

**Post Hearing Questions for VA
From The Honorable Chris Smith, Chairman
Committee on Veterans Affairs
U.S. House of Representatives
July 21, 2004**

In relation to the Committee's July 21, 2004, hearing on VA Third Party Collections, attached are the Department's responses to the due diligence questions. To the extent the requested information is available, a detailed response is provided. In certain instances VA has provided responses secured directly from eAppeals LLC that are responsive to the questions provided to VA. In general, VA is satisfied that appropriate due diligence was performed on eAppeals.

1. Under what legal entity is eAppeals operating? (eAppealSolutions.com, Inc. d/b/a eAppeals or eAppeals, LLC)

Response: According to the Florida Department of State public web cite, Division of Corporations, EAPPEALS LLC, EAPPEALSOLUTIONS, INC., E-APPEAL SOLUTIONS.COM, INC., and EAPPEALSOLUTIONS.COM, INC are all names that appear on the Corporate Name List. A statement on the bottom of the page also states that this is not the official record. The following information was obtained from Dun & Bradstreet:

"This report contains a statement that the corporate details provided below may have been submitted by the management of the business and may not have been verified with the government agency which records such data."

Registered Name: Eappealsolutions.com, Inc

Corporation type: Profit

Date incorporated: July 29, 1999

State of incorporation: Florida

Where filed: State Department/Corporation Division, Tallahassee, FL

eAppeals response: The VA contracts with eAppeals LLC, a Delaware Limited Liability Company established on July 29, 2003. The VA contracts with eAppeals LLC as a prime contractor to provide electronic health care claim appeal services in VISNs 5 and 17, and is aware that eAppeals LLC serves as a subcontractor to Electronic Data Systems Corporation (EDS) to provide similar services in VISNs 8, 2 and 9. eAppeals LLC maintains its principal place of business at:

1680 Michigan Ave.
Suite 700
Miami Beach, Florida 33139

2. Who owns eAppeals? (name and ownership interest)

Response: The Florida Department of State, Division of Corporations, lists EAPPEALS LLC and the principal place of business at 1680 Michigan Ave., Suite 700, Miami, FL 33139. The following names are listed as managing members/managers at the place of business address: Kirsh, William; Kramer, Peter; Kane, Alice; Griffin, Steve; Riggs, Rory. Information regarding ownership interest in this business is not published on this document.

eAppeals response: Dr. William Kirsh, Mr. Peter Kramer, and Mr. Jeffery King formed eAppeals LLC, and the Florida Department of State, Division of Corporations, lists the following individuals as managing members/managers:

William Kirsh
Peter Kramer
Alice Kane
Steve Griffin
Rory Riggs

3. Is eAppeals involved in any way in the legal proceedings of Scientia, ImClone, Sam Waksal or any of its owners?

eAppeals response: eAppeals LLC acquired all of the intellectual property of eAppealSolutions in September 2003. eAppealSolutions, founded in 1999, had received an investment of \$2,500,000 from Scientia Health Group, Ltd. ("Scientia"), a healthcare investment fund in exchange for 52% of the company's stock. At the time of the investment in January 2002, Mr. Samuel Waksal, then Chief Executive Officer of ImClone Systems, Inc., was a principal in Scientia.

Shortly after Mr. Waksal's criminal conduct came to light in late 2002, eAppealSolutions and its founders, both in their corporate and individual capacities, brought legal action against Scientia and its Board of Directors alleging various causes of action including breach of contract. The complaint also asserted various causes of action against Mr. Waksal, individually -- including his failure to disclose to eAppealSolutions his ongoing criminal conduct.

The formal legal court proceeding was dismissed on December 27, 2002, pursuant to a Settlement Agreement ("Agreement"). Under this Agreement, Scientia relinquished all right to its shares in eAppealSolutions in December 2002, and the legal relationship between Scientia and eAppealSolutions was extinguished via a Purchase Agreement and Release executed on September 9, 2003. All rights and interest in eAppealSolutions held by Scientia and, by association, Mr. Waksal, were terminated on this date.

Accordingly, eAppeals LLC was at no time involved in the legal proceedings of ImClone, Sam Waksal, Scientia or any Scientia owners.

4. **How much of the \$2,500,000 contributed by Scientia is being used to pay the lobbyists identified above?**

eAppeals response: eAppeals LLC has received no financing from Scientia. Accordingly, no portion of any of eAppeals' expenses, including expenses to outside consultants, have been financed by Scientia.

5. **Do the lobbyists working for eAppeals know of Scientia's ownership interest and the relationship to ImClone and Sam Waksal?**

eAppeals Response: Scientia maintains no ownership or financial interest in eAppeals LLC. All consultants engaged by eAppeals LLC are aware of Scientia's investment in eAppealSolutions and the legal proceedings described above.

6. **Do the members of Congress being lobbied know of Scientia's ownership interest relationship to ImClone and Sam Waksal?**

Response: VA does not have information regarding Congressional knowledge of Scientia's investment in eAppealSolutions.

eAppeals response: eAppeals LLC does not have information regarding Congressional knowledge of Scientia's investment in eAppealSolutions.

7. **How much does eAppeals currently owe Scientia? (loans, cumulative dividends)**

eAppeals response: As a result of the Purchase Agreement and Release signed on September 9, 2003, eAppeals LLC has no financial obligation or debt to Scientia, Sam Waksal or any related party.

8. **What is eAppeals' current financial position? (copy of company's current financial statements)**

eAppeals response: eAppeals LLC is a privately held company with sufficient capitalization for its operations.

9. **Does eAppeals employ as a senior member of management anyone with significant experience and expertise in business integration software?**

eAppeals Response: Yes. The current senior management team has significant experience in the development and deployment of software technology. The management team has been involved in the application of software technology for health care services. Any limitations have been supplemented by the retention of software content experts including, but not limited to EDS.

10. **Does eAppeals still have a strategic technology agreement with Quovadx? If so, what does Quovadx provide the company? (business integration software, software support, data processing, other)**

eAppeals response: eAppeals LLC neither has nor had any relationship or agreement with Quovadx.

11. Is eAppeals in any way involved in the SEC investigation of Quovadx?

eAppeals response: No.

12. How much does eAppeals currently owe Quovadx? Are any of the amounts owed past due?

eAppeals response: eAppeals LLC does not owe any monies to Quovadx. In 2002 eAppealSolutions contracted with Quovadx to develop a software integration platform but terminated the contract.

13. What does EDS provide eAppeals? (business integration software, software support, data processing, other)

eAppeals response: EDS and eAppeals entered into a teaming agreement to pursue VA contracts for processing appeals for disputed healthcare claims. EDS brings contract management expertise, knowledge of the VA systems, and extensive information technology expertise to the relationship. EDS and eAppeals jointly provide automated denied health care claims appeal processing to VA.

14. How much does eAppeals currently owe EDS? Are any of the amounts owed past due?

eAppeals response: There are no debts owed to EDS by eAppeals.

15. What do the 77 independent contractors provide eAppeals? (business integration software, software support, data processing, other)

eAppeals response: eAppealSolutions did contract with a number of independent sales agents to sell and distribute its software technology and services. eAppeals LLC continues this practices of using independent sales agents to sell and distribute its software, technology and services.

16. Is eAppeals involved in any lawsuits related to rights or use of the integrated business software?

eAppeals Response: There have never been any lawsuits against eAppeals (or its predecessor, eAppealSolutions) related to rights or use of the integrated business software.

17. Who developed the business integration software used by eAppeals? (name and summary of qualifications and expertise)

eAppeals response: The business integration software was designed and developed by its senior management team. Outside consultants were retained for software coding and programming.

18. Who owns the business integration software used by eAppeals? (name of individuals or company)

eAppeals response: eAppeals LLC owns all the intellectual property relating to the company's automated and standardized process for the electronic transmission of electronic healthcare appeals, including internet domain names, technology licenses, and proprietary software.

19. Who are the clients that eAppeals has successfully provided similar services? (name and contact number)

eAppeals Response: The following are representative clients receiving similar services to VA:

Frederick Memorial Hospital -- STEVE MURFIN 301 518 7303

Vitas, Inc. -- ROBIN JOHNSON 305 350 6041

Deaconess Hospital -- BETH LYNCH 406 657 4649

20. Is the software used by eAppeals HIPAA compliant?

Response: A product by itself cannot be compliant with the HIPAA Privacy Rule. However, a vendor must perform certain administrative and security safeguards to maintain compliance. VA ensures that the contract with a vendor binds the vendor to be compliant with the aspects of HIPAA that apply. The vendor then has the responsibility to follow the law. In addition, the vendor and VA should have in force a HIPAA Business Associate Agreement (BAA), as is required under the HIPAA legislation.

There currently are four aspects to Title II of HIPAA:

1. Privacy (in force as of April 14, 2003, and containing security provisions);
2. Electronic Transactions and Code Sets;
3. Security (to be in force by April 21, 2005); and
4. Identifiers.

To our knowledge, EDS/eAppeals is not conducting any of the HIPAA Electronic Transactions; therefore, that aspect would not apply. With regard to the Privacy and Security of the veterans' protected health information (PHI), EDS/eAppeals has the legal obligation, at a high level, to

- (1) implement administrative, physical, and technical safeguards to protect and secure that data;
- (2) use or disclose PHI in accordance with VA's minimum necessary policies and procedures;
- (3) return or destroy the PHI gathered, created, received, or processed during the performance of the contract;
- (4) notify VA should there be a breach in privacy or security; and
- (5) take steps to remedy any breaches.

Specific to the contract in VISN 8, the VHA HIPAA Program Management Officer (PMO) has confirmed that VISN 8 does have a signed BAA with EDS/eAppeals. We conclude that EDS/eAppeals is aware of its obligations to be HIPAA-compliant. Additionally, the PMO has indicated that a national BAA would be the preferred course of action, rather than individual agreements with each VISN. The HIPAA PMO will contact EDS/eAppeals to pursue a national BAA.

eAppeals response: eAppeals, LLC is in compliance with all HIPAA regulations that apply to appeals processing and handling of Protected Health Information. The contracts with the VA have a business associate agreement incorporated and eAppeals, LLC has a business associate agreement in place with EDS.

21. What security measures are used to prevent the unauthorized access or damage to VHA information systems?

Response: According to the IT staff in VISN 8, the local Information Management staff runs the extract and places the data on the eAppeals system. Because this process is used, the security of VHA information systems is not compromised.

eAppeals response: In performance of the contract eAppeals employees do not have access to the VA information systems. Extraction of data from the VA information systems is performed by VA personnel.

22. What security measures are used to prevent the unauthorized access or damage to Third Party Payer (TPP) information systems?

eAppeals response: eAppeals employees have no access to Third Party Payer information systems. Any security measures to prevent unauthorized access or damage would be the responsibility of the Third Party Payer.

23. How is VHA protected from the electronic filing of incorrect or false claims/appeals?

eAppeals response: eAppeals handles only appeals for the VHA. These appeals are processed at the VHA's direction based on information provided to eAppeals by the VHA through EDS. VA extracts data on claims for appeals using selectable criteria to eliminate claims that are not suitable for appeal. Upon receipt of the claims to be appealed for the VHA, eAppeals processes the potential appeals through its own scrubbing software which also includes the payment and appeals criteria for the appeals. Any claims that are unsuitable for appeal are kicked out by the program and excluded from the appeals batches submitted to third party payors thereby protecting the VHA from submission of incorrect or false appeals.

24. How are Third Party Payers (TPP's) protected from paying incorrect or fraudulent claims/appeals?

eAppeals response: eAppeals ensures, through the process described above in Question 23, that only correct appeals are submitted to TPPs.

25. What kind and amount of insurance does eAppeals carry? (errors and omissions)

eAppeals response: eAppeals has \$2,000,000 in General Liability insurance and Errors and Omission Insurance Coverage. This is a requirement of the subcontract with EDS.

eAppeals | A/R ASAP

July 26, 2004

VIA HAND DELIVERY AND FACSIMILE 202.273.6671

The Honorable Tim S. McClain
General Counsel
Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Dear Mr. McClain:

In early July 2004, eAppeals LLC met with Members of the House Veterans Affairs Committee and their staff to provide a briefing on the success of the joint effort of eAppeals LLC ("eAppeals" or the "Company") and Electronic Data Systems Corporation ("EDS") in collecting dormant account receivables within the Department of Veterans Affairs ("Department" or "VA") healthcare system. On July 19, 2004, House Veterans Affairs Oversight and Investigations Subcommittee Chairman Steve Buyer invited eAppeals to accompany the Veterans Integrated Service Network ("VISN") & Chief Financial Officer ("CFO") Mr. Ken Ray to the Subcommittee's Fourth Hearing on VA's Third Party Collections. eAppeals accepted the Chairman's invitation to testify.

During the course of the July 21, 2004 hearing, Chairman Buyer instructed VA Assistant Secretary for Information and Technology Robert McFarland to "coordinate with [the] General Counsel of VA" prior to engaging in further expansion of the existing partnership between the Department and eAppeals. Chairman Buyer stated that he had been "given a document with regard from General Counsel" that unspecified "serious allegations" had arisen with respect to eAppeals' ownership, business relationships, and track record of performance. Following the Chairman's comment, we understand that there was an internal determination within the VA to "slow down" eAppeals' existing contract work since the "general counsel of the VA is investigating eAppeals." We can only speculate that the concerns were caused by an investor in a predecessor company. This correspondence will address that issue.

Both eAppeals and its teaming partner EDS view these unspecified allegations with the utmost seriousness. While we have not yet been given the opportunity to review the "document" that precipitated the Chairman's entirely unexpected comment, nor have we been apprised of the existence or intended nature of any VA General Counsel's inquiry, eAppeals and EDS desire to immediately address any questions regarding the Company and prevent any unwarranted interruption to our productive collaboration with the VA.

This letter outlines current and historical information regarding eAppeals' ownership, credentials, and business relationships, and further describes the considerable due diligence review conducted by the VA and EDS during the past two years. In addition, we request the

McClain Letter
July 26, 2004

opportunity for eAppeals' senior leadership team and the EDS Project Manager for the VA relationship to meet with your office as soon as possible.

About eAppeals LLC

eAppeals is the first-known company to create and commercialize a standardized electronic system to process post-adjudicated disputed healthcare claims -- a process that has traditionally been done manually. In the \$1.5 trillion healthcare industry, nearly one-third of all claims are appealable. eAppeals' technology solution is capable of processing over 1.2 million transactions in a 24 hour period, as compared to the more labor-based method that can process up to 15 claims per person per day. eAppeals' solution enables hospitals and healthcare providers to increase cash flow by collecting receivables that are either aging or were written off because of insufficient resources to cost-effectively process the large volume of disputable receivables or handle the complicated procedures involved in the formal dispute resolution process. eAppeals' system is now being used throughout the United States by a broad array of healthcare providers, hospitals, durable medical equipment companies, laboratories, and hospice entities.

Ownership Structure and Legacy History

eAppeals LLC was established on July 29, 2003 as a Delaware Limited Liability Company by Dr. William Kirsh, Mr. Peter Kramer, and Mr. Jeffery King. In September 2003, eAppeals acquired from eAppealSolutions, Inc. ("eAppealSolutions"), a Florida Corporation, all of its intellectual property, including internet domain names, technology licenses, and proprietary software. Messrs. Kirsh, Kramer and King had previously formed eAppealSolutions, Inc. in July 1999 for the purpose of creating an automated and standardized process for the electronic transmission of electronic healthcare appeals.

In March 2001, eAppealSolutions presented its business plan to Mr. Samuel Waksal, then Chief Executive Officer of ImClone Systems, Inc. and, at that time, a principal in Scientia Health Group, Ltd. ("Scientia"), a healthcare investment fund. In January 2002, Scientia completed a \$2,500,000 investment in eAppealSolutions in exchange for 52% of the company's stock. At the time, Mr. Waksal headed one of the most innovative biotechnology companies in the country and was heralded as an innovator in cancer research. No one (including Wall Street, the FDA, Congress, or eAppealSolutions founders or management) was aware at the time that Mr. Waksal was engaged in criminal activity in violation of federal securities laws.

Mr. Waksal's criminal conduct became a matter of public record in late 2002, more than one year after Scientia's initial funding of eAppealSolutions. As a result of Mr. Waksal's legal and financial difficulties, Scientia breached both its fiduciary duties and funding obligations to eAppealSolutions. On November 22, 2002, eAppealSolutions and its founders, both in their corporate and individual capacities, brought legal action in the 11th Circuit of Florida seeking compensatory damages, as well as interest, costs and fees. The complaint asserted various causes of action against Scientia and Mr. Waksal, individually -- including his failure to disclose

McClain Letter
July 26, 2004

to eAppealSolutions his ongoing criminal conduct. The cause of action was removed to Federal Court on December 5, 2002.

All parties to the action executed mutual releases, and entered into a Settlement Agreement on December 23, 2002. The formal legal court proceeding was dismissed on December 27, 2002. Pursuant to the Settlement Agreement, Scientia relinquished all right to its shares in eAppealSolutions in December 2002, and the legal relationship between Scientia and eAppealSolutions was extinguished via a Purchase Agreement and Release executed on September 9, 2003. All rights and interest in eAppealSolutions held by Scientia and, by association, Mr. Waksal, were terminated on this date. No Federal contracts were at any point signed with eAppealSolutions.

eAppeals subsequently acquired all of the intellectual property of eAppealSolutions. Neither Scientia nor Mr. Waksal participated in the formation or subsequent financing of eAppeals.

Unfortunately, we can only speculate that the source of the "serious allegations" expressed at the Subcommittee hearing regarding eAppeals arise from these well-documented investments received by eAppealSolutions, the legacy entity, and which were terminated by eAppealSolutions at its request through both judicial intervention and an ensuing settlement agreement. To be clear, eAppeals does not now, nor has it ever had, any business relationship with Samuel Waksal, Scientia Health Group Ltd. or any of its shareholders. Moreover, only eAppeals is a subcontractor to EDS as well as a prime contractor to the VA.

EDS and VA Due Dilligence

Beginning in November 2002, both EDS and the VA began a due diligence review of eAppealSolutions -- a process that transitioned with the change in asset ownership to a review of eAppeals. As eAppeals proceeded to develop a teaming relationship with EDS, and later contractual relationships with the VA, the Company was vetted by both EDS and the VA's Chief Business Office. These reviews included:

- (1) Site visits in May 2003 by VISN 5 & 17 CFO's to the company's private sector customers to review its track record of performance and customer satisfaction;
- (2) EDS' submission of eAppeals' private-sector customer references to the Chief Business Office;
- (3) A May 2004 site visit by the VA's Chief Business Office and the VISN 8 CFO to eAppeals processing operations in Miami, Florida;
- (4) EDS discussions with investors in eAppeals and discussion of its findings with VA officials as recently as April 2004;
- (5) EDS discussions with eAppeals' software developers prior to entering into the Teaming Agreement with eAppeals and the January 22, 2004 contract with VISN 8;

McClain Letter
July 26, 2004

- (6) Informational meeting between eAppeals, EDS and the VA General Counsel's office regarding the VISN 8 contract; and
- (7) Multiple meetings and conference calls between eAppeals, EDS and senior representatives from the VA's Chief Business Office.

In consultation with the VA on the VISN 8 project, eAppeals and EDS developed business process flows which were subsequently reviewed by the VA. In addition, the VA, EDS and eAppeals established certain milestones including the submission of monthly status reports by EDS.

At each step of the due diligence process, eAppeals has shared and made available to both the VA and EDS all requested structural, financial, customer, and technical information and data. Any concerns with legacy investments initially made in eAppealSolutions can be quickly resolved by reference to the public record of that company's actions to terminate its relationship with Scientia as detailed above.

Relationship with VA

eAppeals and EDS take great pride in their work with the Department's Chief Business Office and individual VISNs to develop an effective automated process for resolution of the Department's disputed third-party health insurance claims.

eAppeals and EDS are presently contracting with the VA, and have worked closely with the Department to implement an effective solution to the daunting challenge of disputed claims processing within the VA Health Care System. For your reference, a copy of the July 21st prepared statement of Dr. William Kirsh, eAppeals CEO, regarding the Company's VA experience is enclosed.

The VA's response to eAppeals work has been exceedingly positive, not only during implementation meetings as reflected in correspondence between the VA and the Company, but also as evidenced in the Department's July 21st public testimony before the Subcommittee. Mr. Ken Ray, VISN 8 CFO, testified as to the success of the eAppeals/EDS technology solution as follows:

"In summary, to date, we have been able to collect additional dollars through the use of this vendor. The Miami facility has found the vendor very easy to work with and communications have been excellent. Where problems have been encountered, *eAppeals* is there to help, weekly meetings are held and the disposition of all appealed claims are well documented."

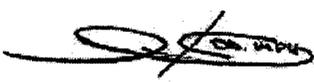
The solution provided by eAppeals and EDS offers a cost-savings advantage that will ably assist the Department achieve key service and financial objectives, as evidenced by the track-record of success already underway in VISN 8. We wish to resolve whatever issues or

McClain Letter
July 26, 2004

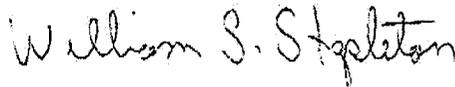
concerns -- and as we expect, whatever misunderstandings or misinformation -- may exist so that existing and future work may continue unhindered.

We look forward to further discussions with you. A member of the eAppeals/EDS team will be in touch with your office this week to arrange a meeting. Thank you in advance for your assistance in clarifying this matter.

Sincerely,



William D. Kirsh, DO, MPH
CEO
eAppeals LLC



William S. Stapleton
Project Manager
Electronic Data Systems Corporation.

cc: The Honorable Robert McFarland, Assistant Secretary for Information and Technology
and Chief Information Officer, Department of Veterans Affairs
Mr. W. Kenneth Ruyle, Acting Chief Business Officer,
Veterans Health Administration
E. Doug Bradshaw, Esq., Group I Assistant General Counsel,
Department of Veterans Affairs
The Honorable Steve Buyer, Chairman,
House Veterans Affairs Oversight and Investigations Subcommittee
The Honorable Darlene Hooley, Ranking Member,
House Veterans Affairs Oversight and Investigations Subcommittee