in meaningful information regarding how management uses the Company's assets to grow the business.

Consolidation – The consolidated financial statements include the accounts of our Company and our wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Cash – We maintain cash balances at several financial institutions, and at times, such balances exceed insured limits. We have not experienced any losses in such accounts and we believe we are not exposed to any significant credit risk on cash. At December 31, 2007 and 2006, we had cash of approximately $59,400 and $36,900 (U.S. Dollars) in a Canadian bank account.

Trade and Other Accounts Receivable – Trade and other accounts receivable represent amounts due from companies and individuals for services and products. We grant credit to customers in the ordinary course of business, but generally do not require collateral or any other security to support amounts due. Management performs ongoing credit evaluations of customers. Accounts receivable from sales of services are typically due from customers within 30 to 90 days. Accounts outstanding longer than contractual payment terms are considered past due. We determine our allowance for doubtful accounts by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, the customer's current ability to pay its obligation to us, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible, and payments subsequently received on such receivable are credited to the allowance. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers and their geographic dispersion. We had bad debt expense of $30,000, $104,000 and $3,870 for the periods ended December 31, 2007, 2006 and 2005.

Inventories – Inventories, which consist primarily of health management resource materials and supplies used in our biometric screenings services, are stated at the lower of cost or market. Cost is determined using average cost, which approximates the first-in, first-out method.

Property and Equipment – Property and equipment are stated at cost. Depreciation and amortization are computed using both straight-line and accelerated methods over the useful lives of the assets.

Software Development Costs - In connection with our December 23, 2005 acquisition of HealthCalc.Net, Inc., the primary asset we acquired was a web-based software system that collects fitness and health related data from, and delivers health related information to, employees of our corporate customers. We allocated $1,762,000 of our total purchase price for HealthCalc to this web-based software system, which was the fair value that resulted from an appraisal conducted by a third-party expert in accordance with SFAS 141, *Business Combinations*. Commensurate with this acquisition, we also developed a strategic plan to enhance this web-based software system to include additional electronic services that we could offer to our customers.

Software development costs we incur subsequent to achieving technological feasibility are capitalized. Capitalization of costs ceases and amortization of capitalized software development costs starts when the products are available for general release. We amortize our capitalized software development costs using the straight-line method over the estimated economic life of the product, which is generally three to five years.

Capitalized software development costs are stated at the lower of amortized cost or net realizable value. Recoverability of these capitalized costs is determined by comparing the forecasted future revenues from the related products, based on management's best estimates using appropriate assumptions and projections at the time, to the carrying amount of the capitalized software development costs. If the carrying value is determined not to be recoverable from future revenues, an impairment loss is recognized equal to the amount by which the carrying amount exceeds the future revenues. We determined that no impairment loss existed at December 31, 2007 and 2006.

During 2007 and 2006, we capitalized $501,000 and $267,000, respectively, of software development costs related to enhancements we made to our eHealth platform. Such enhancements include the development of a web-based health coaching program, a web-based point of sale system to electronically capture transactions and improvements to our data management infrastructure with the platform. These capitalized costs are captured within Software Technology, and will be amortized over the remaining economic life of the eHealth platform, or five years, once the programs are placed into service. We expect to recover our capitalized software development costs due to the growth of our business.

Goodwill – Goodwill represents the excess of the purchase price and related costs over the fair value of net assets of businesses acquired. The carrying value of goodwill is not amortized, but is tested for impairment on an annual basis or when factors indicating impairment are present. We elected to complete the annual impairment test of goodwill on December 31 of each year and determined that our goodwill relates to two reporting units for purposes of impairment testing.

In connection with goodwill impairment testing as of December 31, 2006, and consistent with the guidance provided in paragraphs 34 and 35 of SFAS 142, *Goodwill and Other Intangibles* (SFAS 142), we allocated our total goodwill of $14,546,250 to our Fitness and Health Management business segments based upon the ratio of the estimated market value for each segment to the total estimated market value for the entire company. In connection with this allocation, 24.4%, or $3,549,285 of our total goodwill was allocated to our Fitness Management segment, and 75.6%, or $10,996,965 was allocated to our Health Management segment. This initial allocation of goodwill to each segment will be the base amount that is subject to write-down should we determine that impairment exists in future years.

In connection with goodwill impairment testing as of December 31, 2007 and 2006, and consistent with the guidance provided in paragraphs 32 and 33 of SFAS 142, we allocated our assets and liabilities of our Fitness and Health Management business segments based upon the respective benefit received for each segment. Assets were allocated based on the percentage of revenue generated as substantially all the assets consisted of accounts receivable. Liabilities were allocated based on a percentage of cost of sales contributed. The net asset allocation that resulted for each segment was then compared to an estimate of market value for each segment.

Based upon the results of this test, we determined that no impairment of goodwill existed at December 31, 2007, 2006, and 2005.

Intangible Assets – Our intangible assets include customer contracts, trademarks and tradenames, software and other intangible assets, all of which are amortized on a straight-line basis. Customer contracts represent the fair value assigned to acquired customer contracts, which are amortized over the remaining life of the contracts, approximately 13 to 23 months. Trademarks and tradenames represent the value assigned to acquired trademarks and tradenames, and are amortized over a period of five years. Software represents the value assigned to an acquired web-based software program, in addition to capitalized development costs, and is amortized over a period of five years. Other intangible assets include the value assigned to acquired customer lists, which is amortized over a period of six years, and deferred financing costs, which are amortized over the term of the related credit agreement. Amortization expense for intangible assets totaled $599,385, $736,878, and $828,355 for the twelve months ended December 31, 2007, 2006, and 2005.

Expected future amortization of intangible assets is as follows:

Years ending December 31	
2008	$628,866
2009	591,616
2010	591,616
2011	194,232
Thereafter	96,435

Revenue Recognition – Revenue is recognized at the time the service is provided to the customer. We determine our allowance for discounts by considering historical discount history and current payment practices of our customers. For annual contracts, monthly amounts are recognized ratably over the term of the contract. Certain services provided to the customer may vary on a periodic basis and are invoiced to the customer in arrears. The revenues relating to theses services are estimated in the month that the service is performed. Accounts receivable related to estimated revenues were $2,245,497 and $1,644,211 at December 31, 2007 and 2006.

We also provide services to companies located in Canada. Revenue recognized from our Canadian customers totaled approximately $241,000, $259,300 and $277,600 for the periods ended December 31, 2007, 2006 and 2005. Although we invoice these customers in their local currency, we do not believe there is a risk of material loss due to foreign currency translation.

Amounts received from customers in advance of providing contracted services are treated as deferred revenue and recognized when the services are provided. Accounts receivable relating to deferred revenue were $1,720,146 and $1,663,121 at December 31, 2007 and 2006.

We have contracts with third-parties to provide ancillary services in connection with their fitness and wellness management services and programs. Under such arrangements, the third-parties invoice and receive payments from us based on transactions with the ultimate customer. We do not recognize revenues related to such transactions as the ultimate customer assumes the risk and rewards of the contract and the amounts billed to the customer are either at cost or with a fixed markup.

Advertising – The Company expenses advertising costs as they are incurred. Advertising expense for the periods ended December 31, 2007, 2006 and 2005 was $203,916, $159,646 and $119,364.

Comprehensive Income – Comprehensive income is net earnings plus certain other items that are recorded directly to stockholders' equity. Our comprehensive income represents net earnings adjusted for foreign currency translation adjustments. Comprehensive income is disclosed in the consolidated statement of stockholders' equity.

Net Earnings Per Common Share – Basic net earnings per common share is computed by dividing net earnings applicable to common shareholders by the number of basic weighted average common shares outstanding. Diluted net earnings per share is computed by dividing net earnings applicable to common shareholders, plus dividends to preferred shareholders (net earnings), less the non-cash benefit related to a change in fair value of warrants by the number of diluted weighted average common shares outstanding, and common share equivalents relating to stock options, stock warrants and preferred stock, if dilutive. Refer to Exhibit 11.0 attached hereto for a detail computation of earnings per share.

Common stock options and warrants to purchase 285,500, 2,393,681 and 517,163 shares of common stock with weighted average exercise prices of $2.97, $2.51 and $2.78 were excluded from the 2007, 2006 and 2005 diluted computation because their exercise price exceeded the average trading price of our common stock during each of the periods.

Stock-Based Compensation – We maintain a stock option plan for the benefit of certain eligible employees and directors of the Company. Commencing January 1, 2006, we adopted Statement of Financial Accounting Standard No. 123R, "Share Based Payment" ("SFAS 123R"), using the modified prospective method of adoption, which requires all share-based payments, including grants of stock options, to be recognized in the income statement as an operating expense, based on their fair values over the requisite service period. The compensation cost we record for these awards is based on their fair value on the date of grant. The Company continues to use the Black Scholes option-pricing model as its method for valuing stock options. The key assumptions for this valuation method include the expected term of the option, stock price volatility, risk-free interest rate and dividend yield. Many of these assumptions are judgmental and highly sensitive in the determination of compensation expense. Further information on our share-based payments can be found in Note 8 in the Notes to the Consolidated Financial Statements.

Fair Values of Financial Instruments - Due to their short-term nature, the carrying value of our current financial assets and liabilities approximates their fair values. The fair value of long-term obligations, if recalculated based on current interest rates, would not significantly differ from the recorded amounts.

Valuation of Derivative Instruments – In accordance with the interpretive guidance in EITF Issue No. 05-4, "The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument Subject to EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," we valued warrants we issued in November 2005 in our financing transaction as a derivative liability. We were required to make certain periodic assumptions and estimates to value the derivative liability. Factors affecting the amount of this liability include changes in our stock price, the computed volatility of our stock price and other assumptions. The change in value is reflected in our statements of operations as non-cash income or expense, and the changes in the carrying value of derivatives can have a material impact on our financial statements.

Income Taxes – The Company records income taxes in accordance with the liability method of accounting. Deferred income taxes are provided for temporary differences between the financial reporting and tax basis of assets and liabilities and federal operating loss carryforwards. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment. Tax benefits are recognized when management believes the benefit is more likely than not to be sustained upon review from the relevant authorities. If the Company were to record a liability for unrecognized tax benefits, interest and penalties would be recorded as a component of income tax expense. We do not record a tax liability or benefit in connection with the change in fair value of certain of our warrants. Income taxes are calculated based on management's estimate of the Company's effective tax rate, which takes into consideration a federal tax rate of 34% and an effective state tax rate of approximately 7%. This normal effective tax rate of 41% is less than the tax rate resulting from income tax expense we recognized during the year ended December 31, 2007 due to the tax rate effects of compensation expense for incentive stock options.

Use of Estimates – Preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. FINANCING

On November 14, 2005 (the "Effective Date"), in a Private Investment in Public Equity transaction (the "PIPE Transaction"), we issued an aggregate of 1,000 shares of Series B Convertible Preferred Stock (the "Series B Stock"), together with warrants to purchase 1,530,000 shares of common stock at $2.40 per share, to a limited number of accredited investors for aggregate gross proceeds of $10.2 million. After selling commissions and expenses, we received net proceeds of approximately $9.4 million. The Series B Stock automatically converted into 5,100,000 shares of our common stock on March 10, 2006, the date the Securities and Exchange Commission (the "SEC") first declared effective a registration statement covering these shares. On this date, we recorded a deemed dividend of $1,576,454 to these preferred shareholders. This deemed dividend is a one-time, noncash adjustment related to the automatic conversion of these preferred shares to common shares. We used the proceeds from this PIPE Transaction to redeem our Series A Convertible Preferred Stock and to fund the acquisition of HealthCalc.Net, Inc.

In accordance with the terms of the PIPE Transaction, we were required to file with the SEC, within sixty (60) days from the Effective Date, a registration statement covering the common shares issued and issuable in the PIPE Transaction. We were also required to cause the registration statement to be declared effective on or before the expiration of one hundred twenty (120) days from the Effective Date. We would have been subject to liquidated damages of one percent (1%) per month of the aggregate gross proceeds ($10,200,000), if we failed to meet these date requirements. On March 10, 2006, the SEC declared effective our registration statement and, as a result, we did not pay any liquidated damages for failure to meet the filing and effectiveness date requirements. We could nevertheless be subject to the foregoing liquidated damages if we fail (subject to certain permitted circumstances) to maintain the effectiveness of the registration statement. On June 15, 2006, we entered into an agreement with the accredited investors to amend the Registration Rights Agreement to cap the amount of liquidated damages we could pay at 9% of the aggregate purchase price paid by each accredited investor.

The warrants, which were issued together with the Series B Stock, have a term of five years, and give the investors the option to require us to repurchase the warrants for a purchase price, payable in cash within five (5) business days after such request, equal to the Black Scholes value of any unexercised warrant shares, only if, while the warrants are outstanding, any of the following change in control transactions occur: (i) we effect any merger or consolidation, (ii) we effect any sale of all or substantially all of our assets, (iii) any tender offer or exchange offer is completed whereby holders of our common stock are permitted to tender or exchange their shares for other securities, cash or property, or (iv) we effect any reclassification of our common stock whereby it is effectively converted into or exchanged for other securities, cash or property. On June 15, 2006, we entered into an agreement with the accredited investors to amend the Warrant Agreement to give us the ability to repurchase the warrants, in the case of a change in control transaction, using shares of stock, securities or assets, including cash.

Under EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" (EITF 00-19"), the fair value of the warrants issued under the PIPE Transaction have been reported as a liability due to the requirement to net-cash settle the transaction. There are two reasons for this treatment: (i) there are liquidated damages, payable in cash, of 1% of the gross proceeds per month ($102,000) should we fail to maintain effectiveness of the registration statement in accordance with the PIPE Transaction; and (ii) our investors may put their warrants back to us for cash if we initiate a change in control that meets the definition previously discussed. As a result of the amendments we structured with the accredited investors on June 15, 2006, we were allowed to account for the warrants as equity. As a result of this accounting change, we made a final valuation of our warrant liability on June 15, 2006, which resulted in non-cash income of $406,694 for our second quarter in 2006, and the remaining warrant liability of $1,369,674 was reclassified to additional paid in capital. We are no longer required to revalue these warrants on a prospective basis.

3. BUSINESS ACQUISITION

In accordance with the Stock Purchase Agreement executed in connection with the acquisition of HealthCalc.Net, Inc. on December 23, 2005, we agreed to pay the shareholders of HealthCalc, in cash, stock or a combination thereof, a contingent earnout payment based upon the achievement of specific 2006 revenue objectives. At December 31, 2006, we recorded a liability of $1,475,000 in favor of the former shareholders of HealthCalc in recognition of achieving certain 2006 revenue objectives, with the offset reflected as an increase to goodwill. Management believes the increase to goodwill is consistent with the guidance provided by EITF 95-8, *Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination*, which speaks to specific guidance dealing with the events surrounding negotiation of the purchase price, factors involving reasons for developing a contingent payment provision, the development of performance measures to determine the achievement of the contingent earnout and the factors involving the terms of continuing employment of the former shareholders of HealthCalc.

On March 27, 2007, our Board of Directors determined that this earnout payment would be made by a cash payment of $737,500 and the issuance of 262,590 shares of common stock, which was determined using an average closing share price of $2.81 for the twenty-one trading days preceding the date of payment. We made the cash payment on March 28, 2007 and issued the common stock effective on March 27, 2007.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	Useful Life	2007	2006
Leasehold improvements	Term of lease	$ 17,438	$ 11,757
Office equipment	3-7 years	2,039,000	1,496,302
Software	3 years	338,517	235,371
Health care equipment	1-5 years	1,113,547	772,231
		3,508,502	2,515,661
Less accumulated depreciation and amortization		2,107,932	1,747,986
		$ 1,400,570	$ 767,675

5. LONG-TERM OBLIGATIONS

Our primary source of liquidity and working capital is provided by a $7,500,000 Credit Agreement with Wells Fargo Bank, N.A. (the "Wells Loan"). At our option, the Wells Loan bears interest at prime, or the one-month LIBOR plus a margin of 2.25% to 2.75% based upon our Senior Leverage Ratio (effective rate of 7.25% and 8.25% at December 31, 2007 and 2006, respectively). The availability of the Wells Loan decreases $250,000 on the last day of each calendar quarter, beginning September 30, 2003, and matures on June 30, 2009, as amended. Working capital advances from the Wells Loan are based upon a percentage of our eligible accounts receivable, less any amounts previously drawn. The facility provided maximum borrowing capacity of $3,250,000 and $4,000,000 at December 31, 2007 and 2006, respectively, and no debt was outstanding on those dates. All borrowings are collateralized by substantially all of our assets. At December 31, 2007, we were not in compliance with a financial covenant. Wells Fargo was made aware of this noncompliance and has agreed to waive its default rights with respect to this breach. Wells Fargo has also agreed to continue making capital advances available to us as new loan covenants are negotiated. This noncompliance had no impact on our liquidity, capital resources or results of operations.

6. COMMITMENTS AND CONTINGENCIES

Leases – We lease office space and equipment under various operating leases. In addition to base rental payments, these leases require us to pay a proportionate share of real estate taxes, special assessments, and maintenance costs. The lease for our corporate headquarters, as well as our office lease in Plano, Texas, has escalating lease payments through 2012. Costs incurred under operating leases are recorded as rent expense and totaled approximately $581,000, $404,000, and $302,000 for the years ended December 31, 2007, 2006, and 2005.

Minimum rent payments due under operating leases are as follows:

Years ending December 31:	
2008	$651,000
2009	611,000

2010	593,000
2011	596,000
Thereafter	612,000

Legal Proceedings – We are involved in various claims and lawsuits incident to the operation of our business. We believe that the outcome of such claims will not have a material adverse effect on our financial condition, results of operation, or cash flows.

Liquidated Damages – In accordance with the terms of the PIPE Transaction, we were required to file with the SEC, within sixty (60) days from the Effective Date, a registration statement covering the common shares issued and issuable in the PIPE Transaction. We were also required to cause the registration statement to be declared effective on or before the expiration of one hundred twenty (120) days from the Effective Date. We would have been subject to liquidated damages of one percent (1%) per month of the aggregate gross proceeds ($10,200,000), if we failed to meet these date requirements. On March 10, 2006, the SEC declared effective our registration statement and, as a result, we did not pay any liquidated damages for failure to meet the filing and effectiveness date requirements. We could nevertheless be subject to the foregoing liquidated damages if we fail (subject to certain permitted circumstances) to maintain the effectiveness of the registration statement. On June 15, 2006, we entered into an agreement with the accredited investors to amend the Registration Rights Agreement to cap the amount of liquidated damages we could pay at 9% of the aggregate purchase price paid by each accredited investor.

Patent Matter – In March 2007, we received a letter from a patent holder inquiring about our interest in negotiating a license for certain technology patents owned by the patent holder, which pertain to certain aspects of the electronic collection, use and management of health-related electronic data. We do not believe these patents are material based on our initial review, and it is unlikely we will be interested in a license on any material terms. However, we are currently conducting a more detailed review of this matter.

7. BENEFIT PLAN

We maintain a 401(k) plan whereby employees are eligible to participate in the plan providing they have attained the age of 18 and have completed one month of service. The plan allows participants to contribute up to 20% of their earnings. We may make certain matching contributions, which were approximately $292,000, $297,000, and $261,000 for the years ended December 31, 2007, 2006, and 2005.

8. EQUITY

Stock Options – We maintain a stock option plan for the benefit of certain eligible employees and our directors. We have authorized 4,000,000 shares for grant under our 2005 Stock Option Plan, and a total of 897,150 shares of common stock are reserved for additional grants of options at December 31, 2007. Generally, the options outstanding are granted at prices equal to the market value of our stock on the date of grant, generally vest over four years and expire over a period of six or ten years from the date of grant.

Commencing January 1, 2006, we adopted Statement of Financial Accounting Standard No. 123R, "Share Based Payment" ("SFAS 123R"), which requires all share-based payments, including grants of stock options, to be recognized in the income statement as an operating expense, based on their fair values over the requisite service period. Prior to 2006, the compensation cost we recorded for option awards was based on their grant date fair value as calculated for the proforma disclosures required by Statement 123.

We recorded $457,845 and $373,477 of stock option compensation expense for the years ended December 31, 2007 and 2006, respectively. We also recorded a deferred tax benefit of $183,138 and $149,392 for the twelve months ended December 31, 2007 and 2006 in connection with recording this non-cash expense. This deferred tax benefit will be adjusted based upon the actual tax benefit realized from the exercise of the underlying stock options. The compensation expense reduced diluted earnings per share by approximately $0.02 and $0.01 for the years ended December 31, 2007 and 2006, respectively.

In 2005, we utilized the intrinsic value method of accounting for our stock- based employee compensation plans. All options granted had an exercise price equal to the market value of the underlying common stock on the date of grant and accordingly, no compensation cost is reflected in net earnings for the year ended December 31, 2005.

The following table illustrates the effect on net earnings and earnings per share if we had applied the fair value method:

	2005
Net earnings applicable to common shareholders - basic	$ 1,204,401
Add: Dividends to preferred shareholders	140,890
Net earnings - diluted	1,345,291
Less: Compensation expense determined under the fair value method, net of tax	(187,898)
Proforma net earnings, basic	$ 1,016,503
Proforma net earnings, diluted	$ 1,157,393
Net earnings per common share:	
Basic-as reported	$0.09
Basic-proforma	$0.08
Diluted-as reported	$0.08
Diluted-proforma	$0.07

As of December 31, 2007, approximately $724,000 of total unrecognized compensation costs related to non-vested awards is expected to be recognized over a weighted average period of approximately 2.60 years.

Prior to adopting SFAS 123R, we accounted for stock-based compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." We have applied the modified prospective method in adopting SFAS 123R. Accordingly, periods prior to adoption have not been restated.

The following table summarizes information about our stock options at December 31, 2007:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life In Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.30 - $0.39	145,200	1.12	$0.39	145,200	$0.39
0.47 - 0.69	327,500	1.15	0.52	327,500	0.52
0.95 - 1.25	239,000	2.76	1.15	216,500	1.17
1.26 - 2.27	436,100	4.43	1.86	372,075	1.85
2.28 - 3.05	1,190,500	4.46	2.74	402,375	2.70

2,338,300	3.61	$1.96	1,463,650	$1.54

Stock options outstanding at December 31, 2007 have an aggregate intrinsic value of $1,752,933, and a weighted average remaining term of 3.61 years. Stock options exercisable at December 31, 2007 have an aggregate intrinsic value of $1,663,218, and a weighted average remaining term of 2.98 years.

We use the Black-Scholes option pricing model using weighted average assumptions for options granted to determine the fair value of options. The fair value of options at date of grant and the assumptions utilized to determine such values are indicated in the following table:

	Fiscal Year Ending December 31,		
	2007	2006	2005
Risk-free interest rate	4.68%	4.48%	2.79%
Expected volatility	49.9%	68.9%	72.4%
Expected life (in years)	3.99	3.96	3.04
Dividend yield	—	—	—

A summary of the stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2005	1,921,550	1.06
Granted	357,500	2.58
Exercised	(109,625)	0.39
Forfeited	(12,000)	1.94
Outstanding at December 31, 2005	2,157,425	1.34
Granted	515,500	2.43
Exercised	(253,850)	0.31
Forfeited	(168,175)	2.33
Outstanding at December 31, 2006	2,250,900	$1.64
Granted	640,500	2.82
Exercised	(328,725)	0.77
Forfeited	(224,375)	2.96
Outstanding at December 31, 2007	2,338,300	$1.96

Stock options exercised during the years ended December 31, 2005, 2006 and 2007 had an aggregate intrinsic value of $226,739, $469,218 and $673,368, respectively.

A summary of exercisable stock options is as follows:

	Weighted Number of Shares	Average Exercise Price
Options exercisable at December 31:		
2007	1,463,650	$1.54
2006	1,606,000	$1.39
2005	1,520,900	$1.18

Employee Stock Purchase Plan – We maintain an Employee Stock Purchase Plan, which allows employees to purchase shares of our common stock at 95% of the fair market value. A total of 1,000,000 shares of common stock are reserved for issuance under this plan, of which 333,708 shares are unissued and remain available for issuance at December 31, 2007. There were 57,854, 90,572 and 89,227 shares issued under the plan during 2007, 2006 and 2005.

Warrants – We have outstanding warrants to selling agents and investors that were issued in connection with financing transactions.

A summary of the stock warrants activity is as follows:

	Number of Shares	Exercise Price Per Share
Outstanding at January 1, 2005	1,415,320	$0.30 – 0.50
Granted	1,697,143	0.50 – 2.70
Exercised	(1,086,448)	0.30 – 0.50
Forfeited	(331,584)	0.30 – 0.50
Outstanding at December 31, 2005	1,694,431	2.00 – 2.70
Granted	--	--
Exercised	--	--
Forfeited	--	--
Outstanding at December 31, 2006	1,694,431	2.00 – 2.70
Granted	--	--
Exercised	--	--
Forfeited	--	--
Outstanding at December 31, 2007	1,694,431	2.00 – 2.70
Warrants exercisable at December 31:		
2007	1,694,431	$2.00 – 2.70
2006	1,694,431	2.00 – 2.70
2005	1,694,431	2.00 – 2.70

Restricted Stock - In connection with our employment agreement dated as of December 1, 2006 with Gregg O. Lehman, Ph.D., our President and Chief Executive Officer, on January 1, 2007 we granted an award of 50,000 shares of restricted common stock to Mr. Lehman, which was valued at a price of $2.65 per share on the date of grant. This restricted common stock vests in three equal installments on the first of the year for each of 2007, 2008 and 2009. For the year ended December 31, 2007, we recorded $110,400 of stock-based compensation related to this grant. As of December 31, 2007, $22,100 of unrecognized compensation expense related to the non-vested portion of this award will be recognized through December 31, 2008.

Equity Incentive Plan – At our Annual Meeting of Shareholders on May 21, 2007, our shareholders approved the implementation of our 2007 Equity Incentive Plan (the "Equity Plan"). The Equity Plan was developed to provide our executives with restricted stock incentives if certain financial targets are achieved for calendar years 2007 through 2009. In lieu of selecting restricted stock, executives can choose to receive a cash bonus under our 2007 Cash Incentive Plan (the "Cash Plan"). The performance objectives, and monetary potential of the Cash Plan would be the same as those under the Equity Plan and participants would receive their cash bonuses at the same time as the restricted stock vests under the Equity Plan. Restricted stock granted under the Equity Plan is earned on an annual basis upon achievement of certain financial objectives for each of 2007, 2008 and 2009. All shares earned during these years will vest upon completion of our 2009 annual audit. For the year ended December 31, 2007, we recorded $53,100 of stock-based compensation related to elections under the Equity Plan, which was valued using a price of $2.78 per share, the market value of our common stock on the grant date. We also accrued $5,800 of bonus expense related to elections under the Cash Plan. As of December 31, 2007, $1,629,400 of unrecognized compensation costs related to the non-vested portion of this program will be recognized through March 2010.

Accrued Acquisition Earnout - In accordance with the Stock Purchase Agreement executed in connection with our acquisition of HealthCalc.Net, Inc. on December 23, 2005, we agreed to pay the shareholders of HealthCalc a contingent earnout payment based upon the achievement of specific 2006 revenue objectives. In accordance with this Stock Purchase Agreement the contingent earnout payment could be made by us in cash, stock or a combination thereof. At December 31, 2006, we recorded a liability of $1,475,000 in favor of the former shareholders of HealthCalc representing the contingent earnout payment, with the offset reflected as an increase to goodwill. On March 27, 2007, our Board of Directors determined that this earnout payment would be made by a cash payment of $737,500 and the issuance of 262,590 shares of common stock, which was determined using an average closing share price of $2.81 for the twenty-one trading days preceding the date of payment. We made the cash payment on March 28, 2007 and issued the common stock effective on March 27, 2007.

Common Stock Repurchase Plan – On March 24, 2008, we announced that our Board of Directors authorized the repurchase of up to $2.5 million of the Company's outstanding common stock. Under the plan, the Company may repurchase shares on the open market in amounts and at times deemed appropriate by management and in accordance with applicable securities rules and regulations. Share repurchases will be funded by the Company's available working capital. The timing and amount of any such repurchases under the plan will depend on share price, economic and market conditions and applicable corporate and regulatory requirements. The share repurchase plan is effective on April 1, 2008 and will continue for a period of six months, subject to the Company's right to announce earlier termination or an extension of the plan. The plan does not require the Company to repurchase a specific number of shares, and may be modified, suspended, or discontinued at any time.

9. INCOME TAXES

Income tax expense consists of the following for the years ended December 31:

	2007	2006	2005
Current	$ 740,602	$ 1,435,000	$ 412,346
Deferred	165,376	60,184	1,106,600
	$ 905,978	$ 1,495,184	$ 1,518,946

A reconciliation between taxes computed at the expected federal income tax rate and the effective tax rate for the years ended December 31 is as follows:

	2007	2006	2005
Tax expense computed at statutory rates	$ 617,348	$ 1,567,910	$ 973,800
State tax benefit, net of federal effect	93,692	181,745	205,800
Nontaxable warrant expense (income)	-	(286,913)	215,700
Adjustment to income tax provision accruals	99,356	-	110,700
Stock-based compensation	67,241	-	-
Other	28,341	32,442	12,946
	$ 905,979	$1,518,946	$1,518,946

At December 31, 2007 and 2006, we had no remaining federal operating loss carryforwards. For 2005, federal operating loss carryforwards were used to reduce federal taxes payable by approximately $1,091,000.

The components of deferred tax assets (liabilities) at December 31 consist of the following:

	2007	2006
Current:		
Allowances	$ -	$ 69,500
Accrued employee benefits	388,700	84,000
State tax loss carryforwards	-	64,000
Other	17,667	-
Net current asset	$ 406,367	$ 217,500
Noncurrent:		
Depreciation and amortization	(308,927)	$ 295,200
Accrued employee benefits	131,994	141,800
State tax loss carryforwards	68,310	-
Net noncurrent (liabilities) assets	$ (108,623)	$ 437,000

We are subject to income taxes in the U.S. federal jurisdiction, various state, and Canadian jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. We completed a US Federal (IRS) tax examination for tax year 2005 during the past year. With few exceptions, we are no longer subject to US Federal or state and local tax examinations by tax authorities for years before 2004.

10. ACCOUNTING PRONOUNCEMENTS

We adopted the provisions of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. Previously, we had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards 5, *Accounting for Contingencies*. As required by Interpretation 48, which clarifies Statement 109, *Accounting for Income Taxes*, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, we applied Interpretation 48 to all tax positions for which the statute of limitations remained open. As a result of the implementation of Interpretation 48, we recognized no liability for unrecognized tax benefits, which would have been accounted for as a reduction to the January 1, 2007, balance of retained earnings.

We are subject to income taxes in the U.S. federal jurisdiction, various state, and Canadian jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. We completed US Federal (IRS) tax examinations for the 2005 tax year during the past year. With few exceptions, we are no longer subject to US Federal or state and local tax examinations by tax authorities for years before 2004. We have recorded no liability for unrecognized tax benefits during the year. If we were to record a liability for unrecognized tax benefits, interest and penalties would be recorded as a component of income tax expense.

In June 2006, the Financial Accounting Standards Bound ("FASB") issued FIN No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." ("SFAS 109"). FIN 48 clarifies the application of SFAS No. 109 by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements. Additionally, FIN 48 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 was effective for us on January 1, 2007.

Previously, the Company had accounted for tax contingencies in accordance with SFAS No. 5, "Accounting for Contingencies." As required by FIN 48, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied FIN 48 to all tax positions for which the statute of limitations remained open. At January 1, 2007, the Company's existing reserve for income tax uncertainties was not material. The Company recognized no additional liabilities for unrecognized tax benefits as a result of the implementation of FIN 48.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. However, on December 14, 2007, the FASB issued proposed FSP FAS 157-b, which would delay the effective date of SFAS 157 for all non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This proposed FSP partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. Effective for 2008, we will adopt SFAS 157 except as it applies to those non-financial assets and non-financial liabilities as noted in proposal FSP FAS 157-b. The partial adoption of SFAS 157 will not have a material impact on our consolidated financial position, results of operation or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," ("SFAS 159") which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We do not believe that the adoption of SFAS 159 will have a material effect on our financial position or results of operation.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(revised 2007), *Business Combinations* ("SFAS 141R"). SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, IPR&D and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. SFAS 141R is effective for fiscal years beginning after December 15, 2008 (our 2009 fiscal year). This statement will impact us if we complete an acquisition after the effective date.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest holders. SFAS 160 is effective for fiscal years beginning after December 15, 2008 (our 2009 fiscal year). We do not believe the adoption of SFAS 160 will have a material effect on our consolidated financial statements.

11. SIGNIFICANT CUSTOMER RELATIONSHIP

At December 31, 2007, 2006 and 2005, we had one customer relationship that provided 9.8%, 10.3% and 11.9% of our total revenue. For this customer, we provide fitness center management and employee wellness administration services for approximately 50 locations. The agreement with this customer was recently renewed and expires December 31, 2009, and will automatically renew for successive one year periods unless either party delivers written notice at least 90 days prior to termination. We believe that our relationship with this customer is good.

12. BUSINESS SEGMENTS

The following table provides an analysis of business segment revenue and gross profit for each of the years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
Revenue			
Fitness Management Services			
Staffing Services	$39,747,239	$39,670,546	$38,226,444
Program and Consulting Services	2,679,881	2,574,463	2,392,272
	42,427,120	42,245,009	40,618,716
Health Management Services			
Staffing Services	15,819,481	13,669,201	12,267,973
Program and Consulting Services	11,711,450	7,664,330	2,055,516
	27,530,931	21,333,531	14,323,489
Total Revenue			
Staffing Services	55,566,720	53,339,747	50,494,417
Program and Consulting Services	14,391,331	10,238,793	4,447,788
	$69,958,051	$63,578,540	$54,942,205
Gross Profit			
Fitness Management Services			
Staffing Services	$8,643,280	$8,861,829	$8,772,194
Program and Consulting Services	1,155,217	1,129,585	810,401
	9,798,497	9,991,414	9,582,595
Health Management Services			
Staffing Services	3,974,348	3,399,875	3,499,117
Program and Consulting Services	5,868,032	4,239,295	735,462
	9,842,380	7,639,170	4,234,579
Total Gross Profit			
Staffing Services	12,617,628	12,261,704	12,271,311
Program and Consulting Services	7,023,249	5,368,880	1,545,863
	$19,640,877	$17,630,584	$13,817,174

13. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Quarter ended			
	March 31,	June 30,	September 30,	December 31,
2007				
Revenue	$ 16,590,033	$ 16,979,167	$ 17,153,058	$ 19,235,793
Gross profit	4,809,894	4,755,433	4,884,726	5,190,824
Net earnings applicable to common shareholders	511,667	173,004	17,023	208,057
Net earnings per common share				
Basic	$ 0.03	$ 0.01	$ 0.00	$ 0.01
Diluted	0.03	0.01	0.00	0.01
Weighted average common shares outstanding				
Basic	19,306,797	19,702,693	19,834,858	19,887,125
Diluted	20,252,110	20,558,007	20,866,935	20,828,832

	Quarter ended			
	March 31,	June 30,	September 30,	December 31,
2006				
Revenue	$ 14,567,261	$ 15,575,130	$ 16,340,380	$ 17,095,769
Gross profit	3,604,480	4,160,014	5,278,628	4,587,462
Net earnings (loss) applicable to common shareholders	(1,013,191)	727,474	1,173,841	463,549
Net earnings (loss) per common share				
Basic	$ (0.07)	$ 0.04	$ 0.06	$ 0.02
Diluted	(0.07)	0.02	0.06	0.02
Weighted average common shares outstanding				
Basic	15,001,832	18,831,169	18,963,948	19,085,789
Diluted	15,001,832	20,310,830	19,550,662	19,823,346

HEALTH FITNESS CORPORATION

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Trade and other accounts receivable allowances:				
Year ended December 31, 2007	$ 283,100	$ 30,000	$ (68,800) (a)	$ 243,300
Year ended December 31, 2006	$ 200,700	$ 104,000	$ (21,600) (a)	$ 283,100
Year ended December 31, 2005	$ 210,700	$ 12,400	$ (22,400) (a)	$ 200,700

(a) Accounts receivable written off as uncollectible

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls

Our Chief Executive Officer and Chief Financial Officer, referred to collectively herein as the Certifying Officers, are responsible for establishing and maintaining our disclosure controls and procedures. The Certifying Officers have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 240.13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934) as of December 31, 2007. Based on that review and evaluation, which included inquiries made to certain other employees of the Company, the Certifying Officers have concluded that the Company's current disclosure controls and procedures, as designed and implemented, are effective in ensuring that information relating to the Company required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2007.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Limitations on Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. In addition, the design of any system of controls is based in part on certain assumptions about the likelihood of future events, and controls may become inadequate if conditions change. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Controls

There were no changes in the Company's internal controls over financial reporting during the fourth quarter of fiscal year 2007 that may have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On October 31, 2007, we entered into the Sixth Amendment to the Credit Agreement with Wells Fargo Bank, National Association. The Sixth Amendment adds a subfeature to the Credit Agreement pursuant to which Wells Fargo has agreed to issue standby letters of credit for our account from time to time, with an aggregate undrawn limit of $250,000. Each drawing paid under a letter of credit shall be deemed an advance under the revolving facility under the Credit Agreement. The foregoing description of the Sixth Amendment is qualified by the provisions of the Sixth Amendment, which is filed herewith as Exhibit 10.11.

On March 21, 2008, our Board of Directors approved the 2008 Executive Bonus Plan, which is set forth in Exhibit 10.45 filed herewith and incorporated by reference herein. Under this bonus plan, the Chief Executive Officer may receive a bonus of between 9.0% and 67.5% of base salary, the Chief Financial Officer may receive a bonus of between 4.6% and 34.5% of base salary and other executive officers may receive between 3.6% and 34.5% of their base salary. The level of bonus to be earned corresponds with the Company achieving between 93.4% to 110% of budgeted revenue objectives, and 78% to 110% of budgeted EBITDA objectives. No bonuses are earned if the Company achieves less than 93.4% of the planned revenue targets and less than 78% of the planned EBITDA targets.

Effective March 23, 2008, the 2008 fiscal year base salaries for the Company's Section 16 officers as approved by our Board of Directors are as set forth in Exhibit 10.46 filed herewith and incorporated by reference herein.

On March 24, 2008, we announced that our Board of Directors authorized the repurchase of up to $2.5 million of the Company's outstanding common stock. Please see Item 5 for a description of this share repurchase plan.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than the information included in this Form 10-K under the heading "Executive Officers of the Registrant," which is set forth at the end of Part I, the information required by Item 10 is incorporated by reference to the sections labeled "Election of Directors," "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance," all of which appear in our definitive proxy statement for our 2008 Annual Meeting.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the sections entitled "Executive Compensation," "2007 Director Compensation," and "Compensation/Human Capital Committee," all of which appear in our definitive proxy statement for our 2008 Annual Meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is incorporated herein by reference to the sections entitled "Principal Shareholders and Management Shareholdings" and "Equity Compensation Plan Information," which appear in our definitive proxy statement for our 2008 Annual Meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated herein by reference to the sections entitled "Corporate Governance – Independence" and "Certain Transactions," which appear in our definitive proxy statement for our 2008 Annual Meeting.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is incorporated herein by reference to the section entitled "Audit Fees," which appears in our definitive proxy statement for our 2008 Annual Meeting.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report.

(1) Financial Statements. The following financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K:

Report of Grant Thornton LLP on Consolidated Financial Statements and Financial Statement Schedule as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007

Consolidated Balance Sheets as of December 31, 2007 and 2006

Consolidated Statements of Operations for each of the three years in the period ended December 31, 2007

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2007

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2007

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules. The following consolidated financial statement schedule is included in Item 8:

Schedule II-Valuation and Qualifying Accounts

All other financial statement schedules have been omitted, because they are not applicable, are not required, or the information is included in the Financial Statements or Notes thereto

(3) Exhibits. See "Exhibit Index to Form 10-K" immediately following the signature page of this Form 10-K

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 26, 2008

HEALTH FITNESS CORPORATION

By /s/ Gregg O. Lehman Gregg O. Lehman, Ph.D. Chief Executive Officer	By /s/ Wesley W. Winnekins Wesley W. Winnekins Chief Financial Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes GREGG O. LEHMAN and WESLEY W. WINNEKINS his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	
/s/ Gregg O. Lehman Gregg O. Lehman, Ph.D.	Chief Executive Officer, President (principal executive officer) and Director	March 26, 2008
/s/ Wesley W. Winnekins Wesley W. Winnekins	Chief Financial Officer (principal financial and accounting officer)	March 26, 2008
/s/ Mark W. Sheffert Mark W. Sheffert	Chairman	March 26, 2008
/s/ Jerry V. Noyce Jerry V. Noyce	Director	March 26, 2008
/s/ K. James Ehlen, M.D. K. James Ehlen, M.D.	Director	March 26, 2008
/s/ Robert J. Marzec Robert J. Marzec	Director	March 26, 2008

/s/ John C. Penn John C. Penn	Director	March 26, 2008
/s/ Linda Hall Whitman, Ph.D. Linda Hall Whitman, Ph.D.	Director	March 26, 2008
/s/ Rodney A. Young Rodney A. Young	Director	March 26, 2008
/s/ David F. Durenberger David F. Durenberger	Director	March 26, 2008
/s/ Curtis M. Selquist Curtis M. Selquist	Director	March 26, 2008

EXHIBIT INDEX
HEALTH FITNESS CORPORATION
FORM 10-K

Exhibit No.	Description
3.1	Articles of Incorporation, as amended on September 20, 2004 – incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2004
3.2	Certificate of Designation, Preferences and Rights of Series A Convertible Preferred Stock – incorporated by reference to Exhibit 3.2 to our Registration Statement on Form S-1 filed January 13, 2006, File No. 333-131045
3.3	Certificate of Designation, Preferences and Rights of Series B Convertible Preferred Stock – incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated November 14, 2005
*3.4	Restated Bylaws of the Company, as amended February 11, 2008
4.1	Specimen of Common Stock Certificate – incorporated by reference to the Company's Registration Statement on Form SB-2, File No. 33-83784C
10.1	Lease Agreement dated May 2, 2007 between United Properties Investment LLC and the Company – incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007
10.2	Office Lease dated September 29, 2003 between CMD Realty Investment Fund II, L.P. and HealthCalc.Net, Inc. – incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007
10.3	First Amendment, dated April 29, 2005, to Office Lease dated September 29, 2003 between Parkway Commons, L.P. (f/k/a CMD Realty Investment Fund II, L.P.) and HealthCalc.Net, Inc. – incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007
10.4	Second Amendment, dated January 31, 2006, to Office Lease dated September 29, 2003 between Parkway Commons, L.P. and HealthCalc.Net, Inc. – incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007
10.5	Third Amendment, dated May 9, 2007, to Lease dated September 29, 2003 between Parkway Commons, L.P. and the Company – incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007
10.6	Credit Agreement dated August 22, 2003 between the Company and Wells Fargo Bank, National Association – incorporated by reference to Exhibit 10.11 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003
10.7	Second Amendment and Waiver of Defaults, dated May 14, 2004, to Credit Agreement dated August 22, 2003 between the Company and Wells Fargo Bank, N.A. – incorporated by reference to Exhibit 10.16 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2004
10.8	Third Amendment and Consent, dated December 29, 2004, to Credit Agreement dated August 22, 2003 between the Company and Wells Fargo Bank, N.A. – incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2004

Exhibit No.	Description
10.9	Fourth Amendment, dated June 6, 2006, to Credit Agreement dated August 22, 2003 between the Company and Wells Fargo Bank, N.A. – incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006
10.10	Fifth Amendment, dated September 27, 2007, to Credit Agreement dated August 22, 2003 between the Company and Wells Fargo Bank, N.A. – incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated September 27, 2007
*10.11	Sixth Amendment, dated October 31, 2007, to Credit Agreement dated August 22, 2003 between the Company and Wells Fargo Bank, N.A.
10.12	Securities Purchase Agreement dated November 14, 2005 – incorporated by reference to Exhibit 10.1 to our report on Form 8-K filed November 16,2005
10.13	Form of Warrant issued pursuant to the Securities Purchase Agreement dated November 14, 2005 – incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated November 14, 2005
10.14	Form of Amendment No. 1 to Warrants issued pursuant to the Securities Purchase Agreement dated November 14, 2005 – incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006
10.15	Registration Rights Agreement dated November 14, 2005 – incorporated by reference to Exhibit 10.2 to our report on Form 8-K filed November 16, 2005
10.16	Form of Amendment No. 1 to Registration Rights Agreement – incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006
10.17	Shareholders' Agreement dated December 23, 2005 between the Company, Peter A. Egan and John F. Ellis – incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated December 23, 2005
10.18	2005 Stock Option Plan – incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated June 7, 2005 (1)
10.19	Form of Incentive Stock Option Agreement under the 2005 Stock Option Plan – incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated June 5, 2005 (1)
10.20	Form of Non-Qualified Stock Option Agreement under the 2005 Stock Option Plan – incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated June 5, 2005 (1)
10.21	Amended and Restated 2005 Stock Option Plan – incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated May 21, 2007 (1)
10.22	Form of Incentive Stock Option Agreement under the Amended and Restated 2005 Stock Option Plan – incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated May 21, 2007 (1)
10.23	Form of Non-Qualified Stock Option Agreement under the Amended and Restated 2005 Stock Option Plan – incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated May 21, 2007 (1)
10.24	Company's 2007 Equity Incentive Plan – incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated May 21, 2007 (1)
10.25	Form of Restricted Stock Agreement under the 2007 Equity Incentive Plan – incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated May 21, 2007 (1)

Exhibit No.	Description
10.26	Cash Incentive Plan – incorporated by reference to Exhibit 10.43 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (1)
10.27	Employment Agreement dated December 1, 2006 between the Company and Gregg O. Lehman, Ph.D. – incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K dated November 30, 2006 (1)
10.28	Restricted Stock Agreement dated January 1, 2007 between the Company and Gregg O. Lehman, Ph.D. – incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (1)
10.29	Employment Agreement dated February 9, 2001 between the Company and Wesley W. Winnekins – incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2000, File No. 000-25064 (1)
10.30	Amendment, dated December 21, 2006, to Employment Agreement dated February 9, 2001 between the Company and Wesley W. Winnekins – incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (1)
10.31	Employment Agreement dated March 1, 2003 between the Company and Jeanne Crawford – incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, File No. 000-25064 (1)
10.32	Amendment, dated December 21, 2006, to Employment Agreement dated March 1, 2003 between the Company and Jeanne Crawford – incorporated by reference to Exhibit 10.12 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (1)
10.33	Employment Agreement dated December 8, 2003 between the Company and Brian Gagne – incorporated by reference to Exhibit 10.10 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2005 (1)
10.34	Amendment, dated December 21, 2006, to Employment Agreement dated December 8, 2003 between the Company and Brian Gagne – incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (1)
10.35	Employment Agreement dated August 13, 2001 between the Company and Dave Hurt – incorporated by reference to Exhibit 10.12 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (1)
10.36	Employment Agreement dated December 8, 2003 between the Company and Katherine Hamlin – incorporated by reference to Exhibit 10.13 to our Form 10-K for the fiscal year ended December 31, 2005 (1)
10.37	Amendment, dated December 21, 2006, to Employment Agreement dated December 8, 2003 between the Company and Katherine Hamlin – incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (1)
10.38	Employment Agreement dated December 23, 2005 between the Company and John F. Ellis – incorporated by reference to Exhibit 10.16 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (1)
10.39	Amendment, dated December 21, 2006, to Employment Agreement dated December 23, 2005 between the Company and John F. Ellis – incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (1)
10.40	Employment Agreement, dated February 1, 2008, between the Company and John E. Griffin – incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated January 31, 2008 (1)

Exhibit No.	Description
10.41	Employment Agreement, dated February 1, 2008, between the Company and James O. Reynolds – incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated January 31, 2008 (1)
10.42	Agreement for Separation From Employment, dated January 31, 2008, between the Company and Jerry V. Noyce – incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated January 31, 2008 (1)
10.43	Consulting Agreement, dated January 31, 2008, between the Company and Jerry V. Noyce – incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated January 31, 2008 (1)
*10.44	Director Compensation Arrangements for fiscal year 2008 (1)
*10.45	2008 Executive Bonus Plan (1)
*10.46	Compensation Arrangements for Executive Officers for Fiscal Year 2008 (1)
*11.1	Statement re: Computation of Earnings per Share
21.1	Subsidiaries - incorporated by reference to Exhibit 21.1 to our Annual Report on Form 10-K for the year ended December 31, 2004
*23.1	Consent of Independent Registered Public Accounting Firm
*31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith
(1) Indicates management contract or compensatory plan or arrangement

Condition Management Proposal for State of Nebraska

HealthFitness is pleased to offer this proposal to integrate the State's condition management program into our EMPOWERED® Coaching program effective in April, 2012, providing an end-to-end coaching continuum in which participants are assigned to work with the coach who is most appropriate for their needs at any given time.

Program Overview

Individuals who are identified through claims and/or other data (HRA, biometrics) as having a chronic condition will be stratified into one of two coaching levels: Advanced Practice Coaches, who will work with participants who are chronic but who are already effectively managing their condition; and Nurse Coaches, who will work with chronic participants whose clinical needs are more significant.

Advanced Practice Coach (~75% of chronics)

Our Advanced Practice Coaches (APCs) are our most skilled/senior health coaches, all of whom have additional training in the basic clinical guidelines of chronic condition management. Chronic members who work with an APC will not spend their time focused on clinical issues – the fact that our triage process placed them with an APC is indicative of the fact that they are managing their clinical care plans fairly well. Rather, the APC will work with these individuals on lifestyle-focused goals and the behaviors that support healthy lifestyle changes. APCs are also, however, cognizant of the participant's underlying chronic condition, and they will focus their interventions on those lifestyle risks that both underlie and exacerbate the condition. Furthermore, APCs are trained to look out for "red flags" in a participant's clinical profile that could merit either a consult with or transfer to a Nurse Coach.

Nurse Coach (~25% of chronics)

Our Nurse Coaches are just that – registered nurses who are skilled not just in helping participants understand and adhere to their clinical care plan, but who are also trained in the behavior change techniques that make our EMPOWERED® coaching so effective. Participants who are assigned to work with a Nurse Coach have conditions that are not being managed appropriately, have multiple gaps in care, and/or comorbidities. Interactions between a participant and a Nurse Coach will be focused on addressing the participant's clinical needs, e.g. gaps in care, medication adherence and care coordination. Once a participant has their clinical issues under control, the Nurse Coach will transfer them to work with an APC on their lifestyle issues. This is a seamless transition designed with the participant experience of utmost importance. All data related to the participant's prior interventions is available to the new coach as well as for reporting purposes.

Transition

Our primary objective throughout the transition process will be to ensure a smooth experience for participants who are actively working with a Nurtur coach today (548 as of 9/30/11). Once we have successfully transitioned current participants into their new coaching relationships, we will begin the process of stratifying and outreaching to the rest of the State's condition-identified population.

If the State decides to move forward, our detailed transition plan/timeline will include the following elements:

Interface with current vendor (Nurtur)

- Provide Nurtur with notice of termination (120 day notice required per contract)
- Hold introductory transition meeting to:
    - Discuss transition process
    - Identify appropriate contacts
    - Introduce NDA process
    - Determine next steps
    - Determine need for ongoing transition meetings

Participant Communications

- Develop plan for Nurtur contact with active participants
    - Introduce program change
    - Describe transition timing
    - Develop scripting for inbound and outbound calls
- Develop/send transition mailing to active participants
- Perform transition outreach/enrollment
- Develop communications plan for non-active participants

Data

Since we are already receiving a monthly medical and pharmacy claims data from (CARRIER) and (PBM), respectively, we anticipate little to no additional data requirements on the State's part. Once we get the go-ahead to move forward, we will begin the process of mapping the State's data into our systems.

High-Level Timeline (assuming April 1, 2012 implementation)

November 15, 2011 *Obtain State of Nebraska approval*

December 1, 2011	Notify Nurtur of contract termination
	Finalize detailed transition timeline
	Meet with Nurtur to structure transition plan
	Begin loading claims/Rx data into HealthFitness triage engine
	Draft transition communication materials & scripting
January, 2012	Finalize transition communication materials & scripting
	Nurtur begins to communicate transition on calls
February, 2012	Mailing to active CM participants communicating program change
	Outreach to enroll active CM participants
March, 2012	Continue outreach to enroll active CM participants
April, 2012	First HealthFitness coaching sessions for active CM participants
	Continue outreach to enroll active CM participants
May, 2012	Stratification of remainder of State's condition-identified population
	Begin outreach to larger population

Pricing

We are pleased to offer a pricing model that provides the State with economies given our existing relationship.

Current (Nurtur) Per Participant Per Month Fees PY 3	Active Coaching - APC	Active Coaching - NC	Mail Only
Asthma	n/a	26.36	26.36
Congestive Heart Failure	n/a	36.87	36.87
Coronary Artery Disease (CAD)	n/a	30.16	30.16
COPD	n/a	28.18	28.18
Diabetes	n/a	37.84	37.84
Back Pain	n/a	42.18	42.18
Depression	n/a	42.18	42.18

Proposed (HealthFitness) Per Participant Per Month Fees	Active Coaching - APC	Active Coaching - NC	Mail Only
Asthma, CHF, CAD, COPD, Diabetes, Back Pain, Depression	48.50	83.00	5.00

Maternity Management Fees:
Screening for Maternity Management Services $14.00 Per Participant
Low Risk Maternity Management $93.00 Per Participant

Estimated Monthly/Annual Fees Based on Current Enrollment Levels (as of 9/30/11)

	Active Coaching - APC	Active Coaching - NC	Mail Only	Monthly Fees	Annual Fees
Current CM Pricing	N/A	548	945	50,953.89	611,446.68
Proposed CM Pricing (estimated based on stratification assumptions)	438	110	945	35,098.00	421,176.00

Notes:

This pricing would be effective for the remainder of the State's contract with HealthFitness .

Participants who are currently being co-managed by HealthFitness and Nurtur will be assigned to one HealthFitness coach. If HealthFitness has already billed the State for lifestyle coaching for a chronic participant we will transfer that participant to either an Advanced Practice Coach or a Nurse Coach, but will not begin charging the Per Participant Per Month fees outlined above until the next program year.

NEBRASKA AdministrativeServices
Dave Heineman, Governor

Carlos Castillo, Jr.
Director

ADDENDUM TWO

DATE: February 11, 2009

TO: All Vendors

FROM: Ruth Gray, Buyer
State Purchasing Bureau

RE: RFP Number 2787Z1

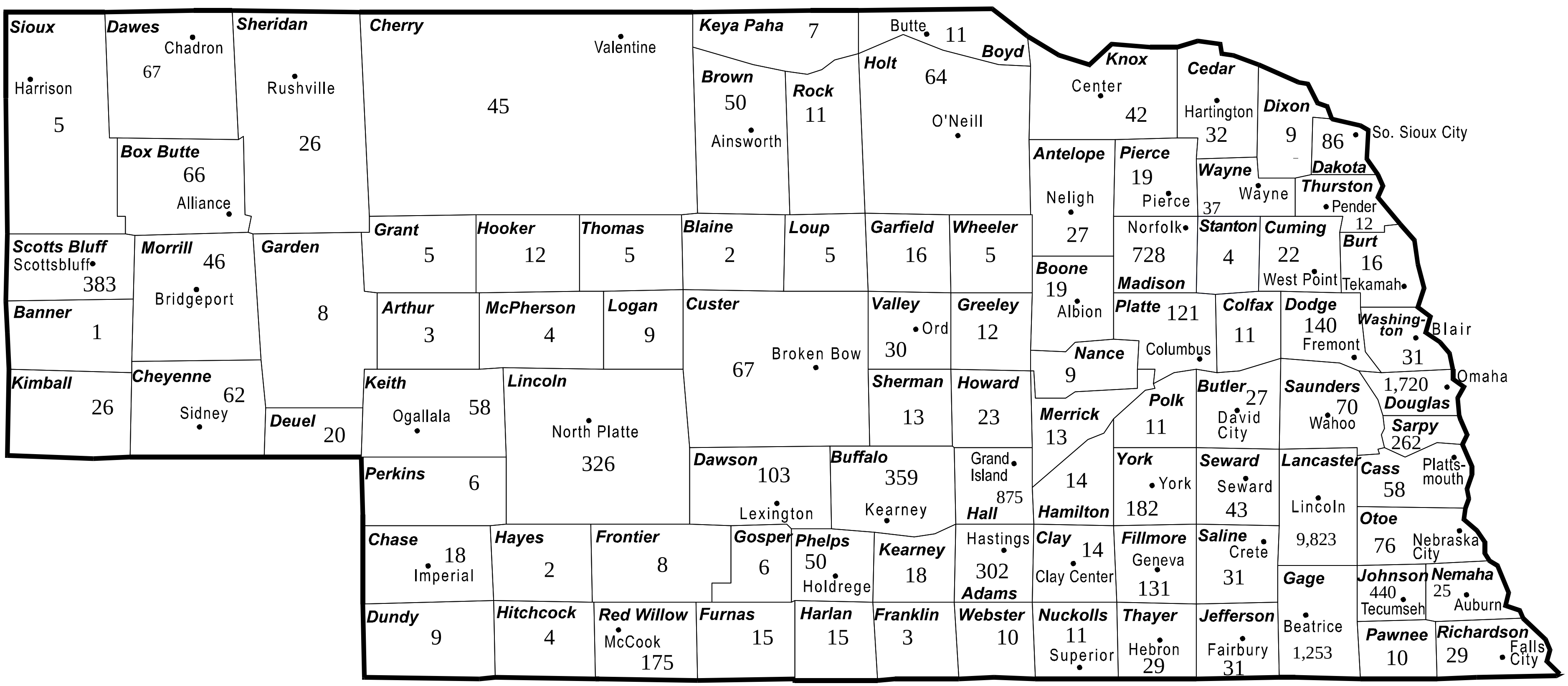
SCOPE OF ADDENDUM

Addendum One is hereby amended as follows:

Please disregard the map attached to Addendum One. The corrected map of Nebraska State Employees by County is attached.

This addendum will become part of the proposal and should be acknowledged with the RFP.

NEBRASKA STATE EMPLOYEES BY COUNTY
For RFP #2787Z1
February 2009



ADDENDUM ONE

DATE: February 10, 2009

TO: All Vendors

FROM: Ruth Gray, Buyer
State Purchasing Bureau

RE: Questions and Answers for RFP Number 2787Z1
to be opened February 20, 2009 at 2:00 PM Central Time

Following are the questions submitted and answers provided for the above mentioned Request For Proposal. The questions and answers are to be considered as part of the Request For Proposal.

QUESTIONS	ANSWERS

QUESTIONS	ANSWERS
I understand that the State is deploying a new PPO plan, which I am sure represents a lower cost option to the State. However, noting that the State has decided to offer the wellness program only to employees who select this new plan, "Employees enrolled in other health plans offered by the State will not have the ability to enroll in the Wellness Program, " it appears this policy position may not be entirely consistent with the project requirements, viz., (see below) PROJECT REQUIREMENTS The State's long-term strategy is to develop and implement plans and programs that: 1. Are based on current and future cost drivers, using State-specific data (where available) to support initiatives and measure program effectiveness 2. Have a total population focus 3. Lead to long-term, sustainable behavior change 4. Address a broad view of health and well-being issues 5. Are flexible, repeatable and scalable 6. Are all inclusive I think I can safely assume that the reason behind this position is the desire to move more employees into this new PPO. If this is not a correct assumption, please help me understand the reason. Additionally, I would like to suggest that consideration be given to the option of allowing all state employees to receive the benefit from the lifestyle improvement programs and perhaps using other incentives to entice employees into the PPO plan, rather than narrowing the opportunity for the State to benefit from the medical cost savings from all employees.	It is the State's intent to allow all eligible employees to have access to the wellness program. However to take advantage of the wellness medical plan design benefits, they must complete the wellness program criteria. Following is a description of the expected eligibility criteria for the wellness program and wellness medical plan designs, including future enhancements. **Wellness Program Eligibility** All benefit eligible employees will have access to complete the health assessment during 2009/2010 open enrollment, which is the entry point for access to the Wellness Medical Plan for this benefits year only. All benefit eligible employees will have access to all on-line tools and resources. Additional programs will be determined by vendor engagement. This allows a comprehensive program approach to be rolled out to the entire population, creating a supportive culture of health and driving behavior change throughout the organization. **Wellness Medical Plan Eligibility** Access to this plan, for the benefits year 2009/2010, is dependent upon employees completing the Health Assessment during open enrollment (April 20 – May 18, 2009). Access to this plan going forward, will require benefit eligible employees to complete defined activities, prior to open enrollment of the following year. **Three Year Approach:** Access to the Wellness Medical Plan for benefits year 2010/2011 requirements: Completion of the following between July 1, 2009 & March 31, 2010 - Health Assessment - Biometric Screening - One Wellness Activity

QUESTIONS	ANSWERS
I will simply add that in my experience with many companies across the country who have taken such a position have ended up changing this position sooner or later. Although we would love to participate in the RFP, we will have to decline if this remains the current policy. We have unfortunately experienced the repercussions of similar implementations which prevent us in good faith from supporting the approach (essentially our success would be significantly impacted by the potential disfavor among employees this policy could create). I hope you understand I am simply offering an observation and perspective.	Access to the Wellness Medical Plan for benefits year 2011/2012 requirements: Completion of the following between April 1, 2010 & March 31, 2011 - Health Assessment - Biometric Screening - Two Wellness Activities Access to the Wellness Medical Plan for benefits year 2012/2013 requirements: Completion of the following between April 1, 2011 & March 31, 2012 - Health Assessment - Biometric Screening - Three Wellness Activities
The RFP Schedule of Events indicates the contract will be awarded on March 20, 2009, and the contractor start date is April 1, 2009. Section II.C. states that the selected contractor is prohibited from communicated with State staff until a contract is signed and Section III.O. states that no billable work may begin until a valid contract has been fully executed by the State and the selected contractor. Further, Section IV.A. indicates that the State is requesting proposals for a Wellness Program to be launched with Open Enrollment on April 13, 2009. **a)** Is it the State's expectation that the chosen vendor would implement the Wellness Program within the one-and-one-half-week period between April 1 and April 13, 2009? **b)** If so, which specific program elements would be required for the April 13, 2009 launch? Section IV.A. references Health Assessment Tools and communication pieces; Section IV.E. states the Wellness Program would include health risk assessment tools, educational content, health tools and resources, on-line and on-site educational programs, on-line activity tracking, telephonic health coaching, comprehensive reporting, and day-to-day on-site management.	**a)** The State intends to start the contract with the wellness vendor on April 1, 2009. The State intends to conduct statewide educational meetings the week of April 13, 2009. The wellness vendor is expected to participate in these statewide educational meetings. The State intends for the wellness vendor to have the Health Assessment up and running by April 20, 2009, the start of the open enrollment period. Communication pieces for this initial launch are nearly complete and will just need vendor details laid into the designed communication piece. Moving forward the State will work with the selected vendor to utilize communication templates and verbiage. **b)** The only program element required for the launch on April 13, 2009, is the Health Assessment. The State will incorporate any wellness vendor communication materials available with the State's overall communication strategy. **c)** The State is looking for a dedicated wellness coordinator that would be accessible to each State location to manage the program, interact with employees and be the face of wellness for the State. The Wellness Coordinator must meet the requirements as shown in Section IV.F.6 on page 28 of the RFP. The full time wellness coordinator is not required as of April 13,

QUESTIONS	ANSWERS
c) Is the State expecting the selected vendor to provide a dedicated Wellness Coordinator to manage all wellness program activities on-site by April 13, 2009?	2009. The State will work with the selected vendor to establish reasonable expectations of when the full time coordinator should be in place. Initial expectations would be no later than July 1, 2009.
Please provide more details regarding the State's expectations for customization of a health assessment, communications and educational materials, and would the State expect these customizations to be implemented for the April 13, 2009 Open Enrollment program launch?	The State does not have specific health assessment customization needs at this time, but would like to know the capability, timeframes needed and cost if the need does arise. Communication pieces for the initial launch are nearly complete and will just need vendor details laid into the designed communication piece. Moving forward the State will work with the selected vendor to utilize communication templates and verbiage and customize as appropriate.
The word document that is titled "State of Nebraska (State Purchasing Bureau) Request for Proposal for contractual services Form" In section IV. Section D, it ask's questions, do we type the answers into the document and print it, or do you want those in a seperate format?	Please provide all answers on an attachment with the page, section and subsection indicated such as Page 23, Section IV, D – Business Requirements or you can type the answers into the document and include this as a separate section in your proposal.
I am in the Process of preparing a RFP for 2787z1, and it asks for a proposal. We need to know the number of employees that the insurance benefits cover, the insurance coverage renewal date, and whether you are self funded, or fully insured in order to submit a proposal accuratly of our services.	There are approximately 17,000 state employees eligible for employee benefits coverage of which 14,000 currently are enrolled in one of the health plans. The health insurance renewal date is July 1 of each year.. The State of Nebraska is self funded.

QUESTIONS	ANSWERS
How many screening locations are desired and what is the eligible count for each location?	The number of screening locations will be dependent upon the enrollment in the wellness health plan. The State will work with the selected vendor to determine the threshold of employees participating in the wellness health plan to determine where on site biometric screenings will be conducted. In areas with less than the threshold of employees participating in the wellness health plan, it is expected that the screenings will be conducted at a local lab or physician's office and sent to the wellness vendor. Pricing for screenings should reflect the vendor's preferred approach to conducting screenings in rural areas with low head count. See attached map of Nebraska State Employees by County as part of this document.
Is there flexibility around the launch date? Our typical implementation period is approximately 90 days.	See answer to Question 2 for the expected implementation timeline for the launch of the wellness program.
Please clarify that you are interested in disease management as part of this rfp.	Currently the State does not have a Disease Management (DM) program and is interested in Disease Management capabilities as they integrate with wellness. Please describe your approach to DM, whether it is a traditional model or a modified DM approach, if you outsource or manage internally and costs for such services. If you do not provide these services, please indicate as such. The State will evaluate the scope of all available services and determine which services make most sense to implement now and consider for a later date.
Section IV states the bidder must provide the following information, including D.1-5 Business Requirements. In which section of the proposal would the State prefer to have these Business Requirements addressed?	Please provide all answers on an attachment with the page, section and subsection indicated such as Page 23, Section IV, D – Business Requirements or you can type the answers into the document and include this as a separate section in your proposal.
Section F.1. Technical Requirements/Program Components states "Check how the employee receives program assistance and whether they are proprietary or outsourced." Can you please clarify what this is referencing and what information the State is looking for in response?	This section refers to the table on page 24. The State requests that for each program description listed the vendor should indicate how the service is delivered – either online, telephone, face-to-face or mail based – and whether the service is proprietary or outsourced.

QUESTIONS	ANSWERS
Can the cost of screenings be billed and reimbursed by the health plan	The costs of the screenings will be paid by the State's wellness program budget.
For what conditions, and at what level will your current Disease Management vendor provide coaching; what coaching level would you want from the selected wellness vendor to avoid duplication.	See answer to Question 8.
Please provide a summary of benefits for the two health plans that will be available to employees, and your assumptions regarding the number of employees that will enroll in each plan	The wellness health plan has not been finalized. However, the State is targeting first year participation in the wellness health plan of 20%.
Please provide a list with location and the number of employees eligible for the wellness program	See attached map of Nebraska State Employees by County as part of this document.
Please provide a list of the locations that you intend to conduct biometric screenings at	See answer to Question 6.
I. Scope of Proposal 5-year rate guarantee period, with option to renew in 2 one-year intervals. Please verify if 5-year guarantee can be by quoted with per year fees?	The State is looking for vendors to provide component pricing for each of the various program requirements on a fixed price basis. It is not the desire of the State to pay one annual fee. The State does not require that the same fee apply to all 5 years, however a fee must be provided for each of the 5 years.
IV. Project description and Scope Section F.6 Bidder is to provide a dedicated "Wellness Coordinator". Is there a similar position at the State? Or is the intent that the bidder's coordinator maintains all the records for the program; notifies the State only who is on the coverage for payroll and advises the member which plans they should be enrolled in? This position will then be responsible for directing the State's program?	There is no current wellness coordinator position within the State. The State is looking for a vendor to provide a dedicated person who will help coordinate all wellness activities, manage the day to day operations of the program, and interface with the State's Benefit and HR team to achieve designated goals and to be the outward employee face of the program.
IV. Project description and Scope Section F.6 Will there be regional coordinators or wellness coaches throughout theState to assist? One Coordinator working with a team approach at various locations? Explain the hierarchy of the "employee committees".	There are no wellness coaches or coordinators throughout the State. The State will be looking for the wellness coordinator to establish and manage "wellness champions" throughout the organization.

QUESTIONS	ANSWERS
Pages 7-21, III. Terms and Conditions, Sections A-ZZ. Please clarify whether or not the Terms and Conditions, as stated on pages 7-21, must be affirmatively accepted and included in bidders' proposal responses? If yes, should the pages be included behind the Contractual Services Form or elsewhere as part of the proposal response?	Yes, Section III. Terms and Conditions, A-ZZ must be included as a tab as part of the bidder's proposal response.
Page 22, IV. Project Descriptions and Scope of Work, B. Project Environment. The RFP clearly states that the "State of Nebraska does not have a comprehensive Wellness Program." Please clarify whether or not the State has a Disease Management Program? If yes, who is the vendor and how long have they provided services for the State's employees?	The State does not currently have a Disease Management Program.
Page 22, IV. Project Description and Scope of Work, B. Project Environment. The RFP states that a number of agencies have worksite wellness activities or programs already in place. Which activities have generated the highest levels of employee participation? Which activities have generated positive results? Please describe so that we can better understand your culture.	A few agencies have implemented their programs independently; therefore, that data is not available.
Page 22, IV. Project Description and Scope of Work, C. Project Requirements. The RFP states that the State of Nebraska is implementing a new PPO health plan. Who are the State Purchasing Bureau's other external vendor partners under contract, including the PPO health plan?	The State of Nebraska's health plan administrator is Blue Cross Blue Shield of Nebraska and the PBM is Express Scripts.
Page 22, IV. Project Description and Scope of Work, A. Project Overview and C. Project Requirements. The RFP states that the State's employees enrolled in the PPO health plan will be enrolled and participate in the Wellness Program. Please confirm that 14,000 employees are enrolled in the PPO health plan and that bidder's pricing should be based on 14,000 employees. Please also confirm that employees enrolled in another health plan, will not be eligible for the Wellness Program.	All benefit eligible employees will have access to complete the health assessment during 2009/2010 open enrollment, which is the entry point for access to the Wellness Medical Plan for this benefits year only. All benefit eligible employees will have access to all on-line tools and resources. Additional programs will be determined by vendor engagement. This allows a comprehensive program approach to be rolled out to the entire population, creating a supportive culture of health and driving behavior change throughout the organization.

QUESTIONS	ANSWERS
Page 22, IV. Project Description and Scope of Work, C. Project Requirements. How does the State define “active participation?” How does the State envision reinforcing the requirement that each employee “actively participate” in the Wellness Program in order to continue to be eligible for the PPO Plan?	The State’s current vision is that employees will jump start into the Wellness Medical Plan by taking the Health Assessment during the 2009/2010 open enrollment period, beginning April 20, 2009. From that point forward, employees will be required to meet the following standards each year, prior to open enrollment, to be eligible for the Wellness Medical plan. If they do not meet the requirements for participation, they will not have access to the Wellness Medical Plan during open enrollment and will have the option to choose one of the other State health plans. Access to the Wellness Medical Plan for benefits year 2010/2011 requirements: Completion of the following between July 1, 2009 & March 31, 2010 - Health Assessment - Biometric Screening - One Wellness Activity Access to the Wellness Medical Plan for benefits year 2011/2012 requirements: Completion of the following between April 1, 2010 & March 31, 2011 - Health Assessment - Biometric Screening - Two Wellness Activities Access to the Wellness Medical Plan for benefits year 2012/2013 requirements: Completion of the following between April 1, 2011 & March 31, 2012 - Health Assessment - Biometric Screening - Three Wellness Activities The State is open to working with the chosen vendor to tailor this approach, depending on capabilities and tracking sophistication (i.e. meeting defined goals or making health status improvement).
Page 22, IV. Project Description and Scope of Work, C. Project Requirements. How does the State define “active participation?” Will there be timeframes established and specific engagement behaviors defined that equal “participation”?	See answer to Question 24 for the timeframes. The State will work with the selected vendor to determine the specific engagement behaviors.

QUESTIONS	ANSWERS
Page 22, IV. Project Description and Scope of Work, C. Project Requirements. How does the State define “active participation?” Specifically, we are trying to understand where the State is on the Wellness continuum in order to make recommendations. Is participation measured quarterly or annually and reported back to the PPO?	The State anticipates participation will be reported annually and eligibility compliance will be reported back to the State.
Page 22, IV. Project Description and Scope of Work, C. Project Requirements. How does the State define “active participation?” What happens if a participant does not continue “active” participation in the Wellness program?	If they do not meet the requirements for participation, they will not have access to the Wellness Medical Plan during open enrollment and will have the option to choose one of the other State health plans.
Page 22, IV. Project Description and Scope of Work, C. Project Requirements. How does the State define “active participation?” What type of medical coverage will they default to for failure to participate in the Wellness Program?	If an employee failed to meet eligibility requirements in the Wellness Program, they will be defaulted to the Regular PPO plan.
Are only the State’s employees included in the Wellness Program or will the Wellness Program also be offered to the employees’ dependents? If the Wellness Program will be offered to the employees’ dependents, what dependency factor should bidders use in their pricing calculations?	At this point in time the wellness program is only for State employees, Spouses are being considered for year 2. There are 6,090 spouses currently enrolled in one of the current health plans. Bidders should price accordingly.
Page 23, IV. Project Description and Scope of Work, E. Scope of Work. Specific to the State’s evaluation of which risk assessment approach is preferred, what is the State’s point of view as to the advantage of an individual being identified for services via the HRA over a Biometric Screening or vice versa? We are interested in your perspective of choosing one over the other and/or the consideration of both as a vehicle for assessing the overall health status of an individual. In our experience the majority of clients choose both methods as a means to increase enrollment and active engagement, thus leading to improved health and reduced overall costs.	The State understands the value of biometric screenings and the role those values play in assessing an individuals health. With this, biometrics will be part of the overall programming moving forward, but due to time constraints, it is not feasible to do biometric screenings with the initial launch. The State requests that employees could self-report these values if they have them, but biometric values will NOT be required for health assessment completion during the initial launch.

QUESTIONS	ANSWERS
Page 24, IV. Project Description and Scope of Work, F. Technical Requirements. Please clarify whether or not the successful vendor will be expected to manage the chronic conditions listed in the grid on page 24 – Asthma, COPD, Diabetes, CHF, CAD, Musculoskeletal, Depression, Back Pain, Cancer, and Pregnancy?	Currently the State does not have a DM program and is interested in Disease Management capabilities as they integrate with wellness. Please describe your approach to DM, whether it is a traditional model or a modified DM approach, if you outsource or manage internally and costs for such services. If you do not provide these services, please indicate as such. The State will evaluate the scope of all available services and determine which services to implement now and those considered for a later date.
Page 24, IV. Project Description and Scope of Work, F. Technical Requirements. How does the State define “Care Gaps” which is listed under Chronic Conditions (DM)?	The State is interested in both DM focused and wellness/preventive focused care gaps, that follow evidence-based medicine and standards of care. The State understands that different vendors may have different definitions of care gaps. Please respond with an explanation of your approach to care gaps.
Where in Attachment A, Pricing for Wellness Program should pricing be provided for the Chronic Condition (DM) programs?	Please provide your DM pricing based on your program model and fee structure. Attachment A defines an Other category under #9 Incidentals. Please provide all DM programs and pricing under this category.
What prevalence assumptions should bidders use for each of the Chronic Conditions? To facilitate the State’s efforts to conduct an “apples to apples” bidders’ comparison, pricing should be based on consistent prevalence numbers instead of bidders’ individual book of business numbers.	The State does not have any prevalence data available. Please use either industry standard averages or averages based on your book of business.

QUESTIONS	ANSWERS
Page 22, Section IV. Project Description and Scope of Work, B. Project Environment. We are trying to understand to what degree Disease Management (DM) plays a role in the State's Wellness Program based on the language in the RFP – "For the Purpose of this RFP, Wellness Program(s) is assumed to include Disease Management Programs as required for various Chronic Conditions for those enrolled." Are we to assume that the State desires more of a "DM Lite" program model whereby participants are managed based on their input in the Health Risk Assessment (HRA) tool and/or Biometric Screening results? Or will the successful vendor manage a more comprehensive DM program and receive claims data from the State in order to proactively identify, outreach and engage individuals with the Chronic Conditions?	See answer to Question 8.
Page 31, V. Proposal Instructions. Should responses to the subdivisions of the Project Description and Scope of Work section – C. Project Requirements, D. Business Requirements, E. Scope of Work, F. Technical Requirements, G. Project Planning and Management, H. Perform Implementation, I, Provide Post Implementation Support and J. Deliverables – be provided before or after the four (4) sections of the Technical Proposal in the hardcopy submission? We are assuming that the subdivisions should follow A. 4. Technical Approach, but wish to confirm the order desired by the State.	The State recommends your proposal response be structured in the same order as the RFP.
Page 35, V. Proposal Instructions, B. Cost Proposal Requirements, 1. Pricing Summary. The RFP states that bidders must present the total fixed price. Please clarify if the "total fixed price" should be a fixed program fee that remains constant for all five (5) contract years or are CPI escalators acceptable?	The State is looking for vendors to provide component pricing for each of the various program requirements on a fixed price basis. It is not the desire of the State to pay one annual fee. The State does not require that the same fee apply to all 5 years, however a fee must be provided for each of the 5 years. CPI escalators are not acceptable.
Attachment A, Pricing for Wellness Program. Is the Onsite Client Manager in Attachment A the same as the Wellness Coordinator referenced in the RFP? If no, what are the duties/responsibilities of the Onsite Client Manager?	The Attachment A of RFP is hereby amended to omit any reference to an "Onsite Client Manager (assumes full time at State)" to be replaced by "Wellness Coordinator". The State does not require the Wellness Coordinator to be full time at the State.

QUESTIONS	ANSWERS
What is the State's projected budget for the Wellness Program, including the management of Chronic Conditions (DM)?	The total estimated value of the contract or projected budget for this project is not included in the Request for Proposal as the State urges all prospective bidders to respond with their most competitive bid based on their proposed solution to the project objectives as outlined in the Request for Proposal and not one based on an estimated value of the contract or projected budget. The State has developed an adequate budget for the scope of services included in this RFP.
Page 16, III. Terms and Conditions, DD. Performance Bond. Will there be measurable performance objectives that are defined and agreed upon prior to the contract start date relative to the exercise of the $200,000 Bond?	No, the performance bond is required as listed in Section I.A Schedule of Events, #10.
Page 1, I. Scope of the Request for Proposal, A. Schedule of Events. Can the State define Contractor Start Date? Is the successful vendor expected to have successfully established an eligibility feed by this date and be fully operational from a systems perspective in order to have participants take the HRA online? Or is this the date that the State would like to begin the visibility campaign for the program via Open Enrollment activities with the formal launch of the program occurring the following month?	The State intends to start the contract with the wellness vendor on April 1, 2009. The State intends to conduct statewide educational meetings the week of April 13, 2009. The wellness vendor is expected to participate in these statewide educational meetings. The State intends for the wellness vendor to have the Health Assessment up and running by April 20, 2009, the start of the open enrollment period. Communication pieces for this initial launch are nearly complete and will just need vendor details laid into the designed communication piece. Moving forward the State will work with the selected vendor to utilize communication templates and verbiage.
Does the State collect both employees' home and cellular phone numbers? What percentage of the phone numbers received are accurate?	The State collects home and cellular phone numbers through their online open enrollment process. Accuracy of these numbers is not confirmed by the State.
What percentage of the State's employees has access to computers and the internet in order to access online educational information or complete a health risk assessment (HRA)?	To the best of our knowledge, all employees would have access to a computer through their State Agency.

QUESTIONS	ANSWERS
The State desires a contractor start date of 4/1/09, however, the employee benefit plan start date is reflected as 7/1. It is also noted that HRA tools and member communications should be available for Open Enrollment on 4/13/09. Please clarify which services are expected to be available on 4/1/09, any additional services that should be available on 4/13/09, and those that can commence on the plan start date, 7/1/09, when claims data becomes available (eg., in order to start the Disease Management ID and Stratification process).	The State intends to start the contract with the wellness vendor on April 1, 2009. The State intends to conduct statewide educational meetings the week of April 13, 2009. The wellness vendor is expected to participate in these statewide educational meetings. The State intends for the wellness vendor to have the Health Assessment up and running by April 20, 2009, the start of the open enrollment period. Communication pieces for this initial launch are nearly complete and will just need vendor details laid into the designed communication piece. Moving forward the State will work with the selected vendor to utilize communication templates and verbiage.
Please clarify what is meant by a "fixed-price contract." Is the state looking for a fixed total contract price, fixed year-over-year rates for PMPM pricing, etc?	The State is looking for vendors to provide component pricing for each of the various program requirements on a fixed price basis. It is not the desire of the State to pay one annual fee. The State is open to an activity based pricing model based on participant engagement.
Re: Terms and Conditions, Section A: General -- outlines various pieces of documents that will be incorporated into the contract, but can the contract also incorporate additional items (such as our standard contract and work order language)?	These items are not among those specified. Bidder is free to submit any material in bidder's proposal response as it wishes. The State will accept or reject the additional materiel as necessary and appropriate.
Re: Section Y. Early Termination, Clause #3i. Please clarify what is meant by a "Vendor Performance Report.	Please find a link to the "Vendor Performance Report" referenced in III.Y.3.i. http://www.das.state.ne.us/materiel/purchasing/agencycommoditiesprocurementmanual/VendorPerformanceReport.doc
Re: Page 18, Section OO. Proprietary Information -- It states that all proprietary information the bidder wishes the State to withhold must be submitted in a sealed package, which is separate from the remainder of the proposal. Do we still need to submit an original and 6 copies of all proprietary materials in the separate package?	Yes, an original and six (6) copies of all proprietary materials should be submitted in a separate package.

QUESTIONS	ANSWERS
Please define/describe Population Based Health Challenges as a program, as referenced on page 24 of the RFP. Does this refer to something like "10,000 Steps" or a "Biggest Loser" program, for example?	Yes, the State is looking for population based activities that reinforce healthy behaviors and encourage the entire group to participate, not just targeted individuals.
Is it the State's expectation that the dedicated Wellness Coordinator and the on-site Client Manager be separate roles, or can the two functions be performed by one person?	See answer to Question 38.
Is the selected vendor expected to incorporate existing worksite wellness programs into the comprehensive State of Nebraska wellness program at inception?	The State does not intend to incorporate existing worksite wellness programs into the comprehensive State wellness program at inception.
Is it a budgetary or state policy not to offer monetary incentives as part of the wellness program for participant engagement?	State statute does not allow the State to offer monetary incentives to employees.
Is the State considering benefit plan design as a vehicle to replace monetary incentives?	Yes.
Please identify the State's PPO carrier, PBM and TPA?	The State of Nebraska health plan administrator is Blue Cross Blue Shield of Nebraska and the PBM is Express Scripts.
What are the demographics and characteristics of the State's population? What percent of the population has access to computers?	An employee census with age, gender and zip code is available upon request from the point of contact listed in § II (A). To the best of our knowledge all employees would have access to a computer through their State Agency.
Is the Wellness Coordinator required to be on-site at State location during the normal workweek? Is there the opportunity to conduct Wellness Coordinator responsibilities remotely and travel to State sites as required?	No, the Wellness Coordinator is not required to be on site during the normal work week. The State is looking for a dedicated wellness coordinator that would be accessible to each State location to manage the program, interact with employees and be the face of wellness for the State. The Wellness Coordinator must meet the requirements as shown in Section IV.F.6 on page 28 of the RFP.
Will selected vendor of Wellness Program have access to claims and Rx data? If yes, what is the historical period of data available?	Yes, claims and Rx data will be available for the prior two (2) years.
Does the State have experience with an existing Disease Management program? If yes, what is the % of the population engaged? If yes, what have been the results in terms of savings or return on investment?	Currently the State does not have a DM program.

QUESTIONS	ANSWERS
Can you confirm that all 14,000 ee's under benefit coverage would be eligible to participate in these Wellness Programs?	See answer to Question 23.
Will be there be an incentive to participate in these programs? (i.e. $25 for completing the HRA?) If so, do you want us to provide Incentive Administration?	There will not be an incentive to participate in the wellness program. The wellness health plan is available only to employees participating in the wellness program.
If we have any requested changes to the wording in the terms & conditions, do we provide the suggested change in a separate "Deviations" document?, and then sign & initial the line next to that section/paragraph? (for example, our insurance requirements may be different, but still meet requirements)	Yes.
Can you provide the criteria in terms of weighting the final evaluation? (i.e. 30% price, 50% response to questions, 20% adherence to terms, etc.)	Please reference Section II.K that states as follows: …"Evaluation criteria will become public information at the time of the Request for Proposal opening. Evaluation criteria and a list of respondents will be posted to the State Purchasing Bureau website at http://www.das.state.ne.us/materiel/purchasing/rfp.htm Evaluation criteria will not be released prior to the proposal opening."
The scope of work states that the State of Nebraska is requesting proposals for an integrated Wellness Program that includes health risk assessment tools, educational content, health tools and resources, on-line and on-site educational programs, on-line activity tracking, telephonic health coaching, comprehensive reporting, and day-to-day on-site management. Is the State of Nebraska seeking one vendor who will provide all of these services or can a vendor bid on a portion of the services? If the provider doesn't have to provide all of the services, but specific services are required, please outline the mandatory services. Please confirm that providing a Wellness Coordinator is mandatory and also confirm whether or not this individual needs to reside in Nebraska.	The State is seeking one vendor to provide all of the services. Providing a Wellness Coordinator is mandatory. The Wellness Coordinator is not required to be on site during the normal work week. The State is looking for a dedicated wellness coordinator that would be accessible to each State location to manage the program, interact with employees and be the face of wellness for the State. The Wellness Coordinator must meet the requirements as shown in Section IV.F.6 on page 28 of the RFP.

QUESTIONS	ANSWERS
The Cost Proposal Requirements Section states this is a “fixed price proposal”. That being said is it the desire of the State of Nebraska to pay one annual fee to the provider regardless of the employee engagement and employee activity? Is the State of Nebraska open to an activity based pricing model?	The State is looking for vendors to provide component pricing for each of the various program requirements on a fixed price basis. It is not the desire of the State to pay one annual fee. The State is open to an activity based pricing model based on participant engagement.
Does this proposal only cover the 14,000 employees or are adult dependents also included?	The initial implementation includes only benefit eligible employees. Spouses are being considered for year 2. Adult children are not being considered at this time.
Does the State of Nebraska have a budget for this program and can you share this dollar amount?	See answer to Question 39.
The contract period begins on 4/1 and open enrollment begins on 4/13, but the plan year begins on 7/1. Are we correct in assuming that the state wishes to communicate the wellness program to its employees during open enrollment, but the employees will not actually participate in the program until 7/1?	The State intends to start the contract with the wellness vendor on April 1, 2009. The State intends to conduct statewide educational meetings the week of April 13, 2009. The wellness vendor is expected to participate in these statewide educational meetings. The State intends for the wellness vendor to have the Health Assessment up and running by April 20, 2009, the start of the open enrollment period. Communication pieces for this initial launch are nearly complete and will just need vendor details laid into the designed communication piece. Moving forward the State will work with the selected vendor to utilize communication templates and verbiage.
Is eligibility limited to those employees who select the new PPO plan coverage? What about dependents?	It is the State’s intent to allow all eligible employees to have access to the wellness program. However to take advantage of the wellness medical plan design benefits, they must complete the wellness program criteria. Spouses are being considered for year 2. Adult children are not being considered at this time.
The RFP indicates that the state cannot offer financial incentives. Can the vendor? If not, why not?	State Statutes prohibit State employees from accepting incentives in any form from any entity at any time.
Who is the TPA for the new PPO plan?	The State of Nebraska health plan administrator is Blue Cross Blue Shield of Nebraska and the PBM is Express Scripts.

QUESTIONS	ANSWERS
What wellness/DM programs are currently offered state employees and what is the participation experience?	Several state agencies offer worksite wellness programs. The State does not offer DM programs. No participation experience is available.
What are the success criteria for this new wellness program?	A reduction in medical trend for the State of Nebraska over time.
What portion of state employees have a state-issued email address?	99.4% of State employees have State e-mail addresses.
II. Procurement Instructions Section G QUESTION/REQUEST: The instructions state “the technical and cost proposals should be presented in separate sections”. To clarify, can they be included in the same binder, separated by tabs or do they need to be in separate binders?	Technical and cost proposals can be provided in a single binder separated by tabs.
III. Terms and Conditions Terms and Conditions F.4 QUESTION/REQUEST: Should the certificate of insurance be included as an attachment to the terms and conditions or should it be included within a different section of our response?	The Certificate of Insurance should be included as a separate tab within the bidder’s proposal response.

QUESTIONS	ANSWERS
III. Terms and Conditions Terms and Conditions Instructions QUESTION/REQUEST: Is a binding signature of intent to comply with the terms and conditions needed in addition to accepting and initialing where indicated?	Please reference Section III. first three (3) paragraphs that state as follows: "By signing the "Request For Proposal For Contractual Services" form, the bidder guarantees compliance with the provisions stated in this Request for Proposal, agrees to the terms and conditions and certifies bidder maintains a drug free work place environment. Bidders are expected to closely read the Terms and Conditions and provide a binding signature of intent to comply with such terms and conditions. Additionally, bidder must clearly identify by subsection number, and exceptions to the terms and conditions and include an explanation as to why the bidder cannot comply with the specific term and condition and a statement recommending terms and conditions the bidder would find acceptable. Rejection of these terms and conditions may be cause for rejection of a bidder's proposal. Bidders must affirmatively accept each and all of the terms and conditions of this RFP by affixing their initials on the space provided, which is indicated by the words "Accept & Initial."
III. Terms and Conditions Terms and Conditions WW QUESTION/REQUEST: Is the disaster recovery plan required with our proposal response or upon contract award?	The disaster recovery plan should be included in bidder's proposal response.
III. Terms and Conditions Form A- Bidder Contact Sheet QUESTION/REQUEST: Where should the signed copy of Form A be included in our response? As part of the technical response or as a separate piece?	Form A should be included as a separate tab within the bidder's proposal response. .
IV. Project Description & Scope of Work A. Project Overview: Employee Locations QUESTION/REQUEST: Can you provide a census of your employees and locations? It would be beneficial to know the number of locations employees are located and the number of employees per location by town or city and zip code.	An employee census with age, gender and zip code is available upon request from the point of contact listed in § II (A).

QUESTIONS	ANSWERS
IV. Project Description & Scope of Work A. Project Overview: Eligible employees/participation: You mention 17,000 total employees, of which suggest 14,000 enroll in benefits. However, you also suggest in the proposal that those employees who not enrolled in the "new" PPO plan with wellness will not have access to any of the wellness programs. We are seeking clarity on the population elgibility for the wellness program, especially in light of your project requirements, need for participation projections and pricing from vendors. QUESTIONS/REQUESTS: Provided our interpretation of the RFP, please clarify or answer the following: **d)** What will be the criteria for enrollment into the new PPO health plan? Is it completion of the HRA only? If that is the case an the HRA is embedded in the wellness website, how will you want to address employee access to the wellness website (provided by the vendor) which is part of the wellness program for those employees who did not take the HRA or meet the criteria (yet are on the eligibility file)? Do you plan to remove their access to the website **e)** Do you have a projection for what level of employee enrollment in the new PPO plan? Please confirm number of employees and total lives (including dependents) eligible for the wellness Programs. Also confirm number for the disease management and related programs.	It is the State's intent to allow all eligible employees to have access to the wellness program. However to take advantage of the wellness medical plan design benefits, they must complete the wellness program criteria. Following is a description of the expected eligibility criteria for the wellness program and wellness medical plan designs, including future enhancements. **a) Wellness Medical Plan Eligibility** Access to this plan, for the benefits year 2009/2010, is dependent upon employees completing the Health Assessment during open enrollment (April 20 – May 18, 2009). Access to this plan going forward, will require benefit eligible employees to complete defined activities, prior to open enrollment of the following year. **Three Year Approach:** Access to the Wellness Medical Plan for benefits year 2010/2011 requirements: Completion of the following between July 1, 2009 & March 31, 2010 - Health Assessment - Biometric Screening - One Wellness Activity Access to the Wellness Medical Plan for benefits year 2011/2012 requirements: Completion of the following between April 1, 2010 & March 31, 2011 - Health Assessment - Biometric Screening - Two Wellness Activities Access to the Wellness Medical Plan for benefits year 2012/2013 requirements: Completion of the following between April 1, 2011 & March 31, 2012 - Health Assessment - Biometric Screening - Three Wellness Activities

QUESTIONS	ANSWERS
f) Stated as one of your project requirements is to “have a total population focus.” Can you address or clarify this objective in light of your offering the wellness program only to a select group based on some form of criteria (initial HRA completion), you may be eliminating the opportunity for a full and total population approach to your entire employee base. Additionally, this creates additional communication burdens in ensuring who gets what communications, or qualifying each population announcement. Also, this may also affect long term receptiveness to outreach in ongoing years.	**Wellness Program Eligibility** All benefit eligible employees will have access to complete the health assessment during 2009/2010 open enrollment, which is the entry point for access to the Wellness Medical Plan for this benefits year only. All benefit eligible employees will have access to all on-line tools and resources. Additional programs will be determined by vendor engagement. This allows a comprehensive program approach to be rolled out to the entire population, creating a supportive culture of health and driving behavior change throughout the organization. **b)** The State’s goal for participation in the wellness health plan design for the July 1, 2009 plan year is 20%. Spouses are being considered for year 2. Adult children are not being considered at this time. In addition to the total benefit eligible employees, there are 6,090 spouses currently on the health plans. The same number of employees and spouses would be eligible for the DM programs. **c)** See answer to 80 a) above.

QUESTIONS	ANSWERS
IV. Project Description & Scope of Work A. Project Overview: Timeline & Launch; Communications & Incentive The RFP indicates that there could be as little as a 2 week timeline for program implementation—from projected contractor start date of 4/1/09 to required or planned go live date of 4/13/09 (communications and health assessment). Please address the following related questions and information requests (below) relative to program implementation, incentive design and execution, communications, program launch scope and overall timeline—especially in light of the fact that most standard launches require 8-16 weeks based on scope, level of advanced communication, etc. from a best practice standpoint. QUESTIONS/REQUESTS: **g)** What is your proposed Health Assessment campaign schedule—including communications, assessment availability to employees, and tie in to benefit incentive?	**a, b and c)** The State intends to start the contract with the wellness vendor on April 1, 2009. The State intends to conduct statewide educational meetings the week of April 13, 2009. The wellness vendor is expected to participate in these statewide educational meetings. The State intends for the wellness vendor to have the Health Assessment up and running by April 20, 2009, the start of the open enrollment period. Communication pieces for this initial launch are nearly complete and will just need vendor details laid into the designed communication piece. Moving forward the State will work with the selected vendor to utilize communication templates and verbiage. **d)** To be eligible to participate in the wellness health plan design, employees must complete the requirements of the wellness program. The relative financial value has not been determined as yet. See answer to Question 1 for the development of the wellness health plan eligibility over three years and beyond.

QUESTIONS	ANSWERS
h) Do you expect the selected vendor-partner to provide communication suite of templates to be used effective 4/13, or prior? If so, will this be sufficient time to promote the program? **i)** Has there already been advanced communication and promotion of the wellness program and health assessment? If so, can you share the communications plan and materials so we may align our proposal responses with your marketing efforts? **j)** What is your specific incentive design and how will it be applied? What is its relative financial value to employees? And how will your incentive plan develop over the coming 5 years (e.g., will it only be for assessment, or will it apply to other health improvement initiatives?) **k)** Do you envision or plan for annual health assessment every year during benefit enrollment? Or do you plan to re-adjust your assessment and annual wellness program cycle to a different time frame? And if so, what is it? **l)** Is the state aware of the necessary role(s) it will also have in the suggested timeline for program launch (e.g., Unique id for participants (e.g. employee id); Eligibility file – file upload using specified process; URL decision and branding; etc.)	**e)** See answer to Question 1 for the development of the wellness health plan eligibility over three (3) years and beyond. **f)** Yes, the state is aware of the necessary roles it will also have in the suggested timeline for program launch.

QUESTIONS	ANSWERS
IV. Project Description & Scope of Work B. Project Environment "The Wellness Program is expected to evolve over the first three years of the program." QUESTION/REQUEST: Can the State provide some insight into how you expect the programs to evolve over the 3 years? When would the disease management programs roll out for example? "The State is considering alternative participation strategies to ensure a high level of engagement"	See answer to Question 1.
IV. Project Description & Scope of Work B. Project Environment QUESTION/REQUEST: What is the State considering as alternative participation strategies?	The State is evaluating participation strategies allowed within the boundaries of state statute.
IV. Project Description & Scope of Work B. Project Environment General Questions QUESTION/REQUEST: Is there a current Chronic Condition (DM) program in place? Is so, who is the vendor and what programs?	Currently the State does not have a DM program in place.
IV. Project Description & Scope of Work B. Project Environment General Questions QUESTION/REQUEST: Does the State have prevalence rates or claims costs for the desired chronic conditions?	See answer to Question 34.
IV. Project Description & Scope of Work C. Project Requirements- "The employee must actively participate in the Wellness Programs to continue to have access to this PPO plan." QUESTION/REQUEST: Does active participation include mandatory participation in DM programs- if applicable?	The State has not defined the DM program criteria at this time.
IV. Project Description & Scope of Work C. Project Requirements- State of Nebraska Health Plan QUESTION/REQUEST: Who is your carrier for your health plan(s) and PPO? And who will provide the “wellness plan” PPO? Do they offer condition management and will that be accessible to employees?	The State of Nebraska’s health plan administrator is Blue Cross Blue Shield of Nebraska and the PBM is Express Scripts. The administrators for the wellness health plan will be the same. Disease management is not currently offered through these administrators.

QUESTIONS	ANSWERS
IV. Project Description & Scope of Work F. Technical Requirements and Program Scope 1. Program Components The pricing document provided and the Technical Requirements questions sections does reflect several of the scope of service areas listed in your program Description Table in the Technical Requirements section—specifically: Chronic Condition programs; pregnancy; Care Gaps and preventive/self-care reminders; newsletter. QUESTION/REQUEST: please clarify how these scope of services fit into the overall program plan, its timing, and priorities—e.g., are these “later stage” initiatives that you are assessing if the vendor has the ability to deliver, but may not need the selected vendor to deliver on in the first year? Please address and outline your projected 5-year plan	See answer to Question 1.
IV. Project Description & Scope of Work F. Technical Requirements and Program Scope 1. Program Components The pricing document provided and the Technical Requirements questions sections does reflect several of the scope of service areas listed in your program Description Table in the Technical Requirements section—specifically: Chronic Condition programs; pregnancy; Care Gaps and preventive/self-care reminders; newsletter. QUESTION/REQUEST: What is the State's expectation of a pregnancy program listed under Chronic Conditions (DM)? High risk pregnancy only or a program available to all employees/dependents who are pregnant?	The State has not defined the pregnancy program criteria at this time and will assess vendor responses.
IV. Project Description & Scope of Work F. Technical Requirements and Program Scope 6. Dedicated Wellness Coordinator You provide a thorough description of the Wellness Coordinator—a “dedicated person.” QUESTION/REQUEST: Please confirm or clarify that by “dedicated” what level of FTE (e.g., 1.0 FTE--full time) person you have in mind, as well as if the individual is to be located at a State of NE primary location	The Wellness Coordinator is not required to be on site during the normal work week. The State is looking for a dedicated wellness coordinator that would be accessible to each State location to manage the program, interact with employees and be the face of wellness for the State. The Wellness Coordinator must meet the requirements as shown in Section IV.F.6 on page 28 of the RFP. It is expected that this will be a full time position.

QUESTIONS	ANSWERS
V. Proposal Instructions The instructions state “bidders should identify the subdivisions of ‘project description and scope of work’ clearly in their proposals”. QUESTION/REQUEST: Should the project description and scope of work be included as a tab within the technical proposal or as a separate binder?	The project description and scope of work should be included as a tab within the technical proposal.
V. Proposal Instructions Corporate Overview 3 h: i and ii QUESTION/REQUEST: Please clarify the request for references (3) for both lead contractor as well as subcontractor. Are 3 references required for each subcontractor, and what level of detail is required for subcontractor references (e.g., exact same as for contractor)? The RFP requests comprehensive references in V-A-3-h-ii, yet it also requests public entity references in section IV-D-5?	References required are for the lead contractor. If the lead contractor is proposing a subcontractor, references should be from client on those projects that subcontractors have worked with the lead contractor. The State is interested in both private and public entity references.
V. Proposal Instructions Corporate Overview 3 h: i and ii QUESTION/REQUEST: Please clarify how you expectation for providing references in light of these two questions/requests.	See answer to Question 92.
V. Proposal Instructions Corporate Overview : 3j Subcontractors iii and iv- Page 34- "Percentage of performance hours intended for each subcontract and total percentage of subcontractors performance hours" QUESTION/REQUEST: Please clarify State's definition of performance hours. Are you referring to hours intended for launching the program, identification, communications, data mining of candidates, outreach, average coaching hours per participant, reporting, etc.?	The intent of the State is to see how much of the program requirements are performed by the lead contractor and how much is performed by a subcontractor. The State will accept a general estimate of this percentage based on the current experience of the lead contractor with subcontractors.

QUESTIONS	ANSWERS
V. Proposal Instructions B. Cost Proposal and Requirements Attachment A- Pricing for Wellness Program The pricing document provided does not include several of the scope of service areas listed in your program Description Table in the Technical Requirements section—specifically: Chronic Condition programs; pregnancy; Care Gaps and preventive/self-care reminders; newsletter. QUESTION/REQUEST: please clairify if/how your would like these areas priced for the proposal, for which conditions and/or services, and preferred pricing- e.g., PEPM or PMPM?	See answer to Question 33.
V. Proposal Instructions B. Cost Proposal and Requirements 1. Fixed Pricing QUESTION/REQUEST: Please define or clarify “fixed pricing” for this proposal. Specifically, is this fixed unit price per program component, that may be priced either per participant or per eligible per month, or is this a fixed annual total programs cost (which may be difficult due to varied employee eligibility and participation levels, especially based on what the incentive plan may be).	See answer to Question 64.
The State mentions that it is unable to provide monetary incentives for participation in the Wellness Program. When the State defines monetary incentives; is the State referring to cash, payroll contributions, premium contributions, health savings accounts, and or health reimbursement accounts? Subsequently, does the State define non-monetary incentives as brand-name merchandise, entertainment, adventure packages, travel packages, and or personal services?	All incentives described in this question are considered to be monetary incentives.

QUESTIONS	ANSWERS
The State has expressed interest in considering an alternative participation strategy to ensure high level of engagement. In consideration of alternative approaches is the State interested in receiving proposals from vendors who have actuarial and clinically verified health enhancement programs proven to change lifestyle behavior, and in turn, eliminate and mitigate risks?	The State will consider any alternative approaches to employee engagement.
The State has expressed interest in considering an alternative participation strategy to ensure high level of engagement. Is the State interested in vendors who will provide a program guaranteeing 100% of the costs associated with the program?	The State will consider any alternative approaches to employee engagement.
What is the size of the population expected to enroll in the PPO health plan? In IV C, you state that it will only be individuals enrolled in the new PPO plan. If a wellness solution will integrate all plans, would the State consider offering the program to the population as a whole?	The State is targeting first year participation in the wellness health plan of 20%. It is the State's intent to allow all eligible employees to have access to the wellness program. However to take advantage of the wellness medical plan design benefits, they must complete the wellness program criteria.
Can the State please provide the expected time constraints for Section IV H?	The State intends to start the contract with the wellness vendor on April 1, 2009. The State intends to conduct statewide educational meetings the week of April 13, 2009. The wellness vendor is expected to participate in these statewide educational meetings. The State intends for the wellness vendor to have the Health Assessment up and running by April 20, 2009, the start of the open enrollment period. Communication pieces for this initial launch are nearly complete and will just need vendor details laid into the designed communication piece. Moving forward the State will work with the selected vendor to utilize communication templates and verbiage.
Will the State allow a portion of the cost to be variable?	See answer to Question 64.

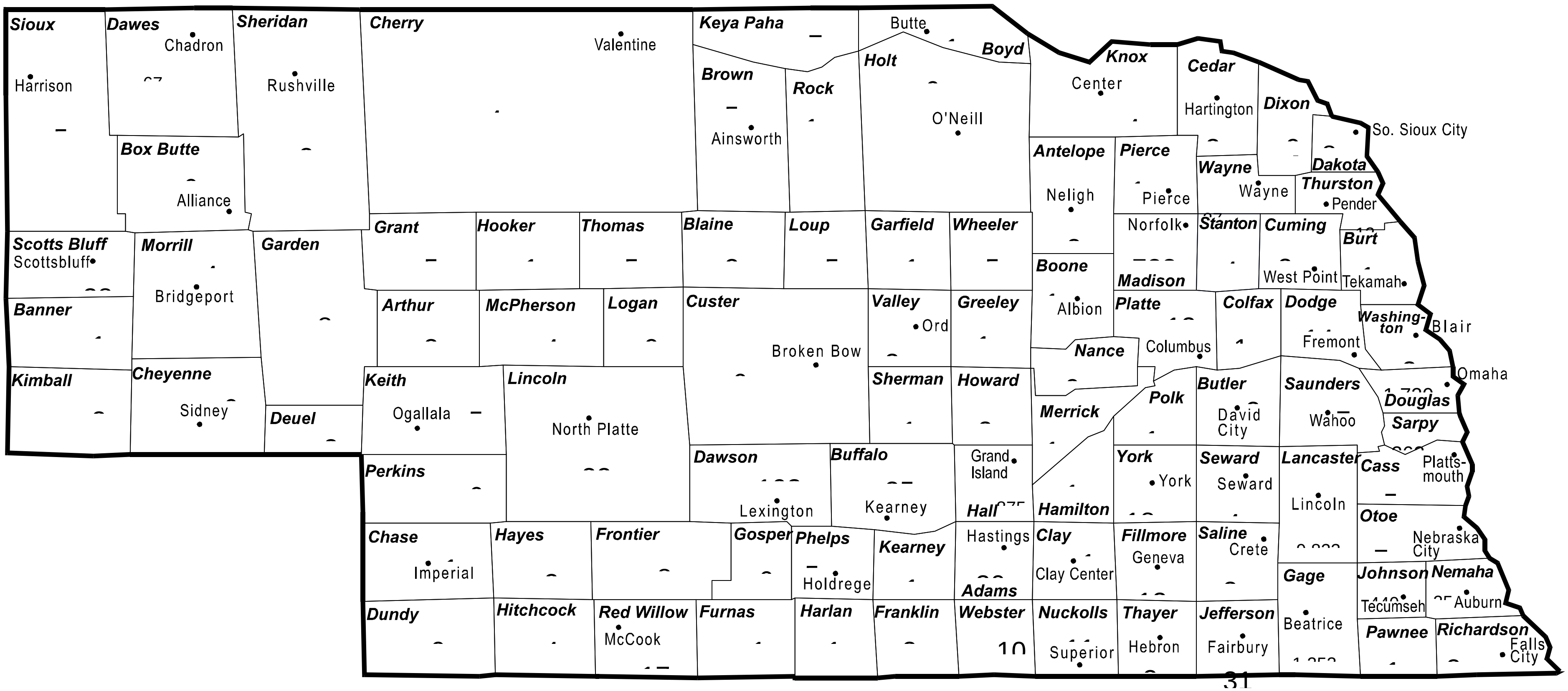
QUESTIONS	ANSWERS
Can the State provide the following health characteristic information? 1. Average Age 2. Gender Distribution (% male) 3. Average Employee Compensation 4. Full Time (%) 5. Union (%) 6. Average Turnover (%) 7. Current Health Care Costs 8. Anticipated Health Care Trend (%) 9. Average Employee Contributions (%) 10. % of Employee Covered by the State's Healthcare Plan	1. The average age of State employees is 47. 2. The gender distribution is 45% male/55% female. 3. The average employee compensation is $38,600. 4. The percentage for permanent employees is 96.1%. 5. The percentage of employees covered by the union is 73.4%. 6. The average turnover is 15%. 7. Current healthcare costs are $900 PEPM. 8. Anticipated health care trend is 10 to 11%. 9. Average employee contributions are 21% of premium. 10. Eighty-two percent of State employees are covered by the State health plans.
Can the State provide the answers to the following health insurance plan provider? 1. Current Carrier: 2. Type of plan (HMO, POS, PPO, or CDHP) 3. Employees enrolled (%) 4. Deductible 5. Type of Preventive Care Coverage: i.e. None, Subject to Deductible, 100% after Copay, 100%, No Copay 6. Preventive Care Copay (if applicable) 7. Preventive Care Maximum Benefit	1. The State of Nebraska health plan administrator is Blue Cross Blue Shield of Nebraska and the PBM is Express Scripts. 2. The State currently offers a POS, HMO, and two PPO plan designs. 3. 14,000 (82%) 4. One PPO has a $400 deductible and the other PPO has a $1,000 deductible. PLEASE NOTE: The online plan summaries indicate a 6 month plan year period and thus all deductibles represent half of their true limit. 5. See benefit options online at http://www.das.state.ne.us/personnel/benefits/2009/active/enrollment_guide_active.pdf. on pages 12 and 13. 6. See benefit options online at http://www.das.state.ne.us/personnel/benefits/2009/active/enrollment_guide_active.pdf. on pages 12 and 13. 7. See benefit options online at http://www.das.state.ne.us/personnel/benefits/2009/active/enrollment_guide_active.pdf. on pages 12 and 13.

QUESTIONS	ANSWERS
The State does not have a comprehensive Wellness Program but did mention that a number of agencies within the State have worksite wellness activities or programs in place for employees. Can the State provide what types of activities or programs those respective agencies are currently spending on and with whom (i.e. current providers)? 1. Sleep Management 2. Employee Assistance Programs 3. Ergonomics 4. Occupational Health 5. Mental Health 6. Substance Abuse 7. Disease Management 8. Chronic Condition 9. Prescription Drug 10. Maternity 11. Well Baby 12. Child Health 13. Any Other Wellness Programs	A few agencies have implemented their programs independently; therefore, that data is not available.

NEBRASKA STATE EMPLOYEES BY COUNTY

For RFP #2787Z1

February 2009



State of Nebraska (State Purchasing Bureau)
REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES FORM

RETURN TO:
State Purchasing Bureau
301 Centennial Mall South, 1st Fl
Lincoln, Nebraska 68508
OR
P.O. Box 94847
Lincoln, Nebraska 68509-4847
Phone: 402-471-2401
Fax: 402-471-2089

SOLICITATION NUMBER	RELEASE DATE
RFP 2787Z1	**January 27, 2009**
OPENING DATE AND TIME	PROCUREMENT CONTACT
February 20, 2009 2:00 p.m. Central Time	**Ruth Gray**

This form is part of the specification package and must be signed and returned, along with proposal documents, by the opening date and time specified.

PLEASE READ CAREFULLY!

SCOPE OF SERVICE

The State of Nebraska, Administrative Services (AS), Materiel Division, Purchasing Bureau, is issuing this Request for Proposal, RFP Number 2787Z1 for the purpose of selecting a qualified contractor to provide a Wellness Program for Nebraska State Employees.

Written questions are due no later than February 6, 2009 and should be submitted via e-mail to matpurch.dasmat@nebraska.gov. Written questions may also be sent by facsimile to (402) 471-2089.

Bidder should submit one (1) original and six (6) copies of the entire proposal. In the event of any inconsistencies among the proposals, the language contained in the original proposal shall govern. Proposals must be submitted by the proposal due date and time.

PROPOSALS MUST MEET THE REQUIREMENTS OUTLINED IN THIS REQUEST FOR PROPOSAL TO BE CONSIDERED VALID. PROPOSALS WILL BE REJECTED IF NOT IN COMPLIANCE WITH THESE REQUIREMENTS.

1. Sealed proposals must be received in State Purchasing by the date and time of proposal opening indicated above. No late proposals will be accepted. No electronic, e-mail, fax, voice, or telephone proposals will be accepted.
2. This form “REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES” MUST be manually signed, in ink, and returned by the proposal opening date and time along with bidder’s proposal and any other requirements as specified in the Request for Proposal in order to be considered for an award.
3. It is the responsibility of the bidder to check the website for all information relevant to this solicitation to include addenda and/or amendments issued prior to the opening date. Website address is as follows: http://www.das.state.ne.us/materiel/purchasing/
4. It is understood by the parties that in the State of Nebraska’s opinion, any limitation on the contractor’s liability is unconstitutional under the Nebraska State Constitution, Article XIII, Section 3, and that any limitation of liability shall not be binding on the State of Nebraska despite inclusion of such language in documents supplied with the contractor’s bid or in the final contract.

BIDDER MUST COMPLETE THE FOLLOWING

By signing this Request For Proposal For Contractual Services form, the bidder guarantees compliance with the provisions stated in this Request for Proposal, agrees to the terms and conditions (see Section III) and certifies bidder maintains a drug free work place environment.

FIRM: ____________________

COMPLETE ADDRESS: ____________________

TELEPHONE NUMBER: ____________________ FAX NUMBER: ____________________

SIGNATURE: ____________________ DATE: ____________________

TYPED NAME & TITLE OF SIGNER: ____________________

TABLE OF CONTENTS

GLOSSARY OF TERMS

Addendum: Something added or deleted.

Agency: Any state agency, board, or commission other than the University of Nebraska, the Nebraska State colleges, the courts, the Legislature, or any officer or agency established by the Constitution of Nebraska.

Agent: A person authorized by a superior or organization to act on their behalf.

Amend: To alter or change by adding, subtracting, or substituting. A contract can be amended only by the parties participating in the contract. A written contract can only be amended in writing.

Amendment: Written correction or alteration.

Appropriation: Legislative authorization to expend public funds for a specific purpose. Money set apart for a specific use.

Award: All purchases, leases, or contracts which are based on competitive proposals will be awarded according to the provisions in the Request for Proposal. The State reserves the right to reject any or all proposals, wholly or in part, or to award to multiple bidders in whole or in part. The State reserves the right to waive any deviations or errors that are not material, do not invalidate the legitimacy of the proposal, and do not improve the bidder's competitive position. All awards will be made in a manner deemed in the best interest of the State.

Best and Final Offer (BAFO): A second-stage bid in a public procurement for services.

Bid: The executed document submitted by a bidder in response to a Request for Proposal.

Bid Bond: A bond given by a surety on behalf of the bidder to ensure that the bidder will enter into the contract as bid and is retained by the State from the date of the bid opening to the date of contract signing.

Bidder: Any person or entity submitting a competitive bid response to a solicitation.

Business: Any corporation, partnership, individual, sole proprietorship, joint-stock company, joint venture, or any other private legal entity.

Business Day: Any weekday, excepting public holidays.

Calendar Day: Every day shown on the calendar; Saturdays, Sundays and State/Federal holidays included. Not to be confused with "Work Day".

Collusion: A secret agreement or cooperation between two or more persons or entities to accomplish a fraudulent, deceitful or unlawful purpose.

Competition: The process by which two or more vendors vie to secure the business of a purchaser by offering the most favorable terms as to price, quality, delivery and/or service.

Confidential Information: Unless otherwise defined below, "Confidential Information" shall also mean proprietary trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serve no public purpose (see Neb. Rev. Stat. §84-712.05(3)). In accordance with Nebraska

Attorney General Opinions 92068 and 97033, proof that information is proprietary requires identification of specific, named competitor(s) who would be advantaged by release of the information and the specific advantage the competitor(s) would provide.

Contract: An agreement between two or more persons to perform a specific act or acts.

Contract Administration: The Management of various facets of contracts to assure that the contractors total performance is in accordance with the contractual commitments and obligations to the purchaser are fulfilled.

Contract Management: Includes reviewing and approving of changes, executing renewals, handling disciplinary actions, adding additional users, and any other form of action that could change the contract.

Contractor: Any person or entity that supplies goods and/or services.

Copyright: A grant to a writer/artist that recognizes sole authorship/creation of a work and protects the creator's interest(s) therein.

Default: The omission or failure to perform a contractual duty.

Deviation: Any proposed change(s) or alteration(s) to either the contractual language or deliverables within the scope of this Request for Proposal.

Evaluation Committee: A committee (or committees) appointed by the requesting agency that advises and assists the procuring office in the evaluation of proposals.

Evaluation of Proposal: The process of examining a proposal after opening to determine the bidder's responsibility, responsiveness to requirements, and to ascertain other characteristics of the proposal that relate to determination of the successful bidder.

Extension: A provision, or exercise of a provision, of a contract that allows a continuance of the contract (at the option of the State of Nebraska) for an additional time according to contract conditions. Not to be confused with "Renewals."

F.O.B. Destination: Free on Board. The delivery charges have been included in the quoted price and prepaid by the vendor. Vendor is responsible for all claims associated with damages during delivery of product.

Foreign Corporation: A foreign corporation is a corporation that was formed (i.e. incorporated) in another state but transacting business in Nebraska pursuant to a certificate of authority issued by the Nebraska Secretary of State.

HIPAA: A federal law passed in 1996 that allows persons to qualify immediately for comparable health insurance coverage when they change their employment or relationships. It also creates the authority to mandate the use of standards for the electronic exchange of health care data; to specify what medical and administrative code sets should be used within those standards; to require the use of national identification systems for health care patients, providers, payers (or plans), and employers (or sponsors); and to specify the types of measures required to protect the security and privacy of personally identifiable health care. Full name is "The Health Insurance Portability and Accountability Act of 1996."

Late Proposal: A proposal received at the place specified in the solicitation after the date and time designated for all proposals to be received.

Licensed Software: Any and all software and documentation by which the State acquires or is granted any rights under the contract.

Mandatory: Required, compulsory or obligatory.

May: Denotes discretion.

Must: Denotes the imperative, required, compulsory or obligatory.

Opening Date: Specified date and time for the public opening of received, labeled and sealed formal proposals. Not to be confused with "Release Date".

Outsourcing: Acquiring computing or related services from a source outside of the State of Nebraska which may include programming and/or executing the State's Licensed Software on the State's CPU's, programming, and/or executing the State's programs and Licensed Software on the contractor's CPU's or any mix thereof.

Outsourcing Company: A company that provides Outsourcing Services under contract to the State.

Performance Bond: A bond given by a surety on behalf of the contractor to ensure the timely and proper (in sole estimation of the State) performance of a contract.

Pre-Proposal Conference: A meeting scheduled for the purpose of providing clarification regarding a Request for Proposal and related expectations.

Program Error: Code in Licensed Software which produces unintended results or actions, or which produces results or actions other than those described in the specifications. A program error includes, without limitation, any "Critical Program Error."

Project: The total of all software, documentation, and services to be provided by the contractor under this contract.

Proposal: The executed document submitted by a bidder in response to a Request for Proposal.

Proprietary Information: Proprietary information is defined as trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serve no public purpose (see Neb. Rev. Stat. §84-712.05(3)). In accordance with Attorney General Opinions 92068 and 97033, proof that information is proprietary requires identification of specific, named competitor(s) who would be advantaged by release of the information and the specific advantage the competitor(s) would receive.

Protest: A complaint about a governmental action or decision related to a Request for Proposal or the resultant contract, brought by a prospective bidder, a bidder, a contractor, or other interested party to AS Materiel Division or another designated agency with the intention of achieving a remedial result.

Public Proposal Opening: The process of opening proposals, conducted at the time and place specified in the Request for Proposal, and in the presence of anyone who wishes to attend.

Release Date: Date of release of the Request for Proposal to the public for submission of proposal responses. Not to be confused with "Opening Date".

Renewal: Continuance of a contract for an additional term after a formal signing by the parties.

Representative: Includes an agent, an officer of a corporation or association, a trustee, executor or administrator of an estate, or any other person legally empowered to act for another.

Request for Proposal (RFP): All documents, whether attached or incorporated by reference, utilized for soliciting competitive proposals.

Responsible Bidder: A bidder who has the capability in all respects to perform fully all requirements with integrity and reliability to assure good faith performance.

Responsive Bidder: A bidder who has submitted a bid which conforms in all respects to the solicitation document.

Shall: Denotes the imperative, required, compulsory or obligatory.

Should: Indicates an expectation.

Solicitation: The process of notifying prospective bidders or offerors that the State of Nebraska wishes to receive proposals for furnishing services. The process may consist of public advertising, posting notices, or mailing Request for Proposals and/or Request for Proposal announcement letter to prospective bidders, or all of these.

Solicitation Document: Request for Proposal.

Termination: Occurs when either party pursuant to a power created by agreement or law puts an end to the contract. All obligations which are still executory on both sides are discharged but any right based on prior breach or performance survives.

Trademark: A distinguishing sign, symbol, mark, word, or arrangement of words in the form of a label or other indication, that is adopted and used by a manufacturer or distributor to designate its particular goods and which no other person has the legal right to use.

Trade Secret: Information, including, but not limited to, a drawing, formula, pattern, compilation, program, device, method, technique, code, or process that; (a) derives independent economic value, actual or potential, from not being known to, and not being ascertainable by proper means, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (see Neb. Rev. Stat. §87-502(4)).

Vendor: An actual or potential contractor; a contractor.

Will: Denotes the imperative, required, compulsory or obligatory.

I. SCOPE OF THE REQUEST FOR PROPOSAL

The State of Nebraska, Administrative Services (AS), Materiel Division, Purchasing Bureau (hereafter known as State Purchasing Bureau), is issuing this Request for Proposal, RFP Number 2787Z1 for the purpose of selecting a qualified contractor to provide a Wellness Program for Nebraska State Employees.

A contract resulting from this Request for Proposal will be issued for a period of five (5) years effective April 1, 2009 through June 30, 2014, with the option to renew for two (2) additional one (1) year periods as mutually agreed upon by all parties.

ALL INFORMATION PERTINENT TO THIS REQUEST FOR PROPOSAL CAN BE FOUND ON THE INTERNET AT: http://www.das.state.ne.us/materiel/purchasing/rfp.htm

A. SCHEDULE OF EVENTS

The State expects to adhere to the tentative procurement schedule shown below. It should be noted, however, that some dates are approximate and subject to change.

	ACTIVITY	DATE/TIME
1.	Release Request for Proposal	January 27, 2009
2.	Last day to submit written questions	February 6, 2009
3.	State responds to written questions through Request for Proposal “Addendum” and/or “Amendment” to be posted to the Internet at: http://www.das.state.ne.us/materiel/purchasing/rfp.htm	February 10, 2009
4.	Last day to submit “Letter of Intent To Bid”	February 12, 2009
5.	Proposal opening Location: Nebraska State Office Building State Purchasing Bureau 301 Centennial Mall South, Mall Level Lincoln, NE 68508	February 20, 2009 2:00 PM Central Time
6.	Review for conformance of mandatory requirements	February 20, 2009
7.	Evaluation period	February 20 - 25, 2009
8.	“Oral Interviews/Presentations and/or Demonstrations” (if required)	March 2 - 3, 2009
9.	Post “Letter of Intent to Contract” to Internet at: http://www.das.state.ne.us/materiel/purchasing/rfp.htm	March 5, 2009
10.	Performance bond submission	March 11, 2009
11.	Contract award	March 20, 2009
12.	Contractor start date	April 1, 2009

II. PROCUREMENT PROCEDURES

A. PROCURING OFFICE AND CONTACT PERSON

Procurement responsibilities related to this Request for Proposal reside with the State Purchasing Bureau. The point of contact for the procurement is as follows:

Name: Ruth Gray
Agency: State Purchasing Bureau
Address: 301 Centennial Mall South, Mall Level
Lincoln, NE 68508

OR

Address: P.O. Box 94847
Lincoln, NE 68509
Telephone: 402-471-2401
Facsimile: 402-471-2089
E-Mail: matpurch.dasmat@nebraska.gov

B. GENERAL INFORMATION

The Request for Proposal is designed to solicit proposals from qualified vendors who will be responsible for providing a Wellness Program for Nebraska State Employees at a competitive and reasonable cost. Proposals that do not conform to the mandatory items as indicated in the Request for Proposal will not be considered.

Proposals shall conform to all instructions, conditions, and requirements included in the Request for Proposal. Prospective bidders are expected to carefully examine all documentation, schedules and requirements stipulated in this Request for Proposal, and respond to each requirement in the format prescribed.

A fixed-price contract will be awarded as a result of this proposal. In addition to the provisions of this Request for Proposal and the awarded proposal, which shall be incorporated by reference in the contract, any additional clauses or provisions required by the terms and conditions will be included as an amendment to the contract.

C. COMMUNICATION WITH STATE STAFF

From the date the Request for Proposal is issued until a determination is announced regarding the selection of the contractor, contact regarding this project between potential contractors and individuals employed by the State is restricted to only written communication with the staff designated above as the point of contact for this Request for Proposal.

Once a contractor is preliminarily selected, as documented in the intent to contract, that contractor is restricted from communicating with State staff until a contract is signed. Violation of this condition may be considered sufficient cause to reject a contractor's proposal and/or selection irrespective of any other condition.

The following exceptions to these restrictions are permitted:

1. written communication with the person(s) designated as the point(s) of contact for this Request for Proposal or procurement;
2. contacts made pursuant to any pre-existing contracts or obligations; and

3. state-requested presentations, key personnel interviews, clarification sessions or discussions to finalize a contract.

Violations of these conditions may be considered sufficient cause to reject a bidder's proposal and/or selection irrespective of any other condition. No individual member of the State, employee of the State, or member of the Evaluation Committee is empowered to make binding statements regarding this Request for Proposal. The buyer will issue any clarifications or opinions regarding this Request for Proposal in writing.

D. NOTIFICATION OF INTENT TO BID

Bidders should hand deliver, return by facsimile, e-mail or delivery by US mail the "Notification of Intent to Bid Form" that accompanies this document (see Form B) to the contact person shown on the cover page of the Request For Proposal Form. This form should be filled out in its entirety and returned no later than the date shown in the Schedule of Events.

It is preferred that Form B, Notification of Intent To Bid, be sent via e-mail to matpurch.dasmat@nebraska.gov, but may be hand delivered, sent via facsimile to 402-471-2089 or delivery by US mail.

A list of vendors who submitted a Notification of Intent to Bid will be posted to the State Purchasing Bureau website at: http://www.das.state.ne.us/materiel/purchasing/rfp.htm .

E. WRITTEN QUESTIONS AND ANSWERS

Any explanation desired by a bidder regarding the meaning or interpretation of any Request for Proposal provision must be submitted in writing to the State Purchasing Bureau and clearly marked "RFP Number 2787Z1; Wellness Program Questions". It is preferred that questions be sent via e-mail to matpurch.dasmat@nebraska.gov. Questions may also be sent by facsimile to 402-471-2089, but must include a cover sheet clearly indicating that the transmission is to the attention of Ruth Gray, showing the total number of pages transmitted, and clearly marked "RFP Number 2787Z1; Wellness Program Questions".

Written answers will be provided through an addendum to be posted on the Internet at http://www.das.state.ne.us/materiel/purchasing/rfp.htm on or before the date shown in the Schedule of Events.

F. ORAL INTERVIEWS/PRESENTATIONS AND/OR DEMONSTRATIONS

The Evaluation Committee(s) may conclude after the completion of the Technical and Cost Proposal evaluation that oral interviews/presentations and/or demonstrations are required in order to determine the successful bidder. All bidders may not have an opportunity to interview/present and/or give demonstrations; the State reserves the right to select only the top scoring bidders to present/give oral interviews in its sole discretion. The scores from the oral interviews/presentations and/or demonstrations will be added to the scores from the Technical and Cost Proposals. The presentation process will allow the bidders to demonstrate their proposal offering, explaining and/or clarifying any unusual or significant elements related to their proposals. Bidders' key personnel may be requested to participate in a structured interview to determine their understanding of the requirements of this proposal, their authority and reporting relationships within their firm, and their management style and philosophy. Bidders shall not be allowed to alter or amend their proposals. Only representatives of the State and the presenting bidders will be permitted to attend the oral interviews/presentations and/or demonstrations.

Once the oral interviews/presentations and/or demonstrations have been completed the State reserves the right to make a contract award without any further discussion with the bidders regarding the proposals received.

Detailed notes of oral interviews/presentations and/or demonstrations may be recorded and supplemental information (such as briefing charts, et cetera) may be accepted; however, such supplemental information shall not be considered an amendment to a bidders' proposal. Additional written information gathered in this manner shall not constitute replacement of proposal contents.

Any cost incidental to the oral interviews/presentations and/or demonstrations shall be borne entirely by the bidder and will not be compensated by the State.

G. SUBMISSION OF PROPOSALS

The following describes the requirements related to proposal submission, proposal handling and review by the State.

To facilitate the proposal evaluation process, one (1) original, clearly identified as such, and six (6) copies of the entire proposal should be submitted. The copy marked “original” shall take precedence over any other copies, should there be a discrepancy. Proposals must be submitted by the proposal due date and time. A separate sheet must be provided that clearly states which sections have been submitted as proprietary or have copyrighted materials. All proprietary information the bidder wishes the State to withhold must be submitted in accordance with the instructions outlined in Section III, Proprietary Information. Proposal responses should include the completed Form A, Bidder Contact Sheet. Proposals must reference the request for proposal number and be sent to the specified address. Container(s) utilized for original documents should be clearly marked “ORIGINAL DOCUMENTS”. Please note that the address label should appear as specified in Section II part A on the face of each container or bidder’s bid response packet. Rejected late proposals will be returned to the bidder unopened, if requested, at bidder's expense. If a recipient phone number is required for delivery purposes, 402-471-2401 should be used. The request for proposal number must be included in all correspondence.

Emphasis should be concentrated on conformance to the Request for Proposal instructions, responsiveness to requirements, completeness and clarity of content. If the bidder’s proposal is presented in such a fashion that makes evaluation difficult or overly time consuming, it is likely that points will be lost in the evaluation process. Elaborate and lengthy proposals are neither necessary nor desired.

The Technical and Cost Proposals should be presented in separate sections (loose-leaf binders are preferred) on standard 8 ½” x 11” paper, except that charts, diagrams and the like may be on fold-outs which, when folded, fit into the 8 ½” by 11” format. Pages may be consecutively numbered for the entire proposal, or may be numbered consecutively within sections. Figures and tables must be numbered consecutively within sections. Figures and tables must be numbered and referenced in the text by that number. They should be placed as close as possible to the referencing text.

H. PROPOSAL OPENING

The sealed proposals will be publicly opened and the bidding entities announced on the date, time and location shown in the Schedule of Events. Proposals will be available for viewing by those present after the proposal opening. Vendors may also contact the State to schedule an appointment for viewing proposals after the opening date.

I. LATE PROPOSALS

Proposals received after the time and date of the proposal opening will be considered late proposals. Rejected late proposals will be returned to the bidder unopened, if requested, at bidder's expense. The State is not responsible for proposals that are late or lost due to mail service inadequacies, traffic or any other reason(s).

J. REJECTION OF PROPOSALS

The State reserves the right to reject any or all proposals, wholly or in part, or to award to multiple bidders in whole or in part. The State reserves the right to waive any deviations or errors that are not material, do not invalidate the legitimacy of the proposal and do not improve the bidder's competitive position. All awards will be made in a manner deemed in the best interest of the State.

K. EVALUATION OF PROPOSALS

All responses to this Request for Proposal which fulfill all mandatory requirements will be evaluated. Each category will have a maximum possible point potential. The State will conduct a fair, impartial and comprehensive evaluation of all proposals in accordance with the criteria set forth below. Areas that will be addressed and scored during the evaluation include:

1. Executive Summary;
2. Corporate Overview shall include but is not limited to;

- **a.** the ability, capacity and skill of the bidder to deliver and implement the system or project that meets the requirements of the Request for Proposal;
- **b.** the character, integrity, reputation, judgment, experience and efficiency of the bidder;
- **c.** whether the bidder can perform the contract within the specified time frame;
- **d.** the quality of bidder performance on prior contracts;
- **e.** such other information that may be secured and that has a bearing on the decision to award the contract;

3. Technical Approach; and
4. Cost Proposal.

Evaluation criteria will become public information at the time of the Request for Proposal opening. Evaluation criteria and a list of respondents will be posted to the State Purchasing Bureau website at http://www.das.state.ne.us/materiel/purchasing/rfp.htm Evaluation criteria will not be released prior to the proposal opening.

L. EVALUATION COMMITTEE

Proposals will be independently evaluated by members of the Evaluation Committee(s). The committee(s) will consist of staff with the appropriate expertise to conduct such proposal evaluations. Names of the members of the Evaluation Committee(s) will not become public information.

Prior to award, bidders are advised that only the point of contact indicated on the front cover of this Request For Proposal For Contractual Services Form can clarify issues or render any opinion regarding this Request for Proposal. No individual member of the State, employee of the State or member of the Evaluation Committee(s) is empowered to make binding statements regarding this Request for Proposal.

M. MANDATORY REQUIREMENTS

The proposals will first be examined to determine if all mandatory requirements listed below have been addressed to warrant further evaluation. Proposals not meeting mandatory requirements will be excluded from further evaluation. The mandatory requirement items are as follows:

1. Signed, “in ink”, Request For Proposal For Contractual Services form;
2. Executive Summary;
3. Corporate Overview;
4. Technical Approach; and
5. Cost Proposal.

N. REFERENCE CHECKS

The State reserves the right to check any reference(s), regardless of the source of the reference information, including but not limited to, those that are identified by the company in the proposal, those indicated through the explicitly specified contacts, those that are identified during the review of the proposal, or those that result from communication with other entities involved with similar projects.

Information to be requested and evaluated from references may include, but is not limited to, some or all of the following: project description and background, job performed, functional and technical abilities, communication skills and timeliness, cost and schedule estimates and accuracy, problems (poor quality deliverables, contract disputes, work stoppages, et cetera), overall performance, and whether or not the reference would rehire the firm or individual. Only top scoring bidders may receive reference checks and negative references may eliminate bidders from consideration for award.

O. SECRETARY OF STATE/TAX COMMISSIONER REGISTRATION REQUIREMENTS

All bidders are expected to comply with any statutory registration requirements. It is the responsibility of the bidder who is the recipient of an Intent to Award to comply with any statutory registration requirements pertaining to types of business entities (e.g. a foreign or Nebraska corporation, non-resident contractor, limited partnership, or other type of business entity). The bidder who is the recipient of Intent to Award will be required to certify that it has so complied and produce a true and exact copy of its registration certificate, or, in the case registration is not required, to provide the reason as to why none is required. This must be accomplished prior to the award of contract.

P. VIOLATION OF TERMS AND CONDITIONS

Violation of the terms and conditions contained in this Request for Proposal or any resultant contract, at any time before or after the award, shall be grounds for action by the State which may include, but is not limited to, the following:

1. rejection of a bidder’s proposal;
2. suspension of the bidder from further bidding with the State for the period of time relative to the seriousness of the violation, such period to be within the sole discretion of the State.

III. TERMS AND CONDITIONS

By signing the "Request For Proposal For Contractual Services" form, the bidder guarantees compliance with the provisions stated in this Request for Proposal, agrees to the terms and conditions and certifies bidder maintains a drug free work place environment.

Bidders are expected to closely read the Terms and Conditions and provide a binding signature of intent to comply with such terms and conditions. Additionally, bidder must clearly identify by subsection number, and exceptions to the terms and conditions and include an explanation as to why the bidder cannot comply with the specific term and condition and a statement recommending terms and conditions the bidder would find acceptable. Rejection of these terms and conditions may be cause for rejection of a bidder's proposal.

Bidders must affirmatively accept each and all of the terms and conditions of this RFP by affixing their initials on the space provided, which is indicated by the words "Accept & Initial."

A. GENERAL

____
Accept & Initial

The contract resulting from this Request for Proposal shall incorporate the following documents:

1. the signed Request for Proposal form;
2. the original Request for Proposal document;
3. any Request for Proposal addenda and/or amendments to include questions and answers;
4. the contractor's proposal;
5. any contract amendments, in order of significance; and
6. contract award.

Unless otherwise specifically stated in a contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) the contract award, 2) contract amendments with the latest dated amendment having the highest priority, 3) Request for Proposal addenda and/or amendments with the latest dated amendment having the highest priority, 4) the original Request for Proposal, 5) the signed Request For Proposal form, 6) the contractor's proposal.

Any ambiguity in any provision of this contract which shall be discovered after its execution shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

Once proposals are opened they become the property of the State of Nebraska and will not be returned.

B. AWARD

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Accept & Initial

All purchases, leases, or contracts which are based on competitive proposals will be awarded according to the provisions in the Request for Proposal. The State reserves the right to reject any or all proposals, wholly or in part, or to award to multiple bidders in whole or in part, and at its discretion, may withdraw or amend the Request for Proposal at any time. The State reserves the right to waive any deviations or errors that are not material, do not invalidate the legitimacy of the proposal, and do not improve the bidder's competitive position. All awards will be made in a manner deemed in the best interest of the State. The Request for Proposal does not commit the State to award a contract. If, in the opinion of the State, revisions or amendments will require substantive changes in proposals, the due date may be extended.

By submitting a proposal in response to this Request for Proposal, the bidder grants to the State the right to contact or arrange a visit in person with any or all of the bidder's clients.

Once an intent to award decision has been determined, it will be posted to the Internet at: http://www.das.state.ne.us/materiel/purchasing/rfp.htm

Grievance and protest procedure is available on the Internet at: http://www.das.state.ne.us/materiel/purchasing/rfpmanual/rfpmanual.htm

Any protests must be filed by a vendor within ten (10) calendar days after the intent to award decision is posted to the Internet.

C. COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION

Accept & Initial

The contractor shall comply with all applicable local, State and Federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits contractors of the State of Nebraska, and their subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions or privileges of employment because of race, color, religion, sex, disability, or national origin (Neb. Rev. Stat. §48-1101 to 48-1125). The contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The contractor shall insert a similar provision in all subcontracts for services to be covered by any contract resulting from this Request for Proposal.

D. PERMITS, REGULATIONS, LAWS

Accept & Initial

The contractor shall procure and pay for all permits, licenses and approvals necessary for the execution of the contract. This requirement includes preparation and filing of all legal documents necessary to implement and maintain services, including policies, amendments, contracts, required state filings, and development of booklets/certificate formats. The contractor shall comply with all applicable local, state, and federal laws, ordinances, rules, orders and regulations.

E. OWNERSHIP OF INFORMATION AND DATA

Accept & Initial

The State of Nebraska shall have the unlimited right to publish, duplicate, use and disclose all information and data developed or derived by the contractor pursuant to this contract. Contractor may not utilize data developed under this Agreement to provide service to any entity other than the State of Nebraska without the written permission of the State.

The contractor must guarantee that it has the full legal right to the materials, supplies, equipment, and other rights or titles (e.g. rights to licenses transfer or assign deliverables) necessary to execute this contract. The contract price shall, without exception, include compensation for all royalties and costs arising from patents, trademarks and copyrights that are in any way involved in the contract. It shall be the responsibility of the contractor to pay for all royalties and costs, and the State must be held harmless from any such claims.

F. INSURANCE REQUIREMENTS

Accept & Initial

Subject to waiver by the State, in whole or in part, of these requirements, the contractor shall not commence work under this contract until he or she has obtained all the insurance required hereunder and such insurance has been approved by the State. The contractor shall not allow any subcontractor to commence work on his or her subcontract until all similar insurance required of the subcontractor has been obtained and approved by the State (or contractor). Approval of the insurance by the State shall not limit, relieve or decrease the liability of the contractor hereunder.

If by the terms of any insurance a mandatory deductible is required, or if the contractor elects to increase the mandatory deductible amount, the contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

1. WORKERS' COMPENSATION INSURANCE

The contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contactors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the contractor shall require the subcontractor similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. This policy shall include a waiver of subrogation in favor of the State. The amounts of such insurance shall not be less than the limits stated hereinafter.

2. COMMERCIAL GENERAL LIABILITY INSURANCE AND COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

The contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance and Commercial Automobile Liability Insurance as shall protect contractor and any subcontractor performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, whether such operation be by the contractor or by any subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than limits stated hereinafter.

The Commercial General Liability Insurance shall be written on an occurrence basis, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury and Contractual Liability coverage. The policy shall include the State, and others as required by the Contract Documents, as an Additional Insured. This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered excess and non-contributory. The Commercial Automobile Liability Insurance shall be written to cover all Owned, Non-owned and Hired vehicles.

3. INSURANCE COVERAGE AMOUNTS REQUIRED

a. WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY

Coverage A	Statutory
Coverage B	
Bodily Injury by Accident	$100,000 each accident
Bodily Injury by Disease	$500,000 policy limit
Bodily Injury by Disease	$100,000 each employee

b. COMMERCIAL GENERAL LIABILITY

General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$2,000,000
Personal/Advertising Injury	$1,000,000 any one person
Bodily Injury/Property Damage	$1,000,000 per occurrence
Fire Damage	$50,000 any one fire
Medical Payments	$5,000 any one person

c. COMMERCIAL AUTOMOBILE LIABILITY

Bodily Injury/Property Damage	$1,000,000 combined single limit

d. UMBRELLA/EXCESS LIABILITY

Over Primary Insurance	$1,000,000 per occurrence

e. PROFESSIONAL LIABILITY $1,000,000 per occurrence

4. EVIDENCE OF COVERAGE

The contractor should furnish the State, with their proposal response, a certificate of insurance coverage complying with the above requirements, which State Purchasing will submit to Administrative Services, Risk Management Division, 521 S. 14th Street, Suite 104, Lincoln, NE 68508 (facsimile 402-471-2800). These certificates or the cover sheet shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration and amounts and types of coverage afforded. If the State is damaged by the failure of the contractor to maintain such insurance, then the contractor shall be responsible for all reasonable costs properly attributable thereto.

Notice of cancellation of any required insurance policy must be submitted to Administrative Services Risk Management when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

G. COOPERATION WITH OTHER CONTRACTORS

______
Accept & Initial

The State may already have in place or choose to award supplemental contracts for work related to this Request for Proposal, or any portion thereof.

1. The State reserves the right to award the contract jointly between two or more potential contractors, if such an arrangement is in the best interest of the State.

2. The contractor shall agree to cooperate with such other contractors, and shall not commit or permit any act which may interfere with the performance of work by any other contractor.

H. INDEPENDENT CONTRACTOR

____
Accept & Initial

It is agreed that nothing contained herein is intended or should be construed in any manner as creating or establishing the relationship of partners between the parties hereto. The contractor represents that it has, or will secure at its own expense, all personnel required to perform the services under the contract. The contractor's employees and other persons engaged in work or services required by the contractor under the contract shall have no contractual relationship with the State; they shall not be considered employees of the State.

All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination against the contractor, its officers or its agents) shall in no way be the responsibility of the State. The contractor will hold the State harmless from any and all such claims. Such personnel or other persons shall not require nor be entitled to any compensation, rights or benefits from the State including without limit, tenure rights, medical and hospital care, sick and vacation leave, severance pay or retirement benefits.

I. CONTRACTOR RESPONSIBILITY

____
Accept & Initial

The contractor is solely responsible for fulfilling the contract, with responsibility for all services offered and products to be delivered as stated in the Request for Proposal, the contractor's proposal, and the resulting contract. The contractor shall be the sole point of contact regarding all contractual matters.

If the contractor intends to utilize any subcontractors' services, the subcontractors' level of effort, tasks and time allocation must be clearly defined in the contractor's proposal. The contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal, in the performance of the contract, without the prior written authorization of the State. Following execution of the contract, the contractor shall proceed diligently with all services and shall perform such services with qualified personnel in accordance with the contract.

J. CONTRACTOR PERSONNEL

____
Accept & Initial

The contractor warrants that all persons assigned to the project shall be employees of the contractor or specified subcontractors, and shall be fully qualified to perform the work required herein. Personnel employed by the contractor to fulfill the terms of the contract shall remain under the sole direction and control of the contractor. The contractor shall include a similar provision in any contract with any subcontractor selected to perform work on the project.

Personnel commitments made in the contractor's proposal shall not be changed without the prior written approval of the State. Replacement of key personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

The State reserves the right to require the contractor to reassign or remove from the project any contractor or subcontractor employee.

In respect to its employees, the contractor agrees to be responsible for the following:

1. any and all employment taxes and/or other payroll withholding;
2. any and all vehicles used by the contractor's employees, including all insurance required by state law;
3. damages incurred by contractor's employees within the scope of their duties under the contract;
4. maintaining workers' compensation and health insurance and submitting any reports on such insurance to the extent required by governing State law; and

5. determining the hours to be worked and the duties to be performed by the contractor's employees.

Notice of cancellation of any required insurance policy must be submitted to the State when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

K. STATE OF NEBRASKA PERSONNEL RECRUITMENT PROHIBITION

____
Accept & Initial

The contractor shall not, at any time, recruit or employ any State employee or agent who has worked on the Request for Proposal or project, or who had any influence on decisions affecting the Request for Proposal or project.

L. CONFLICT OF INTEREST

____
Accept & Initial

By submitting a proposal, bidder certifies that there does not now exist any relationship between the bidder and any person or entity which is or gives the appearance of a conflict of interest related to this Request for Proposal or project.

The bidder certifies that it shall not take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its services hereunder or which creates an actual or appearance of conflict of interest.

The bidder certifies that it will not employ any individual known by bidder to have a conflict of interest.

M. PROPOSAL PREPARATION COSTS

____
Accept & Initial

The State shall not incur any liability for any costs incurred by bidders in replying to this Request for Proposal, in the demonstrations, or oral presentations, or in any other activity related to bidding on this Request for Proposal.

N. ERRORS AND OMISSIONS

____
Accept & Initial

The bidder shall not take advantage of any errors and/or omissions in this Request for Proposal or resulting contract. The bidder must promptly notify the State of any errors and/or omissions that are discovered.

O. BEGINNING OF WORK

____
Accept & Initial

The bidder shall not commence any billable work until a valid contract has been fully executed by the State and the successful contractor. The contractor will be notified in writing when work may begin.

P. ASSIGNMENT BY THE STATE

____
Accept & Initial

The State shall have the right to assign or transfer the contract or any of its interests herein to any agency, board, commission, or political subdivision of the State of Nebraska. There shall be no charge to the State for any assignment hereunder.

Q. ASSIGNMENT BY THE CONTRACTOR

____
Accept & Initial

The contractor may not assign, voluntarily or involuntarily, the contract or any of its rights or obligations hereunder (including without limitation rights and duties of performance) to any third party, without the prior written consent of the State, which will not be unreasonably withheld.

R. DEVIATIONS FROM THE REQUEST FOR PROPOSAL

_______ Accept & Initial

The requirements contained in the Request for Proposal become a part of the terms and conditions of the contract resulting from this Request for Proposal. Any deviations from the Request for Proposal must be clearly defined by the bidder in its proposal and, if accepted by the State, will become part of the contract. Any specifically defined deviations must not be in conflict with the basic nature of the Request for Proposal or mandatory requirements. "Deviation", for the purposes of this RFP, means any proposed changes or alterations to either the contractual language or deliverables within the scope of this RFP. The State discourages deviations and reserves the right to reject proposed deviations.

S. GOVERNING LAW

_______ Accept & Initial

The contract shall be governed in all respects by the laws and statutes of the State of Nebraska. Any legal proceedings against the State of Nebraska regarding this Request for Proposal or any resultant contract shall be brought in the State of Nebraska administrative or judicial forums as defined by State law. The contractor must be in compliance with all Nebraska statutory and regulatory law.

T. ATTORNEY'S FEES

_______ Accept & Initial

In the event of any litigation, appeal or other legal action to enforce any provision of the contract, the contractor agrees to pay all expenses of such action, as permitted by law, including attorney's fees and costs, if the State is the prevailing party.

U. ADVERTISING

_______ Accept & Initial

The contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its services are endorsed or preferred by the State. News releases pertaining to the project shall not be issued without prior written approval from the State.

V. STATE PROPERTY

_______ Accept & Initial

The contractor shall be responsible for the proper care and custody of any State-owned property which is furnished for the contractor's use during the performance of the contract. The contractor shall reimburse the State for any loss or damage of such property, normal wear and tear is expected.

W. SITE RULES AND REGULATIONS

_______ Accept & Initial

The contractor shall use its best efforts to ensure that its employees, agents and subcontractors comply with site rules and regulations while on State premises. If the contractor must perform on-site work outside of the daily operational hours set forth by the State, it must make arrangements with the State to ensure access to the facility and the equipment has been arranged. No additional payment will be made by the State on the basis of lack of access, unless the State fails to provide access as agreed to between the State and the contractor.

X. NOTIFICATION

Accept & Initial

During the bid process, all communication between the State and a bidder shall be between the bidder's representative clearly noted in its proposal and the buyer noted in Section II, A. Procuring Office and Contact Person of this RFP. After the award of the contract, all notices under the contract shall be deemed duly given upon delivery to the staff designated as the point of contact for this Request for Proposal, in person, or upon delivery by U.S. Mail, facsimile, or e-mail. Each bidder should provide in its proposal the name, title and complete address of its designee to receive notices.

1. Except as otherwise expressly specified herein, all notices, requests or other communications shall be in writing and shall be deemed to have been given if delivered personally or mailed, by U.S. Mail, postage prepaid, return receipt requested, to the parties at their respective addresses set forth above, or at such other addresses as may be specified in writing by either of the parties. All notices, requests, or communications shall be deemed effective upon personal delivery or three (3) days following deposit in the mail.

2. Whenever the contractor encounters any difficulty which is delaying or threatens to delay its timely performance under the contract, the contractor shall immediately give notice thereof in writing to the State reciting all relevant information with respect thereto. Such notice shall not in any way constitute a basis for an extension of the delivery schedule or be construed as a waiver by the State of any of its rights or remedies to which it is entitled by law or equity or pursuant to the provisions of the contract. Failure to give such notice, however, may be grounds for denial of any request for an extension of the delivery schedule because of such delay.

Either party may change its address for notification purposes by giving notice of the change, and setting forth the new address and an effective date.

For the duration of the contract, all communication between contractor and the State regarding the contract shall take place between the contractor and individuals specified by the State in writing. Communication about the contract between contractor and individuals not designated as points of contact by the State is strictly forbidden.

Y. EARLY TERMINATION

Accept & Initial

The contract may be terminated as follows:

1. The State and the contractor, by mutual written agreement, may terminate the contract at any time.

2. The State, in its sole discretion, may terminate the contract for any reason upon 30 days written notice to the contractor. Such termination shall not relieve the contractor of warranty or other service obligations incurred under the terms of the contract. In the event of cancellation the contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.

3. The State may terminate the contract immediately for the following reasons:

a. if directed to do so by statute;
b. contractor has made an assignment for the benefit of creditors, has admitted in writing its inability to pay debts as they mature, or has ceased operating in the normal course of business;
c. a trustee or receiver of the contractor or of any substantial part of the contractor's assets has been appointed by a court;

d. fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its contractor, its employees, officers, directors or shareholders;

e. an involuntary proceeding has been commenced by any party against the contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) days; or (ii) the contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the contractor has been decreed or adjudged a debtor;

f. a voluntary petition has been filed by the contractor under any of the chapters of Title 11 of the United States Code;

g. contractor intentionally discloses confidential information;

h. contractor has or announces it will discontinue support of the deliverable;

i. second or subsequent documented "vendor performance report" form deemed acceptable by the State Purchasing Bureau.

Z. FUNDING OUT CLAUSE OR LOSS OF APPROPRIATIONS

______
Accept & Initial

The State may terminate the contract, in whole or in part, in the event funding is no longer available. The State's obligation to pay amounts due for fiscal years following the current fiscal year is contingent upon legislative appropriation of funds for the contract. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal years for which such funds are not appropriated. The State will give the contractor written notice thirty (30) days prior to the effective date of any termination, and advise the contractor of the location (address and room number) of any related equipment. All obligations of the State to make payments after the termination date will cease and all interest of the State in any related equipment will terminate. The contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the contractor be paid for a loss of anticipated profit.

AA. BREACH BY CONTRACTOR

______
Accept & Initial

The State may terminate the contract, in whole or in part, if the contractor fails to perform its obligations under the contract in a timely and proper manner. The State may, by providing a written notice of default to the contractor, allow the contractor to cure a failure or breach of contract within a period of thirty (30) days (or longer at State's discretion considering the gravity and nature of the default). Said notice shall be delivered by Certified Mail, Return Receipt Requested or in person with proof of delivery. Allowing the contractor time to cure a failure or breach of contract does not waive the State's right to immediately terminate the contract for the same or different contract breach which may occur at a different time. In case of default of the contractor, the State may contract the service from other sources and hold the contractor responsible for any excess cost occasioned thereby.

BB. ASSURANCES BEFORE BREACH

______
Accept & Initial

If any document or deliverable required pursuant to the contract does not fulfill the requirements of the Request for Proposal/resulting contract, upon written notice from the State, the contractor shall deliver assurances in the form of additional contractor resources at no additional cost to the project in order to complete the deliverable, and to ensure that other project schedules will not be adversely affected.

CC. PENALTY

Accept & Initial

In the event that the contractor fails to perform any substantial obligation under the contract, the State may withhold all monies due and payable to the contractor, without penalty, until such failure is cured or otherwise adjudicated. Failure to meet the dates stipulated in the contract for the deliverables may result in an assessment of penalty due the State of $100.00 dollars per day, until the deliverables are approved. Contractor will be notified in writing when penalty will commence.

DD. PERFORMANCE BOND

Accept & Initial

The selected contractor shall be required to supply a certified check or a bond executed by a corporation authorized to contract surety in the State of Nebraska, payable to the State of Nebraska, which shall be valid for the life of the contract to include any renewal and/or extension periods. The amount of the certified check or bond must be an established dollar amount of $200,000.00. The check or bond will guarantee that the selected contractor will faithfully perform all requirements, terms and conditions of the contract. Failure to comply shall be grounds for forfeiture of the check or bond as liquidated damages. Amount of forfeiture will be determined by the agency based on loss to the State. The bond or certified check will be returned when the service has been satisfactorily completed as solely determined by the State, after termination or expiration of the contract.

EE. FORCE MAJEURE

Accept & Initial

Neither party shall be liable for any costs or damages resulting from its inability to perform any of its obligations under the contract due to a natural disaster, or other similar event outside the control and not the fault of the affected party (“Force Majeure Event”). A Force Majeure Event shall not constitute a breach of the contract. The party so affected shall immediately give notice to the other party of the Force Majeure Event. The State may grant relief from performance of the contract if the contractor is prevented from performance by a Force Majeure Event. The burden of proof for the need for such relief shall rest upon the contractor. To obtain release based on a Force Majeure Event, the contractor shall file a written request for such relief with the State Purchasing Bureau. Labor disputes with the impacted party’s own employees will not be considered a Force Majeure Event and will not suspend performance requirements under the contract.

FF. PROHIBITION AGAINST ADVANCE PAYMENT

Accept & Initial

Payments shall not be made until contractual deliverable(s) are received and accepted by the State.

GG. PAYMENT

Accept & Initial

State will render payment to contractor when the terms and conditions of the contract and specifications have been satisfactorily completed on the part of the contractor as solely determined by the State. Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408). The State may require the contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any services provided by the contractor prior to the Effective Date, and the contractor hereby waives any claim or cause of action for any such services.

HH. INVOICES

Accept & Initial

Invoices for payments must be submitted by the contractor to the agency requesting the services with sufficient detail to support payment. The terms and conditions included in the contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or estopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

II. AUDIT REQUIREMENTS

Accept & Initial

All contractor books, records and documents relating to work performed or monies received under the contract shall be subject to audit at any reasonable time upon the provision of reasonable notice by the State. These records shall be maintained for a period of five (5) full years from the date of final payment, or until all issues related to an audit, litigation or other action are resolved, whichever is longer. All records shall be maintained in accordance with generally accepted accounting principles.

In addition to, and in no way in limitation of any obligation in the contract, the contractor shall agree that it will be held liable for any State audit exceptions, and shall return to the State all payments made under the contract for which an exception has been taken or which has been disallowed because of such an exception. The contractor agrees to correct immediately any material weakness or condition reported to the State in the course of an audit.

JJ. TAXES

Accept & Initial

The State is not required to pay taxes of any kind and assumes no such liability as a result of this solicitation. Any property tax payable on the contractor's equipment which may be installed in a state-owned facility is the responsibility of the contractor.

KK. INSPECTION AND APPROVAL

Accept & Initial

Final inspection and approval of all work required under the contract shall be performed by the designated State officials. The State and/or its authorized representatives shall have the right to enter any premises where the contractor or subcontractor duties under the contract are being performed, and to inspect, monitor or otherwise evaluate the work being performed. All inspections and evaluations shall be at reasonable times and in a manner that will not unreasonably delay work.

LL. CHANGES IN SCOPE/CHANGE ORDERS

Accept & Initial

The State may, at any time with written notice to the contractor, make changes within the general scope of the contract. Changes in scope shall only be conducted with the written approval of the State's designee as so defined by the State from time to time. (The State retains the right to employ the services of a third party to perform any change order(s)).

The State may, at any time work is in progress, by written order, make alterations in the terms of work as shown in the specifications, require the performance of extra work, decrease the quantity of work, or make such other changes as the State may find necessary or desirable. The contractor shall not claim forfeiture of contract by reasons of such changes by the State. Changes in work and the amount of compensation to be paid to the contractor for any extra work so ordered shall be determined in accordance with the applicable unit prices of the contractor's proposal.

Corrections of any deliverable services or performance of work required pursuant to the contract shall not be deemed a modification requiring a change order.

MM. SEVERABILITY

____
Accept & Initial

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the particular provision held to be invalid.

NN. CONFIDENTIALITY

____
Accept & Initial

All materials and information provided by the State or acquired by the contractor on behalf of the State shall be regarded as confidential information. All materials and information provided by the State or acquired by the contractor on behalf of the State shall be handled in accordance with Federal and State Law, and ethical standards. The contractor must ensure the confidentiality of such materials or information. Should said confidentiality be breached by a contractor; contractor shall notify the State immediately of said breach and take immediate corrective action.

It is incumbent upon the contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable to contractors by 5 U.S.C. 552a (m)(1), provides that any officer or employee of a contractor, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than $5,000.

OO. PROPRIETARY INFORMATION

____
Accept & Initial

Data contained in the proposal and all documentation provided therein, become the property of the State of Nebraska and the data becomes public information upon opening the proposal. If the bidder wishes to have any information withheld from the public, such information must fall within the definition of proprietary information contained within Nebraska's public record statutes. All proprietary information the bidder wishes the State to withhold must be submitted in a sealed package, which is separate from the remainder of the proposal. The separate package must be clearly marked PROPRIETARY on the outside of the package. Bidders may not mark their entire Request for Proposal as proprietary. Bidder's cost proposals may not be marked as proprietary information. Failure of the bidder to follow the instructions for submitting proprietary and copyrighted information may result in the information being viewed by other bidders and the public. Proprietary information is defined as trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serve no public purpose (see Neb. Rev. Stat. §84-712.05(3)). In accordance with Attorney General Opinions 92068 and 97033, bidders submitting information as proprietary may be required to prove specific, named competitor(s) who would be advantaged by release of the information and the specific advantage the competitor(s) would receive. Although every effort will be made to withhold information that is properly submitted as proprietary and meets the State's definition of proprietary information, the State is under no obligation to maintain the confidentiality of proprietary information and accepts no liability for the release of such information.

PP. CERTIFICATION OF INDEPENDENT PRICE DETERMINATION/COLLUSIVE BIDDING

______ Accept & Initial

By submission of this proposal, the bidder certifies, that he or she is the party making the foregoing proposal that the proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation; that the proposal is genuine and not collusive or sham; that the bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham proposal, and has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham proposal, or that anyone shall refrain from bidding; that the bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the proposal price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the proposal price, or of that of any other bidder, or to secure any advantage against the public body awarding the contract of anyone interested in the proposed contract; that all statements contained in the proposal are true; and further that the bidder has not, directly or indirectly, submitted his or her proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any corporation, partnership, company association, organization, proposal depository, or to any member or agent thereof to effectuate a collusive or sham proposal.

QQ. PRICES

______ Accept & Initial

All prices, costs, terms and conditions outlined in the proposal shall remain fixed and valid commencing on the opening date of the proposal until an award is made (and for bidder receiving award prices shall remain as bid for the duration of the contract unless otherwise so stated in the contract) or the Request for Proposal is cancelled.

Contractor represents and warrants that all prices for services, now or subsequently specified are as low as and no higher than prices which the contractor has charged or intends to charge customers other than the State for the same or similar products and services of the same or equivalent quantity and quality for delivery or performance during the same periods of time. If, during the term of the contract, the contractor shall reduce any and/or all prices charged to any customers other than the State for the same or similar products or services specified herein, the contractor shall make an equal or equivalent reduction in corresponding prices for said specified products or services.

Contractor also represents and warrants that all prices set forth in the contract and all prices in addition, which the contractor may charge under the terms of the contract, do not and will not violate any existing federal, state or municipal law or regulations concerning price discrimination and/or price fixing. Contractor agrees to hold the State harmless from any such violation. Prices quoted shall not be subject to increase throughout the contract period unless specifically allowed by these specifications.

RR. BEST AND FINAL OFFER

______ Accept & Initial

The State will compile the final scores for all parts of each proposal. The award may be granted to the highest scoring responsive and responsible bidder. Alternatively, the highest scoring bidder or bidders may be requested to submit best and final offers. If best and final offers are requested by the State and submitted by the bidder, they will be evaluated (using the stated criteria), scored and ranked by the Evaluation Committee. The award will then be granted to the highest scoring bidder. However, a bidder should provide its best offer in its original proposal. Bidders should not expect that the State will request a best and final offer.

SS. ETHICS IN PUBLIC CONTRACTING

Accept & Initial

No bidder shall pay or offer to pay, either directly or indirectly, any fee, commission compensation, gift, gratuity, or anything of value to any State officer, legislator or employee based on the understanding that the receiving person's vote, actions or judgment will be influenced thereby. No bidder shall give any item of value to any employee of the State Purchasing Bureau.

Bidders shall be prohibited from utilizing the services of lobbyists, attorneys, political activists, or consultants to secure the contract. It is the intent of this provision to assure that the prohibition of state contact during the procurement process is not subverted through the use of lobbyists, attorneys, political activists, or consultants. It is the intent of the State that the process of evaluation of proposals and award of the contract be completed without external influence. It is not the intent of this section to prohibit bidders from seeking professional advice, for example consulting legal counsel, regarding terms and conditions of this Request for Proposal or the format or content of their proposal.

If the bidder is found to be in non-compliance with this section of the Request for Proposal, they may forfeit the contract if awarded to them or be disqualified from the selection process.

TT. INDEMNIFICATION

Accept & Initial

1. GENERAL

The contractor agrees to defend, indemnify, hold, and save harmless the State and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the contractor, its employees, subcontractors, consultants, representatives, and agents, except to the extent such contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

2. INTELLECTUAL PROPERTY

The contractor agrees it will at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the contractor or its employees, subcontractors, consultants, representatives, and agents; provided, however, the State gives the contractor prompt notice in writing of the claim. The contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the contractor has indemnified the State, the contractor shall at the contractor's sole cost and expense promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the contractor, and the State may receive the remedies provided under this RFP.

3. PERSONNEL

The contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel provided by the contractor.

UU. NEBRASKA TECHNOLOGY ACCESS STANDARDS

Accept & Initial

Contractor shall review the Nebraska Technology Access Standards, found at http://www.nitc.state.ne.us/standards/accessibility and ensure that products and/or services provided under the contract comply with the applicable standards. In the event such standards change during the contractor's performance, the State may create an amendment to the contract to request that contract comply with the changed standard at a cost mutually acceptable to the parties.

VV. ANTITRUST

Accept & Initial

The contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

WW. DISASTER RECOVERY/BACK UP PLAN

Accept & Initial

The contractor shall have a disaster recovery and back-up plan, of which a copy should be provided to the State, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue services as specified under these specifications in the event of a disaster.

XX. TIME IS OF THE ESSENCE

Accept & Initial

Time is of the essence in this contract. The acceptance of late performance with or without objection or reservation by the State shall not waive any rights of the State nor constitute a waiver of the requirement of timely performance of any obligations on the part of the contractor remaining to be performed.

YY. RECYCLING

Accept & Initial

Preference will be given to items which are manufactured or produced from recycled material or which can be readily reused or recycled after their normal use as per state statute (Neb. Rev. Stat. §81-15, 159).

ZZ. DRUG POLICY

Accept & Initial

Contractor certifies it maintains a drug free work place environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

IV. PROJECT DESCRIPTION AND SCOPE OF WORK

The bidder must provide the following information in response to this Request for Proposal.

A. PROJECT OVERVIEW

The State of Nebraska ("State") is the governing body for Nebraska. The State employs approximately 17,000 individuals. In an effort to control costs, the State is requesting proposals for a Wellness Program to be launched with Open Enrollment on April 13, 2009 which would include Health Assessment Tools and communication pieces for State employees. All the State employee benefit plans begin July 1 and run through June 30 of each year. The Program is designed to be a comprehensive approach to wellness available to all employees participating in the State's health insurance plan. There are approximately 14,000 employees participating in the health insurance plan.

B. PROJECT ENVIRONMENT

The State of Nebraska currently does not have a comprehensive Wellness Program. A number of agencies have worksite wellness activities or programs in place for employees. The State is developing a comprehensive long-term wellness strategy that will enhance or replace the worksite plans currently in place. The Wellness Program is expected to evolve over the first three years of the program.

The State is unable to provide monetary incentives for participation in the Wellness Program. However, the State is considering alternative participation strategies to ensure a high level of engagement.

For the Purpose of this RFP, Wellness Program(s) is assumed to include Disease Management Programs as required for various Chronic Conditions for those enrolled.

C. PROJECT REQUIREMENTS

The State's long-term strategy is to develop and implement plans and programs that:

1. Are based on current and future cost drivers, using State-specific data (where available) to support initiatives and measure program effectiveness
2. Have a total population focus
3. Lead to long-term, sustainable behavior change
4. Address a broad view of health and well-being issues
5. Are flexible, repeatable and scalable
6. Are all inclusive

The State of Nebraska is implementing a new PPO health plan for the purpose of integrating PPO plan features and preventative benefits with the Wellness Program proposed herein. Those employees enrolled in this new PPO Health Plan will be enrolled in and participate in the successful bidders Wellness Program. Employees enrolled in other health plans offered by the State will not have the ability to enroll in the Wellness Program. The employee must actively participate in the Wellness Programs to continue to have access to this PPO Health Plan. The successful bidders must actively work with the State's Health Care Third Party Administrator in the sharing of required information and programs of each employee enrolled.

Bidders shall indicate compliance with the following:

1. Contractor certifies that it is in full compliance with HIPAA's administrative simplification standards relating to electronic data interchange (EDI).

2. Contractor certifies that it is in full compliance with HIPAA's regulations protecting the privacy of individually identifiable health information.

D. BUSINESS REQUIREMENTS

1. What is your primary business focus?
2. How long have you been providing these types of services?
3. How many direct to employer clients do you currently have (do not include programs sold through Health Plans or other intermediary sources)? Designate by size:
<5000
5001 – 10,000
>10,001
4. How many government entities (federal, state, local, not-for-profit) have you worked with?
5. Please provide three public entity references.

E. SCOPE OF WORK

The State of Nebraska is requesting proposals for an integrated Wellness Program that includes health risk assessment tools, educational content, health tools and resources, on-line and on-site educational programs, on-line activity tracking, telephonic health coaching, comprehensive reporting, and day-to-day on-site management. The State is interested in programs with sustainable engagement and proven outcomes.

The State is evaluating which risk assessment approach is desired for each employee enrolled in the Wellness Program, a self-reporting Health Assessment (HA) survey or a Biometric Screening. Describe your approach and pricing for each type in conducting the HA only, the Biometric Screening only, or both in determining the risk assessment for each employee enrolled in the Wellness Program. The State retains the right to select which risk assessment(s) approach will be implemented. The successful contractor must allow the State the option to provide either or both at a minimum and as deemed necessary.

F. TECHNICAL REQUIREMENTS

1. Program Components

Bidders should describe their program components and capabilities and their differentiating features.

Describe each of the following components you provide as part of your suite of services.

Describe the differences in your approach and processes you deliver to an employee between Wellness Programs / Disease Prevention versus your Disease / Chronic Condition Program Management.

Check how the employee receives program assistance and whether they are proprietary or outsourced.

Program Description	Online	Telephonic	Face to Face	Mail Based	Proprietary	Outsourced
Health Education/Content/Tools						
Health Assessment						
Population Based Health Challenges						
Seminars/Webinars						
Personal Health Record						
Custom Newsletter						
Program/Activity Tracking						
Secure Messaging/Chat						
Inbound Participant Technical and Program Assistance						
Age/Gender Specific Self Care Reminders						
Behavior Based Interventions						
Physical Activity						
Healthy Eating						
Tobacco Cessation						
Stress Management						
Weight Management						
Biometric Improvement						
Chronic Condition Prevention						
Other, please list						
Chronic Condition (DM)						
Asthma						
COPD						
Diabetes						
CHF						
CAD						
Musculoskeletal						
Depression						
Back Pain						
Cancer						
Pregnancy						
Care Gaps						
Other, please list						

2. **Health Assessment (HA)**

Provide a copy of the HA you plan to utilize for the State of Nebraska employees.

The State of Nebraska may wish to modify the HA with specific questions for State employees as needed. What is your process to allow the HA to be modified?

Provide the following information regarding your HA:

	Question	Yes	No
1.	Is your HA a proprietary tool?		
	If no, is it proprietary to another entity? Whom?		
	If no, is it a free, non-proprietary tool? Whom?		
2.	On average, how many questions is your HA?		
3.	Is the assessment static or dynamic (does it use algorithms to produce next questions based on last response)?	Static	Dynamic
Explain:			
4.	Can an individual change their HA once it has been submitted?		
Explain:			
5.	How often can an individual complete an HA?		
	1 time per year		
	> 1 time per year		
Other, please describe:			
6.	Are “readiness to change” questions included in your HA?		
Explain:			
7.	Are “quality of life” questions included in your HA?		
Explain:			
8.	Are “productivity” questions included in your HA?		
Explain:			
9.	Do you provide an overall risk score to individuals who complete the HA?		
	If yes, explain how the risk score is used for the individual, targeted outreach, aggregate reporting, and evaluation/measurement.		
Explain:			
10.	Does your HA provide individual time-over-time comparisons?		
Explain:			
11.	How many HA’s did you process in 2008?		
12.	Can custom questions be added to your HA?		
	If yes, what are the limitations?		
Explain:			
13.	Are waist measurements included as part of the HA?		
14.	Are hip measurements included as part of the HA?		

3. Biometric Screenings

Provide the following information regarding your biometric screening.

1.	Indicate all ways you will provide biometric screenings: Check all that apply.	
	Onsite	
	Home kit	
	Lab relationship/vouchers	
	Other, please explain	
Explain:		
2.	Indicate which components are included in your standard screening. Check all that apply:	
	Total Cholesterol	
	HDL	
	LDL	
	Triglycerides	
	TL/HDL Ratio	
	Glucose	
	Blood Pressure	
	BMI	
	Waist Measurement	
	Hip Measurement	
	Participant Coaching/Results Review	
	Other, please list/describe	
Explain:		
3.	Are biometric values automatically uploaded into participants HA?	
Explain:		
4.	Who provides your screening? Check all that apply:	
	Internal staff	
	Contracted staff	
	Sub-contractor/fully outsourced	
	Other, please explain	
Explain:		
5.	Describe your screening management process.	
Explain:		

4. Lifestyle Programs/Coaching

1.	Indicate which of the following are used for individual follow-up or targeted outreach: Check all that apply:	
	Health Assessment	
	Medical Claims	
	RX Claims	
	Personal Health Record	
	Self-Referral	
	Non-Occupational Claims: STD/LTD	
	Occupational Claims: Workers Compensation	
	Other, please explain	
Explain:		
2.	Are your online behavior based programs proprietary?	
	Yes	
	No: If no, are they proprietary to another entity? Whom?	
	No: If no, are they free, non-proprietary programs? Whom?	
3.	Please describe your online behavior based programs. Be sure to include: eligibility or stratification processes, total program length (weeks to complete), tools & trackers involved, goal tracking, outcome measurements, etc.	
Explain:		
4.	Is your telephonic coaching provided internally?	
	Yes	
	No: If no, who is your outsourcing partner?	
5.	Please describe your telephonic based programs? Be sure to include: eligibility or stratification processes, total program length (weeks to complete), tools & trackers involved, goal tracking, outcome measurements, etc.	
Explain:		

5. Communications

Provide a description of the standard approach for communicating with the key stakeholders (e.g., Participants, Physicians, Health Professionals, Health Plan Administrator, Other Third Party Vendors, Primary Client (Employer) Contact, etc.) during the delivery of the health promotion/disease prevention and disease management program(s). Please describe your approach to the following:

a. Target Audience
Response:

b. Type of Communication
Response:

c. Frequency
Response:

d. Process for Monitoring Communication Effectiveness
Response:

As an attachment, provide samples of the standard communication and health education materials for each of the referenced target audiences above.

6. Wellness Coordinator

Vendor is required to provide a dedicated person (Wellness Coordinator) to the State of Nebraska for managing all wellness activities provided by your company and in addition any other wellness activities as deemed necessary by the State. This individual must:

a. Have 5+years experience managing wellness programs with organizations of equal size. The State of Nebraska retains the right to approve the individual to be assigned to this project and can require the removal of a person at the State's sole discretion.

b. Work under the direction of the State Employee Benefits Administrator to implement and provide continual support of the State's Wellness Program. State may from time to time want to develop additional wellness events. This individual will assist the State Employee Benefits Administrator with the development and implementation of these additional events as deemed necessary.

c. Be present for all Open Enrollment planning and enrollment periods/meetings throughout the State of Nebraska. (Beginning April 2009)

d. Travel at times to perform wellness activities at sites throughout the State of Nebraska.

Duties of the Wellness Coordinator will include, but are not limited to:

a. Developing materials and using them to communicate the details of the Wellness Program activities to a variety of audiences using a variety of media, including but not limited to presentations, flyers, Web site, newsletter articles, e-mail notices, etc.

b. Scheduling, coordinating, and supervising employee committee meetings at all locations for the State.

c. Collecting data that is used to track State employee eligibility for the Wellness Program, including but not limited to participation in challenges, seminars, workshops, and behavior change activities.

d. Directing the day-to-day operation of the Wellness Program, including but not limited to participating in all appropriate planning activities and providing recommendations for program design.

e. Responding to employee questions regarding the Wellness Program.

f. Generating reports related to Wellness Program participation, Wellness Assessments, Web site traffic, etc.

g. Working closely with the State of Nebraska through the Employee Benefits Office to promote wellness for all State employees.

h. Managing the administrative functions of a Web system, including posting, editing, distributing, and removing all client-specific content.

i. Coordinating and assisting in the promotion and conducting of biometric measurements, including blood pressure, cholesterol, and glucose evaluations.

G. PROJECT PLANNING AND MANAGEMENT

1. Reporting

Describe the reporting capabilities and package you provide, indicate the name of the report, and describe the information reported and the frequency of the issuance of the report. Please provide examples.

a. Standard Report: Report Name
b. Standard Report: Description
c. Standard Report: Frequency
d. Standard Report: Format/File Type

Are the reports available in real-time and on-line via the Internet?

Can these reports be customized to further meet the client's needs? If so, is there an additional charge for customized reports?

Do your reporting capabilities allow the State to perform its own ad hoc inquiries / analysis on the State's Data as deemed necessary? If yes, please explain in detail the capabilities and analysis options and state any software, hardware or other requirements necessary for the State to access or utilize this capability. If no, does the State have the option to download data to perform our own analysis as needed?

2. Technology

Identify each data source you minimally require for administration of each individuals risk profile or Wellness Program they might participate in, include the frequency and preferred method for obtaining updates for each data source. Please be sure to cover the following for each data source:

a. Frequency
b. Preferred Method of Data Receipt
c. Other comments about data transmission

What is the current system platform(s) used to support the delivery of your Wellness Program?

How do you secure and ensure the privacy of the protected health information that you collect?

Vendor certifies that it (as well as any subcontractors that it utilizes) is in full compliance with HIPAA's regulations protecting the privacy of individually identifiable health information.

☐ Yes
☐ No

H. PERFORM IMPLEMENTATION

Are you able to provide a Health Assessment and communication pieces for State employees with the time constraints listed? Please include any issues you may have with implementing these components of the Wellness Program by the launch date.

Please provide a Proposed Implementation Plan with details regarding critical tasks, timeframes and resources needed.

Include in the plan any potential interface points with other third party vendors.

What do you require of the State to successfully implement the HA and Wellness Program?

Provide a detailed description of the process you will use to monitor and audit implementation of the program.

I. PROVIDE POST IMPLEMENTATION SUPPORT

Provide the staffing structure for the health promotion disease prevention programs(s), including number of employees, experience, role they have and ratio of staff to participants.

Describe how you provide ongoing management of program accounts to ensure excellent customer service.

What is your issue resolution and escalation process?

J. DELIVERABLES

The State will determine which services will be included in the Wellness Program and the schedule of implementation for each service.

V. PROPOSAL INSTRUCTIONS

This section documents the mandatory requirements that must be met by bidders in preparing the Technical and Cost Proposal. Bidders should identify the subdivisions of “Project Description and Scope of Work” clearly in their proposals; failure to do so may result in disqualification. Failure to respond to a specific requirement may be the basis for elimination from consideration during the State’s comparative evaluation.

Proposals are due by the date and time shown in the Schedule of Events. Content requirements for the Technical and Cost Proposal are presented separately in the following subdivisions:

A. TECHNICAL PROPOSAL

The Technical Proposal shall consist of four (4) sections:

1. SIGNED “State of Nebraska Request For Proposal For Contractual Services” form;
2. Executive Summary;
3. Corporate Overview; and
4. Technical Approach.

1. REQUEST FOR PROPOSAL FORM

By signing the “Request For Proposal For Contractual Services” form, the bidder guarantees compliance with the provisions stated in this Request for Proposal, agrees to the Terms and Conditions stated in this Request for Proposal and certifies bidder maintains a drug free work place environment.

The Request For Proposal For Contractual Services form must be signed in ink and returned by the stated date and time in order to be considered for an award.

2. EXECUTIVE SUMMARY

The Executive Summary shall condense and highlight the contents of the solution being proposed by the bidder in such a way as to provide the Evaluation Committee with a broad understanding of the Contractor's Technical Proposal.

Bidders must present their understanding of the problems being addressed by implementing a new system, the objectives and intended results of the project, and the scope of work. Bidders shall summarize how their Technical Proposal meets the requirements of the Request for Proposal, and why they are best qualified to perform the work required herein.

3. CORPORATE OVERVIEW

The Corporate Overview section of the Technical Proposal must consist of the following subdivisions:

a. BIDDER IDENTIFICATION AND INFORMATION

The bidder must provide the full company or corporate name, address of the company's headquarters, entity organization (corporation, partnership, proprietorship), state in which the bidder is incorporated or otherwise organized to do business, year in which the bidder first organized to do business, whether the name and form of organization has changed since first organized, and Federal Employer Identification Number and/or Social Security Number.

b. FINANCIAL STATEMENTS

The bidder must provide financial statements applicable to the firm. If publicly held, the bidder must provide a copy of the corporation's most recent audited financial reports and statements, and the name, address and telephone number of the fiscally responsible representative of the bidder's financial or banking organization.

If the bidder is not a publicly held corporation, either the reports and statements required of a publicly held corporation, or a description of the organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information must be submitted in such a manner that proposal evaluators may reasonably formulate a determination about the stability and financial strength of the organization. Additionally, a non-publicly held firm must provide a banking reference.

The bidder must disclose any and all judgments, pending or expected litigation, or other real or potential financial reversals, which might materially affect the viability or stability of the organization, or state that no such condition is known to exist.

c. CHANGE OF OWNERSHIP

If any change in ownership or control of the company is anticipated during the twelve (12) months following the proposal due date, the bidder must describe the circumstances of such change and indicate when the change will likely occur. Any change of ownership to an awarded vendor(s) will require notification to the State.

d. OFFICE LOCATION

The bidder's office location responsible for performance pursuant to an award of a contract with the State of Nebraska must be identified.

e. RELATIONSHIPS WITH THE STATE

The bidder shall describe any dealings with the State over the previous three (3) years. If the organization, its predecessor, or any party named in the bidder's proposal response has contracted with the State, the bidder shall identify the contract number(s) and/or any other information available to identify such contract(s). If no such contracts exist, so declare.

f. BIDDER'S EMPLOYEE RELATIONS TO STATE

If any party named in the bidder's proposal response is or was an employee of the State within the past thirty-six (36) months, identify the individual(s) by name, State agency with whom employed, job title or position held with the State, and separation date. If no such relationship exists or has existed, so declare.

If any employee of any agency of the State of Nebraska is employed by the bidder or is a subcontractor to the bidder, as of the due date for proposal submission, identify all such persons by name, position held with the bidder, and position held with the State (including job title and agency). Describe the responsibilities of such persons within the proposing organization. If, after review of this information by the State, it is determined that a conflict of interest exists or may exist, the bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

g. CONTRACT PERFORMANCE

If the bidder or any proposed subcontractor has had a contract terminated for default during the past five (5) years, all such instances must be described as required below. Termination for default is defined as a notice to stop performance delivery due to the bidder's non-performance or poor performance, and the issue was either not litigated due to inaction on the part of the bidder or litigated and such litigation determined the bidder to be in default.

It is mandatory that the bidder submit full details of all termination for default experienced during the past five (5) years, including the other party's name, address and telephone number. The response to this section must present the bidder's position on the matter. The State will evaluate the facts and will score the bidder's proposal accordingly. If no such termination for default has been experienced by the bidder in the past five (5) years, so declare.

If at any time during the past five (5) years, the bidder has had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason, describe fully all circumstances surrounding such termination, including the name and address of the other contracting party.

h. SUMMARY OF BIDDER'S CORPORATE EXPERIENCE

The bidder shall provide a summary matrix listing the bidder's previous projects similar to this Request for Proposal in size, scope and complexity. The State will use no more than three (3) narrative project descriptions submitted by the bidder during its evaluation of the proposal.

The bidder must address the following:

i. Bidder must provide narrative descriptions to highlight the similarities between their experience and this Request for Proposal. These descriptions must include:

- **a)** the time period of the project;
- **b)** the scheduled and actual completion dates;
- **c)** the contractor's responsibilities;
- **d)** for reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number and e-mail address); and
- **e)** each project description shall identify whether the work was performed as the prime contractor or as a subcontractor. If a bidder performed as the prime contractor, the description must provide the originally scheduled completion date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.

ii. Contractor and subcontractor(s) experience must be listed separately. Narrative descriptions submitted for subcontractors must be specifically identified as subcontractor projects.

iii. If the work was performed as a subcontractor, the narrative description shall identify the same information as requested for the contractors above. In addition, subcontractors shall identify what share of contract costs, project responsibilities, and time period were performed as a subcontractor.

i. SUMMARY OF BIDDER'S PROPOSED PERSONNEL/MANAGEMENT APPROACH

The bidder must present a detailed description of its proposed approach to the management of the project.

The bidder must identify the specific professionals who will work on the State's project if their company is awarded the contract resulting from this Request for Proposal. The names and titles of the team proposed for assignment to the State project shall be identified in full, with a description of the team leadership, interface and support functions, and reporting relationships. The primary work assigned to each person should also be identified.

The bidder shall provide resumes for all personnel proposed by the bidder to work on the project. The State will consider the resumes as a key indicator of the bidder's understanding of the skill mixes required to carry out the requirements of the Request for Proposal in addition to assessing the experience of specific individuals.

Resumes must not be longer than three (3) pages. Resumes shall include, at a minimum, academic background and degrees, professional certifications, understanding of the process, and at least three (3) references (name, address, and telephone number) who can attest to the competence and skill level of the individual. Any changes in proposed personnel shall only be implemented after written approval from the State.

j. SUBCONTRACTORS

If the bidder intends to subcontract any part of its performance hereunder, the bidder must provide:

i. name, address and telephone number of the subcontractor(s);
ii. specific tasks for each subcontractor(s);
iii. percentage of performance hours intended for each subcontract; and
iv. total percentage of subcontractor(s) performance hours.

4. TECHNICAL APPROACH

The technical approach section of the Technical Proposal must consist of the following subsections:

a. understanding of the project requirements;
b. technical considerations;
c. detailed implementation timeline based on the expected launch date; and
d. deliverables and due dates.

B. COST PROPOSAL REQUIREMENTS

This section describes the requirements to be addressed by bidders in preparing the Cost Proposal. The bidder must submit the Cost Proposal in a section of the proposal that is a separate section or is packaged separately as specified in this RFP from the Technical Proposal section.

The component costs of the fixed price proposal for providing the services set forth in the Request for Proposal must be provided by submitting forms substantially equivalent to those described below.

1. PRICING SUMMARY

This summary shall present the total fixed price to perform all of the requirements of the Request for Proposal. The bidder must include details in the Cost Proposal supporting any and all costs. These details must include, at a minimum, detailed descriptions and/or specifications of the goods and/or services to be provided, quantities, and timing and unit costs, if applicable.

The State reserves the right to review all aspects of the Cost Proposal for reasonableness and to request clarification of any proposal where the cost component shows significant and unsupported deviation from industry standards or in areas where detailed pricing is required.

2. PRICES

All bidders are required to complete and return with their proposal response proposed pricing on Attachment A.

Form A

Bidder Contact Sheet

Request for Proposal Number 2787Z1

Form A should be completed and submitted with each response to this Request for Proposal. This is intended to provide the State with information on the bidder's name and address, and the specific person(s) who are responsible for preparation of the bidder's response.

Preparation of Response Contact Information	
Bidder Name:	
Bidder Address:	
Contact Person & Title:	
E-mail Address:	
Telephone Number (Office):	
Telephone Number (Cellular):	
Fax Number:	

Each bidder shall also designate a specific contact person who will be responsible for responding to the State if any clarifications of the bidder's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

Communication with the State Contact Information	
Bidder Name:	
Bidder Address:	
Contact Person & Title:	
E-mail Address:	
Telephone Number (Office):	
Telephone Number (Cellular):	
Fax Number:	

Form B

Notification of Intent to Bid

Request for Proposal Number 2787Z1

Bidder Name:	
Bidder Address:	
Contact Person:	
E-mail Address:	
Telephone Number:	
Fax Number:	

The "Notification of Intent to Bid" form should be submitted to the State Purchasing Bureau via e-mail (matpurch.dasmat@nebraska.gov), facsimile (402-471-2089), hand delivered or US Mail by the date shown in the Schedule of Events.

ATTACHMENT A
PRICING FOR WELLNESS PROGRAM

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
1	**Implementation (assumes a one time fee)**						
2	**Online Suite of Services (to include)**						
	HRA, Health Education, Behavior change modules, activity tracking, health coaching						
	Seminars						
	Other (describe)						
3	**Paper HRA:**						
	Questionnaire						
	HRA Individual Results						
	Mailing Costs						
4	**Individual Targeted Lifestyle Modification Programs - telephonic**						
	Low Risk - Cost/Participant						
	Moderate Risk - Cost/Participant						
	High Risk - Cost/Participant						
	Other (describe)						
5	**Employee Customer Service Toll Free #800**						
6	**Biometric Screenings (assumes values uploaded into HRA)**						
	Onsite						
	Lab Voucher						
	Other (describe)						
	Onsite or Population						
7	**Communication and Promotion Materials:**						
	Standard						
	Customized						
	Other (describe)						

ATTACHMENT A
PRICING FOR WELLNESS PROGRAM

	Services (Describe each service provided)	Name of Service or Product (if applicable)	Core Service or Additional Service	Assumed Participant Lives/Units	Unit Cost	Set-up Fees	Total Annual Cost
8	**Client Management Reporting**						
	Onsite client manager (assumes full time at State)						
	Additional management fees						
	Data Feeds						
	Custom Reports						
	Other (describe)						
9	**Incidentals:**						
	Travel Expenses						
	Other (describe)						
	Other (describe)						