

**Ventura County MediCal Managed Care Commission (VCMCC)
dba Gold Coast Health Plan (GCHP)**

Regular Meeting

Monday, September 26, 2016, 2:00 p.m.

Gold Coast Health Plan, 711 East Daily Drive, Community Room, Camarillo, CA 93010

AMENDED AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

OATH OF OFFICE

PUBLIC COMMENT

The public has the opportunity to address Ventura County Medi-Cal Managed Care Commission (VCMCC) doing business as Gold Coast Health Plan (GCHP) on the agenda. Persons wishing to address VCMCC should complete and submit a Speaker Card.

Persons wishing to address VCMCC are limited to three (3) minutes. Comments regarding items not on the agenda must be within the subject matter jurisdiction of the Commission.

CONSENT CALENDAR

1. Approval of Ventura County MediCal Managed Care Commission Meeting Regular Minutes of August 22, 2016

Staff: Tracy Oehler, Clerk of the Board

RECOMMENDATION: Approve the minutes.

FORMAL ACTION ITEMS

2. July 2016 Fiscal Year to Date Financials

Staff: Patricia Mowlavi, Chief Financial Officer

RECOMMENDATION: Accept and file July 2016 Fiscal Year to Date Financials.

3. Consideration of Amending the Audit Committee Charter by Reducing the Required Meetings to Twice a Year

Staff: Patricia Mowlavi, Chief Financial Officer

RECOMMENDATION: Approve the amended Audit Committee Charter revising the required meetings to twice a year.

4. State of California Department of Health Care Services Contract Amendment A21 Behavioral Health Treatment

Staff: Dale Villani, Chief Executive Officer

RECOMMENDATION: Ratify the Chief Executive Officer's execution of Amendment A21 Behavioral Health Treatment to the Department of Health Care Services Contract.

5. Consideration of Amending the 2016 Conflict of Interest Code Biennial Review

Staff: Dale Villani, Chief Executive Officer

RECOMMENDATION: Approve the amended Conflict of Interest Code and forward to the Ventura County Clerk of the Board's Office for adoption in fall of 2016.

6. Benefit Enhancement – Cardiac Rehabilitation (ARCH)

Staff: Nancy Wharfield, M.D., Associate Chief Medical Director

RECOMMENDATION: Approve cardiac rehabilitation as a benefit for Gold Coast Health Plan members.

7. Administrative Services Organization (ASO) Consultant

Staff: Ruth Watson, Chief Operating Officer

RECOMMENDATION: Subject to review by legal counsel, authorize and direct the Chief Executive Officer to execute a contract amendment with Optimity Advisors to assist the Plan in development of an RFP designed with multiple “service towers” for the potential procurement of an ASO vendor.

CLOSED SESSION

8. DISCUSSION INVOLVING TRADE SECRETS

Pursuant to Government Code Section 54956.87

Discussion will concern: Rates of payment for health care services provided by pharmacy benefit providers.

Estimated date for public disclosure of decision on rates and award of contract: Upon Award of Contract.

RECONVENE TO REGULAR MEETING

9. Presentation of Pharmacy Benefits Manager (PBM) Request for Proposal (RFP) Results and Selection

Staff: Anne Freese, Pharmacy Director

RECOMMENDATION: Select a vendor to provide PBM services from the three RFPs received.

9A. Public Employee Appointment

Title: Chief Diversity Officer

REPORTS

10. Chief Executive Officer (CEO) Update

RECOMMENDATION: Accept and file the report.

11. Chief Operations Officer (COO) Update

RECOMMENDATION: Accept and file the report.

12. Chief Medical Officer (CMO) Update

RECOMMENDATION: Accept and file the report.

CLOSED SESSION

13. PUBLIC EMPLOYEE APPOINTMENT

Title: Chief Diversity Officer

14. CONFERENCE WITH LABOR NEGOTIATORS

Agency designated representatives: Scott Campbell, General Counsel

Unrepresented employee: Chief Diversity Officer

15. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: Two Cases

COMMENTS FROM COMMISSIONERS

ADJOURNMENT

Unless otherwise determined by the Commission, the next regular meeting will be held on October 24, 2016, at Gold Coast Health Plan at 711 E. Daily Drive, Suite 106, Community Room, Camarillo, CA 93010.

Administrative Reports relating to this agenda are available at 711 East Daily Drive, Suite #106, Camarillo, California, during normal business hours and on <http://goldcoasthealthplan.org>. Materials related to an agenda item submitted to the Commission after distribution of the agenda packet are available for public review during normal business hours at the office of the Clerk of the Board.

In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact (805) 437-5509. Notification for accommodation must be made by the Thursday prior to the meeting by 3 p.m. to enable the Clerk of the Board to make reasonable arrangements for accessibility to this meeting.

The agenda was posted on September 21, 2016, at the Gold Coast Health Plan Notice Board and on its website. The amended agenda was posted on September 22, 2016.

AGENDA ITEM NO. 1

Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan (GCHP)

August 22, 2016 Regular Meeting Minutes

CALL TO ORDER

Commissioner Darren Lee called the meeting to order at 2:04 p.m. in the Community Room located at Gold Coast Health Plan, 711 E. Daily Drive, Camarillo, California.

PLEDGE OF ALLEGIANCE

Commissioner Lee led the Pledge of Allegiance.

ROLL CALL

Present: Commissioners Anthony Alatorre, Shawn Atin, Barry Fisher, Peter Foy, Michele Laba, M.D., Darren Lee, Gagan Pawar, M.D., Dee Pupa, Jennifer Swenson (arrived 2:24 p.m.)

Absent: Commissioner Lanyard Dial, M.D.

PUBLIC COMMENT

None.

PRESENTATIONS

1. Presentation of Plaque to Outgoing Commissioner Barry Fisher

Dale Villani, Chief Executive Officer, presented a plaque to Commissioner Fisher recognizing his service to the community and the Commission.

CONSENT CALENDAR

2. Approval of Ventura County MediCal Managed Care Commission Regular Meeting Minutes of July 25, 2016.

RECOMMENDATION: Approve the minutes.

Commissioner Fisher moved to approve the recommendation. Commissioner Pupa seconded.

AYES: Commissioners Atin, Fisher, Foy, Laba, Lee, Pawar, and Pupa.

NOES: None.

ABSTAIN: Commissioner Alatorre.

ABSENT: Commissioners Dial and Swenson.

Commissioner Lee declared the motion carried.

FORMAL ACTION ITEMS

3. June 2016 Fiscal Year to Date Financials

RECOMMENDATION: Accept and file June 2016 Fiscal Year to Date Financials.

Patricia Mowlavi, Chief Financial Officer, reported GCHP's 2015/2016 preliminary financial results included a \$53 million increase in net assets resulting from a net revenue of \$676 million, with health care costs at \$583 million and administrative costs at \$41 million; a decline in the Medical Loss Ratio (MLR) to 86% due to fiscal year adjustments; and a Tangible Net Equity (TNE) of approximately \$153 million. Once GCHP completes expected payments to the State for the rate over-payments and adult expansion minimum MLR requirement, the Plan will have approximately two and half months of operating capital.

Commissioner Foy moved to approve the recommendation. Commissioner Fisher seconded.

AYES: Commissioners Alatorre, Atin, Fisher, Foy, Laba, Lee, Pawar, and Pupa.

NOES: None.

ABSTAIN: None.

ABSENT: Commissioners Dial and Swenson.

Commissioner Lee declared the motion carried.

4. State of California Department of Health Care Services Contract Amendment A21 Behavioral Health Treatment

RECOMMENDATION: Approve and authorize the Chief Executive Officer to execute Amendment A21 Behavioral Health Treatment to the Department of Health Care Services Contract.

Mr. Villani requested to withdraw the item as the IGT language was unclear and would bring the Amendment back at a later date. Commissioner Lee requested a review of the overall impact of the Amendment be included in the staff memo. The item was withdrawn and will be brought back at a later meeting.

5. Quality Improvement Committee 2016 Second Quarter Report

RECOMMENDATION: Accept and file the Quality Improvement Committee 2016 Second Quarter Report.

C. Albert Reeves, M.D., Chief Medical Officer, presented the Quality Improvement Committee's 2016 Second Quarter Report, which included the 2015 Healthcare Effectiveness Data and Information Set (HEDIS) finalized results, 2015 Quality Improvement Work Plan Evaluation, and 2016 Quality Improvement Work Plan. GCHP met the Department of Health Care Services required 25 percentile in all areas except for cervical cancer screenings, child access to primary care, and well child visits.

Commissioner Swenson arrived at 2:24 p.m.

A discussion followed between the Commissioners and staff regarding GCHP's outlined incentive plans and processes for the continuous improvement on the 2016 HEDIS scores, as well as the comparison of GCHP's scores to other plans. It was noted that though the scores are in the 25 percentile, this does not indicate poor care is being provided as the scoring range is unknown. Additionally, the upcoming Centers for Medicare and Medicaid Services guidelines will require Medicaid plans to have a more detailed process by which access to care is measured.

Commissioner Fisher moved to approve the recommendation. Commissioner Alatorre seconded.

AYES: Commissioners Alatorre, Atin, Fisher, Foy, Laba, Lee, Pawar, Pupa, and Swenson.

NOES: None.

ABSTAIN: None.

ABSENT: Commissioner Dial.

Commissioner Lee declared the motion carried.

REPORTS

6. Chief Executive Officer (CEO) Update

Mr. Villani stated GCHP celebrated its five year anniversary on July 29 and presented the Commissioners with gold coasters which memorialized the event. Other highlights included an upcoming opportunity for employees to participate in a Mindfulness Training session; the announcement of the Annual Strategic

Planning Meeting scheduled for November 9 with guest speaker Brianna Lierman, Esq., who is the Chief Executive Officer for the Local Health Plans of California; and Niosha Shakoori will be presenting her proposal for the chief diversity officer at the September 26 Commission meeting.

7. Chief Operations Officer (COO) Update

Ms. Watson stated GCHP's membership is at approximately 207,000, which indicates membership is stabilizing. Staff is working closely with the Administration Services of Xerox on the negotiation of the a contract extension and are in the process of preparing the Request of Proposals, which consists of service towers allowing GCHP the flexibility to decide which services should be outsourced or brought in-house.

8. Chief Medical Officer (CMO) Update

Nancy Wharfield, M.D., Associate Chief Medical Officer, stated the inpatient utilization metrics were slightly improved compared to 2015. In response to additional information requested by the Commissioners regarding the second highest admission diagnoses of sepsis, analytics revealed 46% of those members had a diagnosis of either cancer or transplant like event, which is often associated with sepsis.

Commissioner Atin moved to approve the recommendation. Commissioner Pupa seconded.

AYES: Commissioners Alatorre, Atin, Fisher, Foy, Laba, Lee, Pawar, Pupa, and Swenson.

NOES: None.

ABSTAIN: None.

ABSENT: Commissioner Dial.

Commissioner Lee declared the motion carried.

Mr. Campbell announced the Closed Sessions items are the ones listed on the Agenda and on Agenda Item No. 11, Conference with Legal Counsel – Existing Litigation, Commissioners Alatorre and Pawar will be recusing themselves as they are employed by Clinicas del Camino Real, an entity affiliated with America's Health Plan.

CLOSED SESSION

The Commission adjourned to Closed Session at 3:14 p.m. regarding the following items:

9. PUBLIC EMPLOYEE APPOINTMENT

Title: Chief Executive Officer

10. CONFERENCE WITH LABOR NEGOTIATORS

Agency designated representatives: Scott Campbell, General Counsel
Unrepresented employee: Chief Executive Officer

11. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: One Case

OPEN SESSION

The Regular Meeting reconvened at 4:43 p.m.

Mr. Campbell stated there was no reportable action taken.

COMMENTS FROM COMMISSIONERS

None.

ADJOURNMENT

The meeting was adjourned at 4:44 p.m.

AGENDA ITEM NO. 2

TO: Gold Coast Health Plan Commission
FROM: Patricia Mowlavi, Chief Financial Officer
DATE: September 26, 2016
SUBJECT: July 2016 Fiscal Year to Date Financials

SUMMARY:

Staff is presenting the attached July 2016 financial statements (unaudited) of Gold Coast Health Plan (“Plan”) for the Commission to accept and file. These financials were reviewed by the Executive/Finance Committee on September 1, 2016, where the Executive/Finance Committee recommended that the Commission accept and file these financials.

BACKGROUND/DISCUSSION:

The staff has prepared the July 2016 financial package, including statements of financial position, statement of revenues, expenses and changes in net assets, and statement of cash flows.

FISCAL IMPACT:

Financial Highlights

Overall Performance – For the month of July 31, 2016, the Plan’s gain in net assets was approximately \$4.3 million. This is \$4.9 million higher than budget which was largely due to the continued growth in membership in the Adult Expansion (“AE”) category of aid and savings from lower than anticipated administrative costs.

Tangible Net Equity – The Plan’s operating performance has increased the Tangible Net Equity (TNE) amount to approximately \$157.3 million, which is \$4.9 million higher than budget.

Membership – July membership of 208,714 was below budget by 503 members.

Revenue – Net revenue in July was \$59.9 million or \$3.3 million higher than budget. The positive variance resulted primarily from better than anticipated membership for AE with higher capitation rates.

Revenue includes a \$2.8 million reserve for rate reductions associated with AE. This reserve represents an expected refund, to the Department of Health Care Services (“DHCS”), for rate overpayments (as DHCS continues to pay at the July 1, 2014 rates

rather than the July 1, 2015 published rates) and the anticipated refund of revenue to achieve a medical loss ratio (“MLR”) of 85%, for this aid category. (The MLR is calculated by dividing health care costs by revenue). The combined total due back to the DHCS, for both rate overpayment and 85% MLR portion, is \$231.2 million. Beginning in January, the DHCS started to recoup the AE rate overpayment through monthly reductions of its payment to the Plan. Year-to-date, a total of \$70.8 million has been deducted.

Health Care Costs – Health care costs in July were \$52.3 million or \$695,000 under budget. For the year, the MLR was 87.2% versus budget of 93.5%.

Some health care cost items of note include:

- Capitation – July capitation was \$9.1 million or \$4.1 million above budget. The variance was driven by the Enhanced Adult Expansion Capitation program, which was revised effective July 2015, as well as higher than budgeted capitated membership growth.
- Fee for Service – July, total claims expense was \$41.8 million compared to a budget of \$45.8 million. While there was some movement of services between categories, the overall variance was driven by lower than expected Long Term Care category of service and Outpatient costs.
- Pharmacy – July, overall Pharmacy expense was \$9.1 million or \$606,000 below budget.

Administrative Expenses – July administrative costs were \$3.6 million or \$895,000 below budget. The variance is primarily due to timing of projects.

The administrative cost ratio (“ACR”) for July was 6.0% versus 7.9% for budget. (The ACR is calculated by dividing administrative expenses by total revenue.)

Cash and Medi-Cal Receivable – At July 31, the Plan had \$434.4 million in cash and short term investments and \$69.8 million in Medi-Cal Receivable for an aggregate amount of \$504.2 million. The cash amount also included \$5.6 million related to the Managed Care Organizations (MCO) tax. Excluding MCO tax, the combined cash and short term investment amount would be \$498.6 million. The Plan’s cash position over the next several months merit monitoring due to the substantial amount of cash owed to the State of California that will be required to be returned with a significant portion expected to be repay within the next 12 months.

Investment Portfolio – As of July 31, 2016, the value of the investments were as follows:

- Short-term Investments \$204.2 million: Cal Trust \$50.6 million; Ventura County Investment Pool \$85.4 million; LAIF CA State \$63.2 million; Bonds \$5.0 million.
- Long-term Investments (Bonds) \$19.3 million.

RECOMMENDATION:

Staff requests that the Commission accept and file the July 2016 financial package.

CONCURRENCE:

September 1, 2016 Executive/Finance Committee

ATTACHMENT:

July 2016 Financial Package



FINANCIAL PACKAGE

For the month ended July 31, 2016

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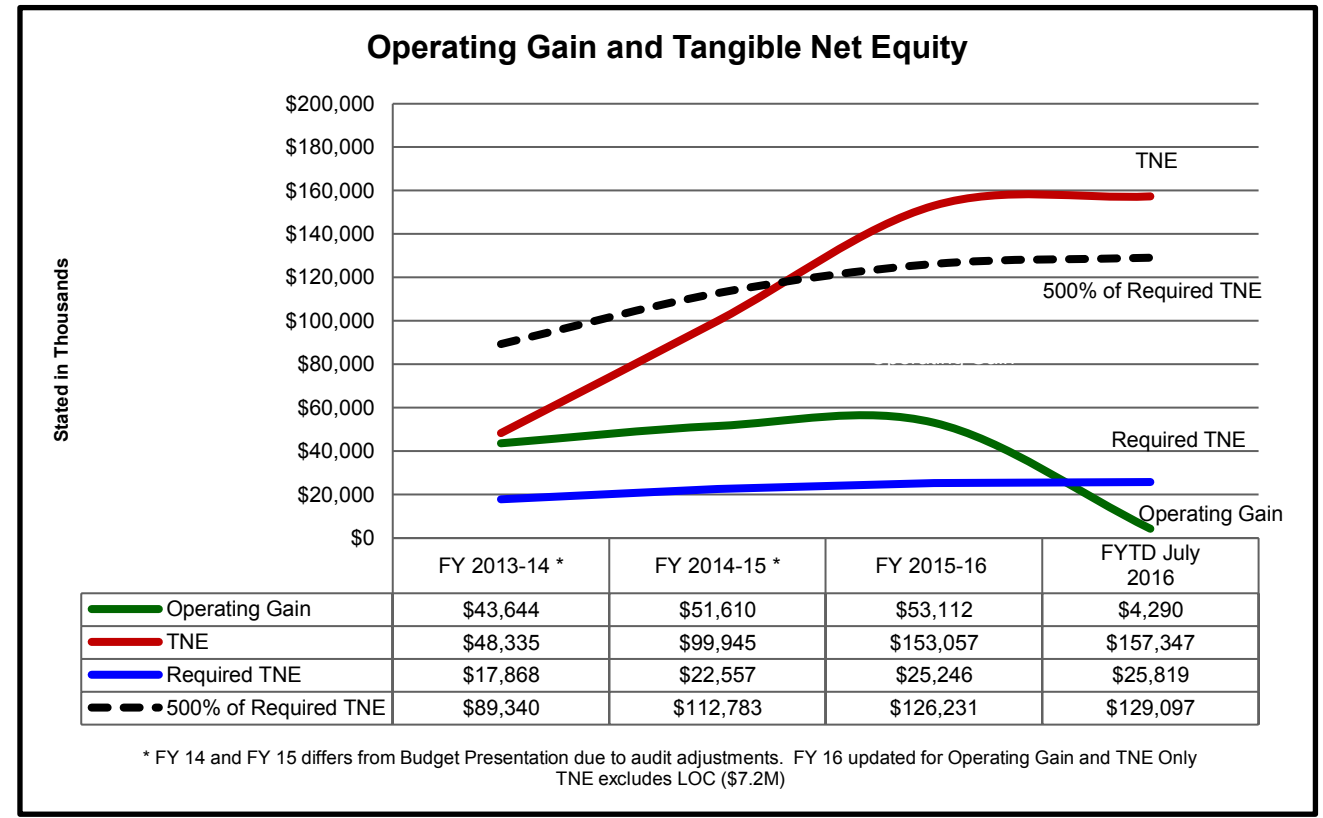
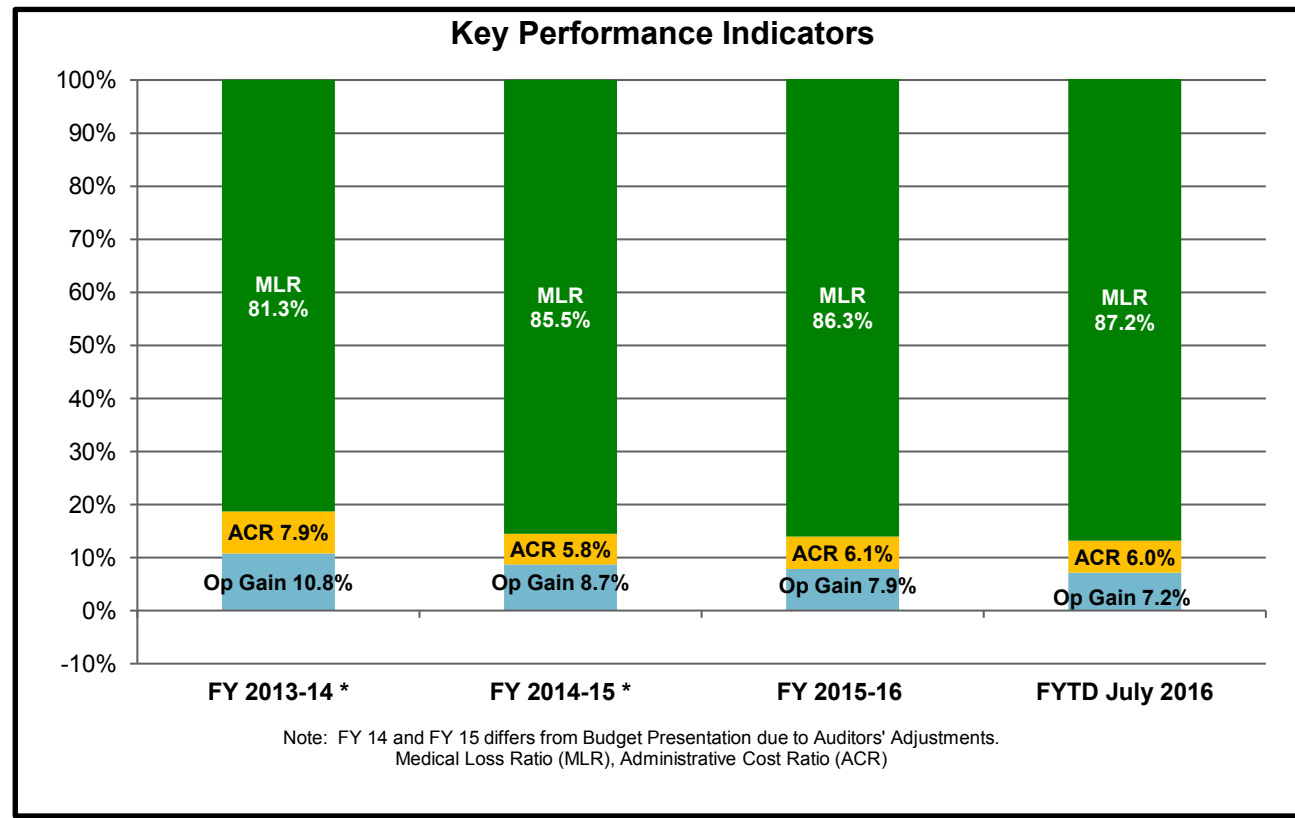
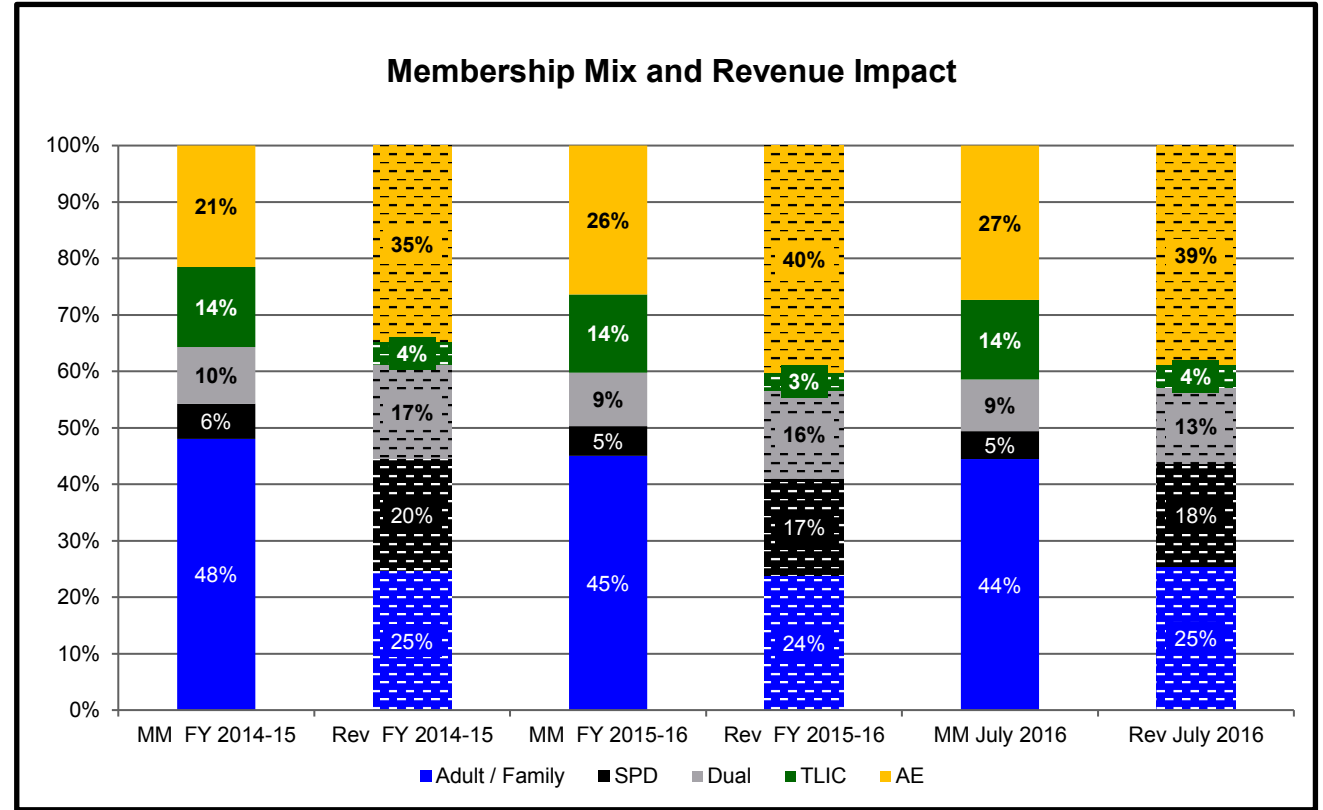
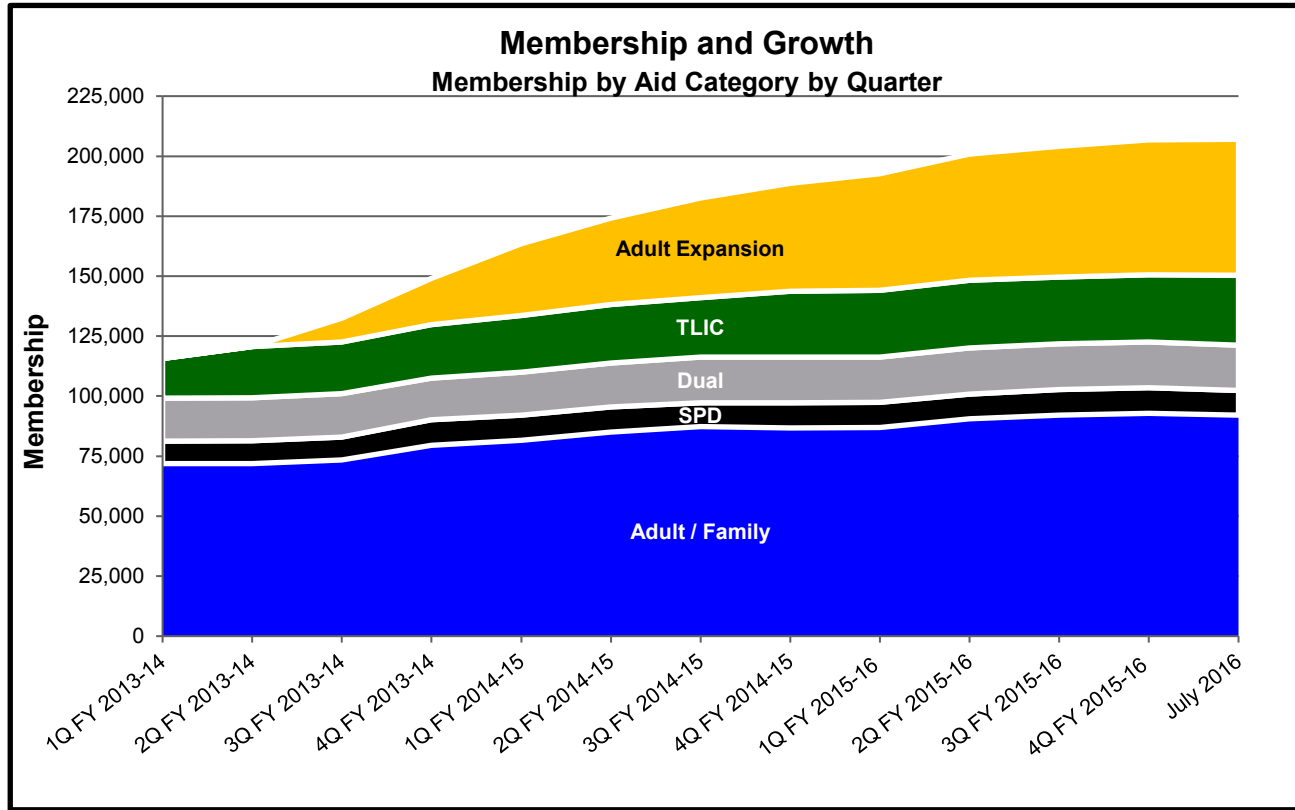
- Financial Overview
- Financial Performance Dashboard
- Cash and Operating Expense Requirements

APPENDIX

- Statement of Financial Positions
- YTD Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- YTD Cash Flow
- Monthly Cash Flow
- Membership
- Paid Claims and IBNP Composition
- Pharmacy Cost & Utilization Trends

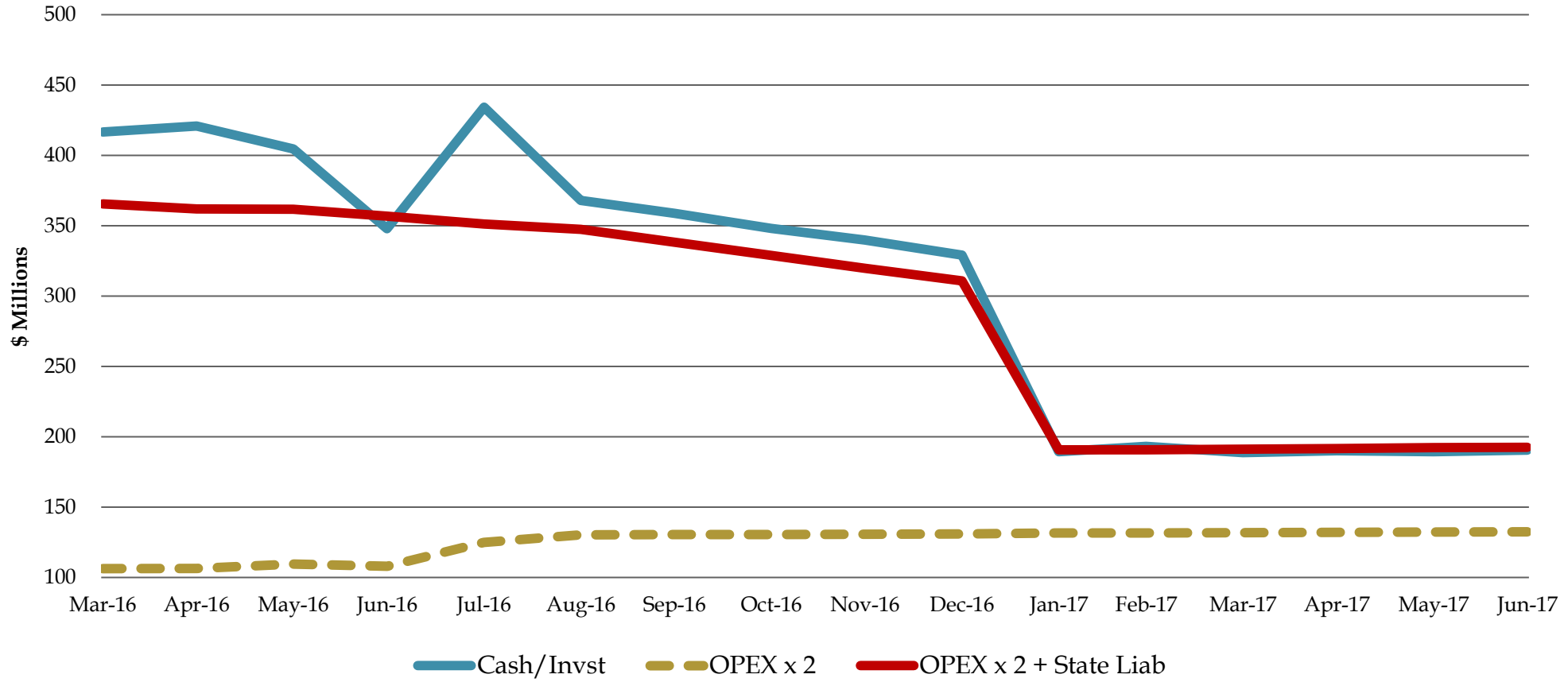
Description	AUDITED	AUDITED	AUDITED	AUDITED	UNAUDITED	FY 2016-17	Budget Comparison		
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	JUL 16	Budget FYTD	Variance Fav / (Unfav)	Variance Fav / (Unfav)%
Member Months	1,258,189	1,223,895	1,553,660	2,130,979	2,413,136	208,714	209,217	(503)	(0.2)%
Revenue	304,635,932	315,119,611	402,701,476	595,607,370	675,629,602	59,902,266	56,622,359	3,279,907	5.8 %
<i>pppm</i>	242.12	257.47	259.20	279.50	279.98	287.01	270.64	16.37	6.0 %
Health Care Costs	287,353,672	280,382,704	327,305,832	509,183,268	583,149,780	52,248,022	52,943,413	695,391	1.3 %
<i>pppm</i>	228.39	229.09	210.67	238.94	241.66	250.33	253.06	2.72	1.1 %
% of Revenue	94.3%	89.0%	81.3%	85.5%	86.3%	87.2%	93.5%	6.3 %	6.7 %
Admin Exp	18,891,320	24,013,927	31,751,533	34,814,049	41,158,879	3,584,488	4,479,885	895,397	20.0 %
<i>pppm</i>	15.01	19.62	20.44	16.34	17.06	17.17	21.41	4.24	19.8 %
% of Revenue	6.2%	7.6%	7.9%	5.8%	6.1%	6.0%	7.9%	1.9 %	24.4 %
Non-Operating Revenue / (Expense)					1,790,949	219,866	172,846	47,020	27.2 %
<i>pppm</i>					0.74	1.05	0.83	0.23	27.5 %
% of Revenue					0.3%	0.4%	0.3%	0.1 %	20.2 %
Total Increase / (Decrease) in Unrestricted Net Assets	(1,609,063)	10,722,980	43,644,110	51,610,053	53,111,892	4,289,622	(628,092)	4,917,714	(783.0)%
<i>pppm</i>	(1.28)	8.76	28.09	24.22	22.01	20.55	(3.00)	23.55	(784.6)%
% of Revenue	-0.5%	3.4%	10.8%	8.7%	7.9%	7.2%	-1.1%	8.3%	(745.6)%
YTD									
100% TNE	16,769,368	16,138,440	17,867,986	22,556,530	25,246,284	25,819,419	26,191,940	(372,521)	(1.4)%
% TNE Required	36%	68%	100%	100%	100%	100%	100%		
Minimum Required TNE	6,036,972	10,974,139	17,867,986	22,556,530	25,246,284	25,819,419	26,191,940	(372,521)	(1.4)%
GCHP TNE	(6,031,881)	11,891,099	55,535,211	107,145,264	153,057,156	157,346,778	152,429,064	4,917,714	3.2 %
TNE Excess / (Deficiency)	(12,068,853)	916,960	37,667,225	84,588,734	127,810,872	131,527,359	126,237,124	5,290,235	4.2 %
% of Required TNE level			311%	475%	606%	609%	582%		

FINANCIAL PERFORMANCE DASHBOARD FOR MONTH ENDING July 31, 2016



GOLD COAST HEALTH PLAN JUNE 2016

Cash & Operating Expense Requirements



Note: May & June 16 - Decline in cash due to delay in revenue payment from DHCS. July 16 - Received May and June 16 payment



For the month ended July 31, 2016

APPENDIX

- Statement of Financial Positions
- YTD Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- YTD Cash Flow
- Monthly Cash Flow
- Membership
- Paid Claims and IBNP Composition
- Pharmacy Cost & Utilization Trends

STATEMENT OF FINANCIAL POSITION

	07/31/16	06/30/16	05/31/16	04/30/16
ASSETS				
Current Assets:				
Total Cash and Cash Equivalents	\$ 230,175,977	\$ 144,092,466	\$ 170,828,399	\$ 187,241,603
Total Short-Term Investments	204,248,691	203,912,197	233,781,109	233,687,190
Medi-Cal Receivable	69,779,279	144,641,270	61,064,913	62,553,746
Interest Receivable	232,104	373,512	486,448	427,102
Provider Receivable	4,783,513	4,800,784	4,790,353	256,964
Other Receivables	0	0	0	171,605
Total Accounts Receivable	74,794,896	149,815,566	66,341,714	63,409,417
Total Prepaid Accounts	2,067,847	1,605,126	762,586	971,983
Total Other Current Assets	133,545	133,545	133,545	133,545
Total Current Assets	511,420,957	499,558,901	471,847,353	485,443,739
Total Fixed Assets	2,555,908	2,544,740	2,233,289	2,070,160
Total Long-Term Investments	19,334,445	19,355,567	19,376,673	19,397,763
Total Assets	\$ 533,311,310	\$ 521,459,209	\$ 493,457,316	\$ 506,911,662
LIABILITIES & NET ASSETS				
Current Liabilities:				
Incurred But Not Reported	\$ 58,143,338	\$ 56,311,392	\$ 63,065,200	\$ 64,894,380
Claims Payable	13,866,931	12,752,210	6,840,902	10,139,605
Capitation Payable	56,685,739	52,510,957	48,333,685	44,150,454
Physician ACA 1202 Payable	1,608,014	1,702,500	9,107,963	9,528,709
AB 85 Payable	1,463,358	3,832,229	0	1,887,116
Accounts Payable	233,285	2,529,931	2,933,232	3,236,898
Accrued ACS	1,686,392	1,683,732	1,663,748	1,648,834
Accrued Expenses	103,186,237	95,312,257	84,424,139	98,197,894
Accrued Premium Tax	5,599,855	5,575,996	4,488,781	3,298,700
Current Portion of Deferred Revenue	0	0	38,333	76,667
Accrued Payroll Expense	880,272	763,698	1,210,142	1,103,838
Total Current Liabilities	243,353,421	232,974,902	222,106,125	238,163,094
Long-Term Liabilities:				
DHCS - Reserve for Capitation Recoup	131,779,946	134,619,946	135,544,946	133,444,946
Other Long-term Liability-Deferred Rent	831,165	807,205	783,246	759,286
Total Long-Term Liabilities	132,611,111	135,427,151	136,328,192	134,204,232
Total Liabilities	375,964,531	368,402,053	358,434,316	372,367,326
Net Assets:				
Beginning Net Assets	153,057,156	99,945,264	99,945,264	99,945,264
Total Increase / (Decrease in Unrestricted Net	4,289,622	53,111,892	35,077,735	34,599,072
Total Net Assets	157,346,778	153,057,156	135,022,999	134,544,336
Total Liabilities & Net Assets	\$ 533,311,310	\$ 521,459,209	\$ 493,457,316	\$ 506,911,662

FINANCIAL INDICATORS				
Current Ratio	2.1 : 1	2.14 : 1	2.12 : 1	2.04 : 1
Days Cash on Hand	233	239	214	218
Days Cash + State Capitation Rec	271	338	246	250
Days Cash + State Capitation Rec (less Tax Li	268	335	244	248

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR ONE MONTHS ENDING JULY 31, 2016**

	July 2016 Year-To-Date		Variance Fav / (Unfav)
	Actual	Budget	
Membership (includes retro members)	208,714	209,217	(503)
Revenue			
Premium	\$ 57,086,068	\$ 63,626,937	\$ (6,540,870)
Reserve for Rate Reduction	2,840,000	(196,197)	3,036,197
MCO Premium Tax	(23,802)	(6,808,381)	6,784,580
Total Net Premium	59,902,266	56,622,359	3,279,907
Other Revenue:			
Miscellaneous Income	0	0	0
Total Other Revenue	0	0	0
Total Revenue	59,902,266	56,622,359	3,279,907
Medical Expenses:			
Capitation (PCP, Specialty, Kaiser, NEMT & Vision)	9,125,043	4,983,053	(4,141,990)
<u>FFS Claims Expenses:</u>			
Inpatient	11,033,539	10,473,969	(559,570)
LTC / SNF	7,801,798	9,566,795	1,764,997
Outpatient	3,364,303	4,064,664	700,361
Laboratory and Radiology	191,806	240,054	48,248
Physician ACA 1202	0	0	0
Emergency Room	1,459,397	1,784,249	324,852
Physician Specialty	5,375,241	4,728,172	(647,069)
Primary Care Physician	1,106,857	1,544,643	437,786
Home & Community Based Services	1,002,240	1,295,941	293,701
Applied Behavior Analysis Services	212,939	119,186	(93,752)
Mental Health Services	286,098	342,863	56,764
Pharmacy	9,102,568	9,708,189	605,622
Provider Reserve	0	1,003,603	1,003,603
Other Medical Professional	165,463	205,992	40,529
Other Medical Care	429	0	(429)
Other Fee For Service	587,802	627,959	40,157
Transportation	127,673	128,519	846
Total Claims	41,818,154	45,834,797	4,016,643
Medical & Care Management Expense	1,243,095	1,627,626	384,531
Reinsurance	259,438	497,936	238,498
Claims Recoveries	(197,707)	0	197,707
Sub-total	1,304,826	2,125,563	820,737
Total Cost of Health Care	52,248,022	52,943,413	695,391
Contribution Margin	7,654,244	3,678,947	3,975,297
General & Administrative Expenses:			
Salaries and Wages	717,797	854,107	136,310
Payroll Taxes and Benefits	281,135	258,947	(22,187)
Travel and Training	22,955	48,480	25,525
Outside Service - ACS	1,687,428	1,801,329	113,901
Outside Services - Other	182,323	231,736	49,412
Accounting & Actuarial Services	9,400	74,000	64,600
Legal	145,586	254,500	108,914
Insurance	40,600	35,000	(5,600)
Lease Expense - Office	110,467	110,467	0
Consulting Services	82,814	439,896	357,082
Advertising and Promotion	2,104	19,347	17,243
General Office	178,447	241,846	63,399
Depreciation & Amortization	42,061	43,824	1,763
Printing	6,085	19,463	13,378
Shipping & Postage	91	21,927	21,836
Interest	75,196	25,016	(50,180)
ARCH/Community Grants	0	0	0
Total G & A Expenses	3,584,488	4,479,885	895,397
Total Operating Gain / (Loss)	\$ 4,069,756	\$ (800,938)	\$ 4,870,694
Non Operating			
Revenues - Interest	219,866	172,846	47,020
Total Non-Operating	219,866	172,846	47,020
Total Increase / (Decrease) in Unrestricted Net Assets	\$ 4,289,622	\$ (628,092)	\$ 4,917,714
Net Assets, Beginning of Year	153,057,156		
Net Assets, End of Year	157,346,778		

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	FY 2015-16 Monthly Trend			Current Month		
	APR 16	MAY 16	JUN 16	JULY 2016		Variance
				Actual	Budget	Fav / (Unfav)
Membership (includes retro members)	205,530	206,495	208,533	208,714	209,217	(503)
Revenue:						
Premium	\$ 61,368,425	\$ 62,191,840	\$ 62,954,954	\$ 57,086,068	\$ 63,626,937	\$ (6,540,870)
Reserve for Rate Reduction	(1,750,000)	(2,100,000)	925,000	2,840,000	(196,197)	3,036,197
MCO Premium Tax	(375,856)	(3,124,187)	(2,417,843)	(23,802)	(6,808,381)	6,784,580
Total Net Premium	59,242,569	56,967,654	61,462,112	59,902,266	56,622,359	3,279,907
Other Revenue:						
Miscellaneous Income	38,333	38,333	44,341	0	0	0
Total Other Revenue	38,333	38,333	44,341	0	0	0
Total Revenue	59,280,903	57,005,987	61,506,453	59,902,266	56,622,359	3,279,907
Medical Expenses:						
Capitation (PCP, Specialty, Kaiser, NEMT & Vision)	8,910,531	9,097,311	9,085,110	9,125,043	4,983,053	(4,141,990)
FFS Claims Expenses:						
Inpatient	10,955,509	8,925,561	11,902,400	11,033,539	10,473,969	(559,570)
LTC / SNF	9,453,929	9,470,377	7,153,458	7,801,798	9,566,795	1,764,997
Outpatient	3,309,821	3,529,950	3,672,953	3,364,303	4,064,664	700,361
Laboratory and Radiology	251,864	204,947	232,035	191,806	240,054	48,248
Physician ACA 1202	0	0	(7,405,463)	0	0	0
Emergency Room	1,867,611	1,875,789	2,090,005	1,459,397	1,784,249	324,852
Physician Specialty	4,469,065	4,928,264	3,995,126	5,375,241	4,728,172	(647,069)
Primary Care Physician	1,351,441	1,080,895	1,397,119	1,106,857	1,544,643	437,786
Home & Community Based Services	1,432,175	1,371,387	1,406,513	1,002,240	1,295,941	293,701
Applied Behavior Analysis Services	109,735	164,519	245,756	212,939	119,186	(93,752)
Mental Health Services	387,574	342,867	(6,789,601)	286,098	342,863	56,764
Pharmacy	8,840,622	9,346,520	10,149,501	9,102,568	9,708,189	605,622
Provider Reserve	0	0	0	0	1,003,603	1,003,603
Other Medical Professional	249,687	287,442	260,837	165,463	205,992	40,529
Other Fee For Service	678,196	689,885	531,084	587,802	627,959	40,157
Transportation	104,234	131,080	140,621	127,673	128,519	846
Total Claims	43,461,462	42,349,482	28,982,344	41,818,154	45,834,797	4,016,643
Medical & Care Management Expense	1,301,636	1,287,168	1,308,170	1,243,095	1,627,626	384,531
Reinsurance	292,601	293,872	294,686	259,438	497,936	238,498
Claims Recoveries	(40,201)	(145,898)	(255,139)	(197,707)	0	197,707
Sub-total	1,554,036	1,435,143	1,347,718	1,304,826	2,125,563	820,737
Total Cost of Health Care	53,926,029	52,881,936	39,415,171	52,248,022	52,943,413	695,391
Contribution Margin	5,354,874	4,124,051	22,091,281	7,654,244	3,678,947	3,975,297
General & Administrative Expenses:						
Salaries and Wages	767,490	974,047	945,157	717,797	854,107	136,310
Payroll Taxes and Benefits	221,391	220,221	336,304	281,135	258,947	(22,187)
Travel and Training	20,844	32,400	58,872	22,955	48,480	25,525
Outside Service - ACS	1,670,227	1,674,839	1,657,563	1,687,428	1,801,329	113,901
Outside Services - Other	175,025	178,731	197,207	182,323	231,736	49,412
Accounting & Actuarial Services	24,060	19,420	46,540	9,400	74,000	64,600
Legal	541,187	188,061	153,324	145,586	254,500	108,914
Insurance	32,177	32,177	33,410	40,600	35,000	(5,600)
Lease Expense - Office	110,467	110,467	110,467	110,467	110,467	0
Consulting Services	261,268	43,870	235,315	82,814	439,896	357,082
Advertising and Promotion	2,956	18,328	37,433	2,104	19,347	17,243
General Office	159,493	150,139	347,117	178,447	241,846	63,399
Depreciation & Amortization	32,100	39,598	41,832	42,061	43,824	1,763
Printing	11,514	2,076	1,564	6,085	19,463	13,378
Shipping & Postage	22,178	69	6,484	91	21,927	21,836
Interest	36,253	31,120	47,252	75,196	25,016	(50,180)
ARCH/Community Grants	0	110,000	0	0	0	0
Total G & A Expenses	4,088,628	3,825,562	4,255,842	3,584,488	4,479,885	895,397
Total Operating Gain / (Loss)	1,266,246	298,489	17,835,439	4,069,756	(800,938)	4,870,694
Non Operating:						
Revenues - Interest	176,883	180,175	198,717	219,866	172,846	47,020
Expenses - Interest	0	0	0	0	0	0
Total Non-Operating	176,883	180,175	198,717	219,866	172,846	47,020
Total Increase / (Decrease) in Unrestricted Net Assets	1,443,129	478,664	18,034,156	4,289,622	(628,092)	4,917,714
Full Time Employees				184	204	20

PMPM - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	APR 16	MAY 16	JUN 16	JULY 2016		Variance Fav / (Unfav)
				Actual	Budget	
Membership (includes retro members)	205,530	206,495	208,533	208,714	209,217	(503)
Revenue:						
Premium	298.59	301.18	301.89	273.51	304.12	(30.61)
Reserve for Rate Reduction	(8.51)	(10.17)	4.44	13.61	(0.94)	14.54
MCO Premium Tax	(1.83)	(15.13)	(11.59)	(0.11)	(32.54)	32.43
Total Net Premium	288.24	275.88	294.74	287.01	270.64	16.37
Other Revenue:						
Interest Income	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous Income	0.19	0.19	0.21	0.00	0.00	0.00
Total Other Revenue	0.19	0.19	0.21	0.00	0.00	0.00
Total Revenue	288.43	276.06	294.95	287.01	270.64	16.37
Medical Expenses:						
<u>Capitation (PCP, Specialty, Kaiser, NEMT & Vision)</u>	43.35	44.06	43.57	43.72	23.82	(19.90)
<u>FFS Claims Expenses:</u>						
Inpatient	53.30	43.22	57.08	52.86	50.06	(2.80)
LTC / SNF	46.00	45.86	34.30	37.38	45.73	8.35
Outpatient	16.10	17.09	17.61	16.12	19.43	3.31
Laboratory and Radiology	1.23	0.99	1.11	0.92	1.15	0.23
Emergency Room	9.09	9.08	10.02	6.99	8.53	1.54
Physician Specialty	21.74	23.87	19.16	25.75	22.60	(3.15)
Primary Care Physician	6.58	5.23	6.70	5.30	7.38	2.08
Home & Community Based Services	6.97	6.64	6.74	4.80	6.19	1.39
Applied Behavior Analysis Services	0.53	0.80	1.18	1.02	0.57	(0.45)
Mental Health Services	1.89	1.66	(32.56)	1.37	1.64	0.27
Pharmacy	43.01	45.26	48.67	43.61	46.40	2.79
Provider Reserve	0.00	0.00	0.00	0.00	4.80	4.80
Other Medical Professional	1.21	1.39	1.25	0.79	0.98	0.19
Other Medical Care	0.00	0.00	0.00	0.00	0.00	(0.00)
Other Fee For Service	3.30	3.34	2.55	2.82	3.00	0.19
Transportation	0.51	0.63	0.67	0.61	0.61	0.00
Total Claims	211.46	205.09	138.98	200.36	219.08	18.72
Medical & Care Management Expense	6.33	6.23	6.27	5.96	7.78	1.82
Reinsurance	1.42	1.42	1.41	1.24	2.38	1.14
Claims Recoveries	(0.20)	(0.71)	(1.22)	(0.95)	0.00	0.95
Sub-total	7.56	6.95	6.46	6.25	10.16	3.91
Total Cost of Health Care	262.38	256.09	189.01	250.33	253.06	2.72
Contribution Margin	26.05	19.97	105.94	36.67	17.58	19.09
General & Administrative Expenses:						
Salaries and Wages	3.73	4.72	4.53	3.44	4.08	0.64
Payroll Taxes and Benefits	1.08	1.07	1.61	1.35	1.24	(0.11)
Travel and Training	0.10	0.16	0.28	0.11	0.23	0.12
Outside Service - ACS	8.13	8.11	7.95	8.08	8.61	0.52
Outside Services - Other	0.85	0.87	0.95	0.87	1.11	0.23
Accounting & Actuarial Services	0.12	0.09	0.22	0.05	0.35	0.31
Legal	2.63	0.91	0.74	0.70	1.22	0.52
Insurance	0.16	0.16	0.16	0.19	0.17	(0.03)
Lease Expense - Office	0.54	0.53	0.53	0.53	0.53	(0.00)
Consulting Services	1.27	0.21	1.13	0.40	2.10	1.71
Advertising and Promotion	0.01	0.09	0.18	0.01	0.09	0.08
General Office	0.78	0.73	1.66	0.85	1.16	0.30
Depreciation & Amortization	0.16	0.19	0.20	0.20	0.21	0.01
Printing	0.06	0.01	0.01	0.03	0.09	0.06
Shipping & Postage	0.11	0.00	0.03	0.00	0.10	0.10
Interest	0.18	0.15	0.23	0.36	0.12	(0.24)
ARCH/Community Grants	0.00	0.53	0.00	0.00	0.00	0.00
Total G & A Expenses	19.89	18.53	20.41	17.17	21.41	4.24
Total Operating Gain / (Loss)	6.16	1.45	85.53	19.50	(3.83)	23.33
Non Operating:						
Revenues - Interest	0.86	0.87	0.95	1.05	0.83	0.23
Expenses - Interest	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-Operating	0.86	0.87	0.95	1.05	0.83	0.23
Total Increase / (Decrease) in Unrestricted Net Assets	7.02	2.32	86.48	20.55	(3.00)	23.55

STATEMENT OF CASH FLOWS - FYTD

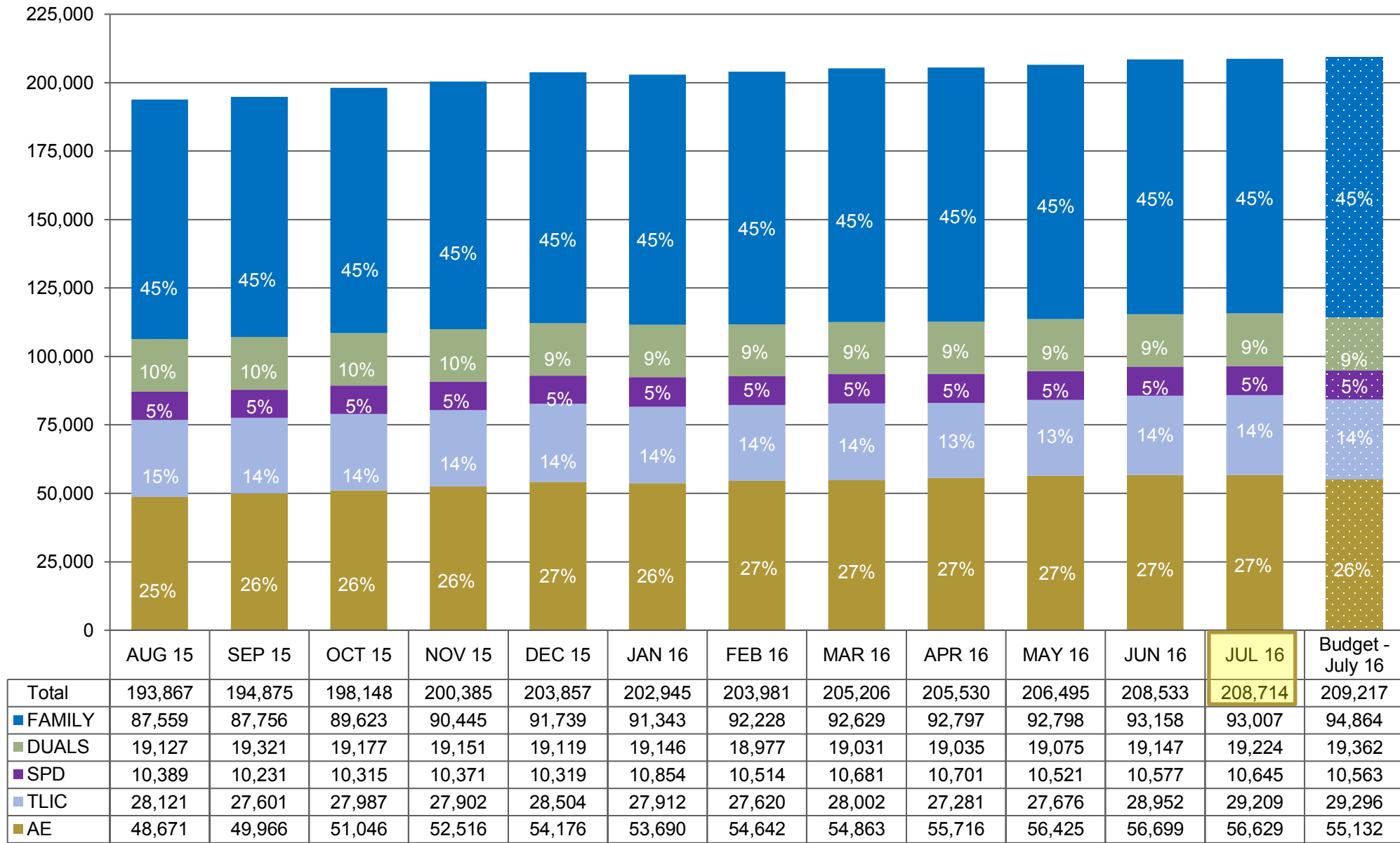
	JULY 16
Cash Flow From Operating Activities	
Collected Premium	\$ 139,900,015
Miscellaneous Income	116,679
State Pass Through Funds	3,989,455
<u>Paid Claims</u>	
Medical & Hospital Expenses	(28,963,402)
Pharmacy	(10,355,112)
Capitation	(4,788,985)
Reinsurance of Claims	(259,438)
State Pass Through Funds Distributed	(3,832,229)
Paid Administration	(9,443,901)
MCO Taxes Received / (Paid)	-
Net Cash Provided / (Used) by Operating Activities	86,363,082
Cash Flow From Investing / Financing Activities	
Net Acquisition / Proceeds from Investments	(315,372)
Net Discount / Premium Amortization of Investments	103,188
Repayment of Line of Credit	-
Net Acquisition of Property / Equipment	(67,387)
Net Cash Provided / (Used) by Investing / Financing	(279,571)
Net Cash Flow	\$ 86,083,511
Cash and Cash Equivalents (Beg. of Period)	144,092,466
Cash and Cash Equivalents (End of Period)	230,175,977
	\$ 86,083,511
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income / (Loss)	4,289,622
Depreciation & Amortization	56,219
Net Discount / Premium Amortization of Investments	(103,188)
Decrease / (Increase) in Receivables	75,020,670
Decrease / (Increase) in Prepaids & Other Current Assets	(462,721)
(Decrease) / Increase in Payables	3,233,211
(Decrease) / Increase in Other Liabilities	(2,816,040)
Change in MCO Tax Liability	23,859
Changes in Claims and Capitation Payable	5,289,503
Changes in IBNR	1,831,946
	86,363,082
Net Cash Flow from Operating Activities	\$ 86,363,082

STATEMENT OF CASH FLOWS - MONTHLY

	JUL 16	JUN 16	MAY 16
Cash Flow From Operating Activities			
Collected Premium	\$ 139,900,015	\$ -	\$ 52,454,183
Miscellaneous Income	116,679	88,734	107,346
State Pass Through Funds	3,989,455	-	1,964,539
Paid Claims			
Medical & Hospital Expenses	(28,963,402)	(27,969,909)	(41,959,956)
Pharmacy	(10,355,112)	(14,835,213)	(5,040,324)
Capitation	(4,788,985)	(4,748,403)	(5,136,940)
Reinsurance of Claims	(259,438)	(295,919)	(293,872)
State Pass Through Funds Distributed	(3,832,229)	-	(11,194,602)
Paid Administration	(9,443,901)	(6,465,043)	(4,683,287)
MCO Tax Received / (Paid)	-	(2,142,737)	(2,413,406)
Net Cash Provided / (Used) by Operating Activities	86,363,082	(56,368,491)	(16,196,319)
Cash Flow From Investing / Financing Activities			
Net Acquisition / Proceeds from Investments	(315,372)	29,890,017	(72,829)
Net Discount / Premium Amortization of Investments	103,188	109,983	72,829
Net Acquisition of Property / Equipment	(67,387)	(367,442)	(216,885)
Net Cash Provided / (Used) by Investing / Financing	(279,571)	29,632,559	(216,885)
Net Cash Flow	\$ 86,083,511	\$ (26,735,932)	\$ (16,413,204)
Cash and Cash Equivalents (Beg. of Period)	144,092,466	170,828,399	187,241,603
Cash and Cash Equivalents (End of Period)	230,175,977	144,092,466	170,828,399
	\$ 86,083,511	\$ (26,735,932)	\$ (16,413,204)
Adjustment to Reconcile Net Income to Net Cash Flow			
Net (Loss) Income	4,289,622	18,034,156	478,664
Net Discount / Premium Amortization of Investments	(103,188)	(109,983)	(72,829)
Depreciation & Amortization	56,219	55,991	53,756
Decrease / (Increase) in Receivables	75,020,670	(83,473,852)	(2,932,297)
Decrease / (Increase) in Prepays & Other Current As	(462,721)	(842,539)	209,397
(Decrease) / Increase in Payables	3,233,211	6,485,123	(16,264,065)
(Decrease) / Increase in Other Liabilities	(2,816,040)	(939,374)	2,085,626
Change in MCO Tax Liability	23,859	1,087,215	1,190,081
Changes in Claims and Capitation Payable	5,289,503	10,088,580	884,528
Changes in IBNR	1,831,946	(6,753,808)	(1,829,180)
	86,363,082	(56,368,491)	(16,196,319)
Net Cash Flow from Operating Activities	86,363,082	(56,368,491)	(16,196,319)

GOLD COAST HEALTH PLAN

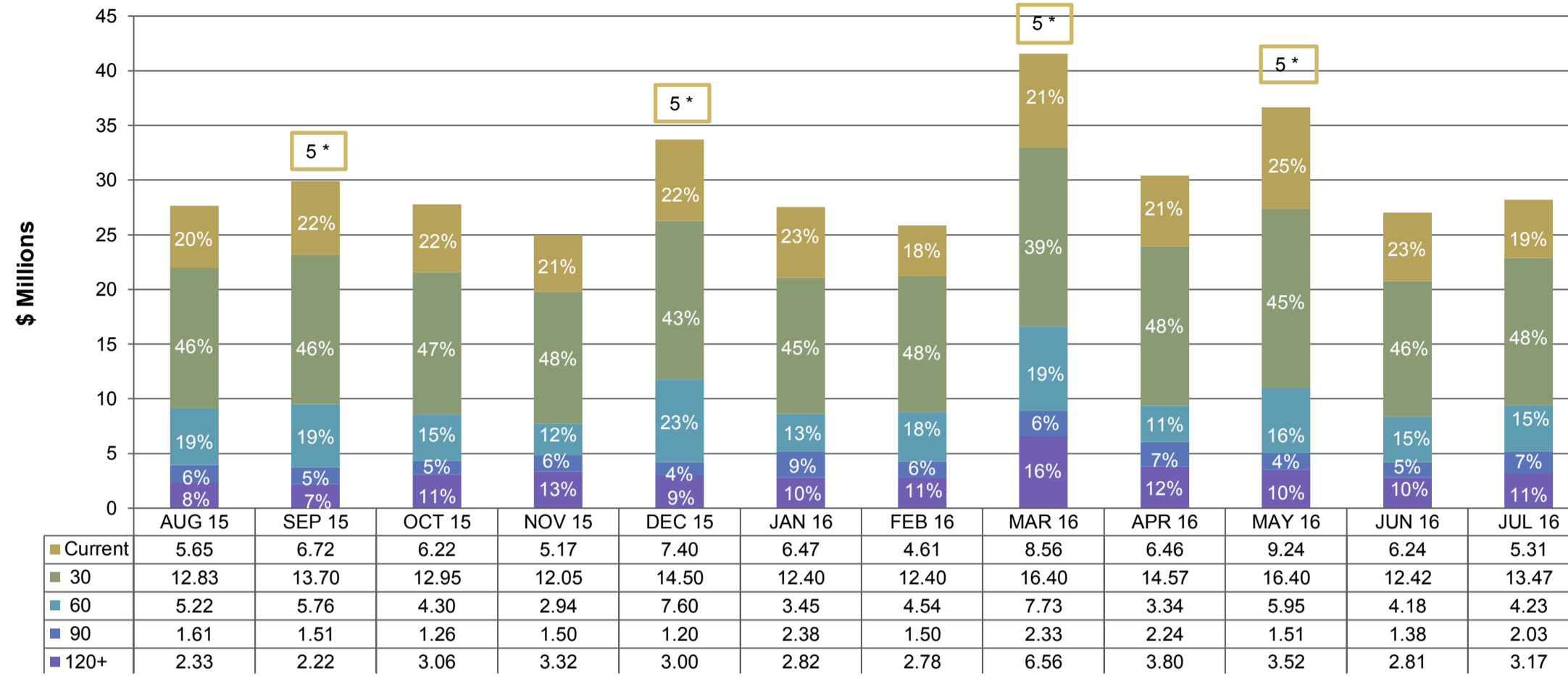
Membership - Rolling 12 Month



SPD = Seniors and Persons with Disabilities TLIC = Targeted Low Income Children AE = Adult Expansion

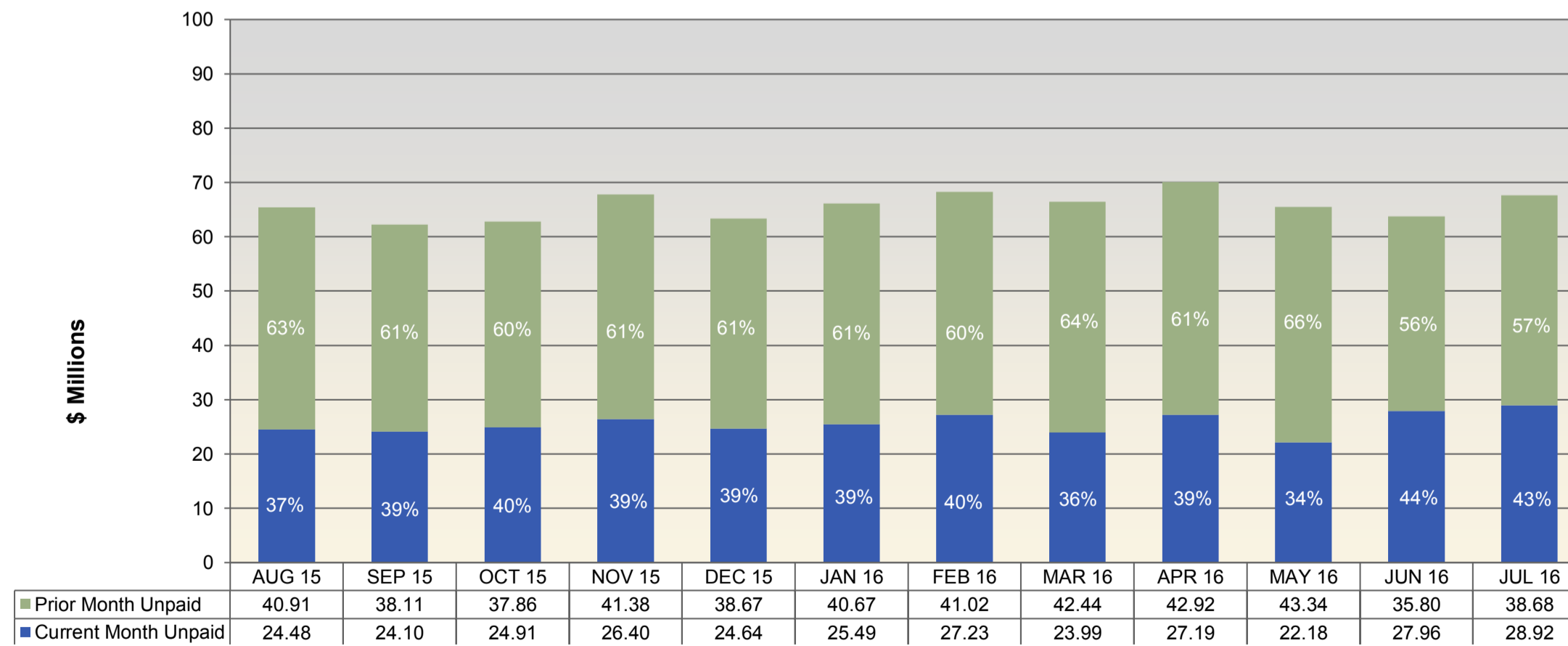
**GOLD COAST HEALTH PLAN
JULY 2016**

Paid Claims Composition (excluding Pharmacy and Capitation Payments)



Note: Paid Claims Composition - reflects adjusted medical claims payment lag schedule. Months Indicated with 5* represent months for which there were 5 claim payments. For all other months, 4 claim payments were made.

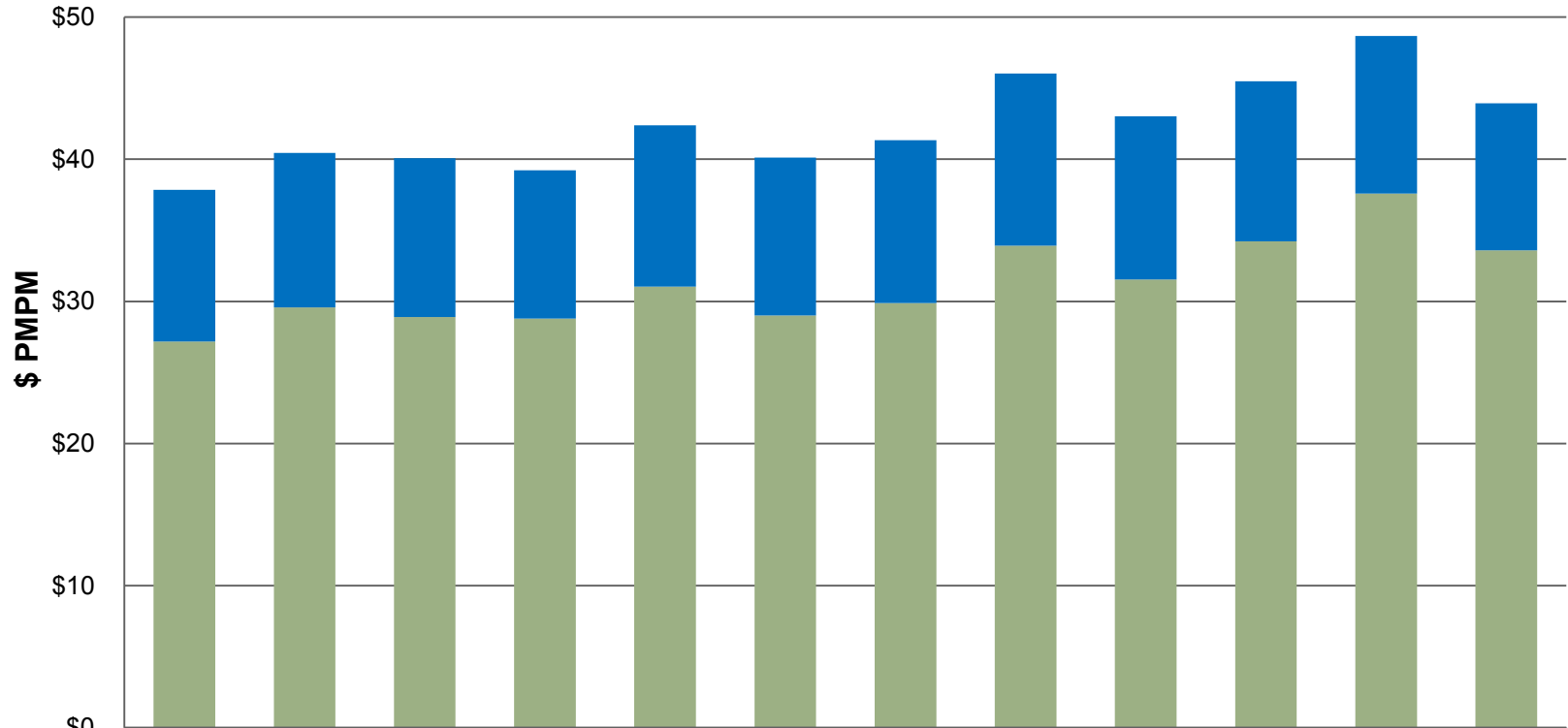
IBNP Composition (excluding Pharmacy and Capitation)



Note: IBNP Composition - reflects updated medical cost reserve calculation plus total system claims payable.

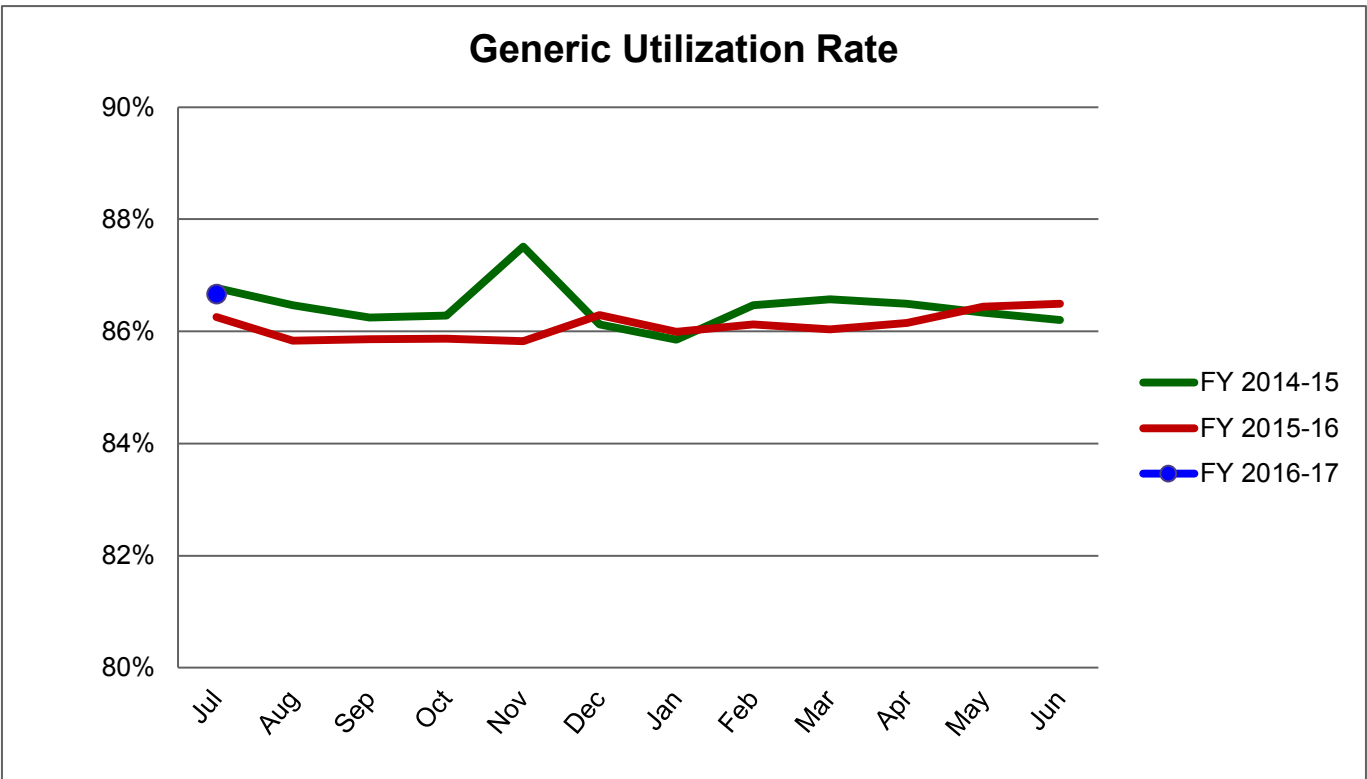
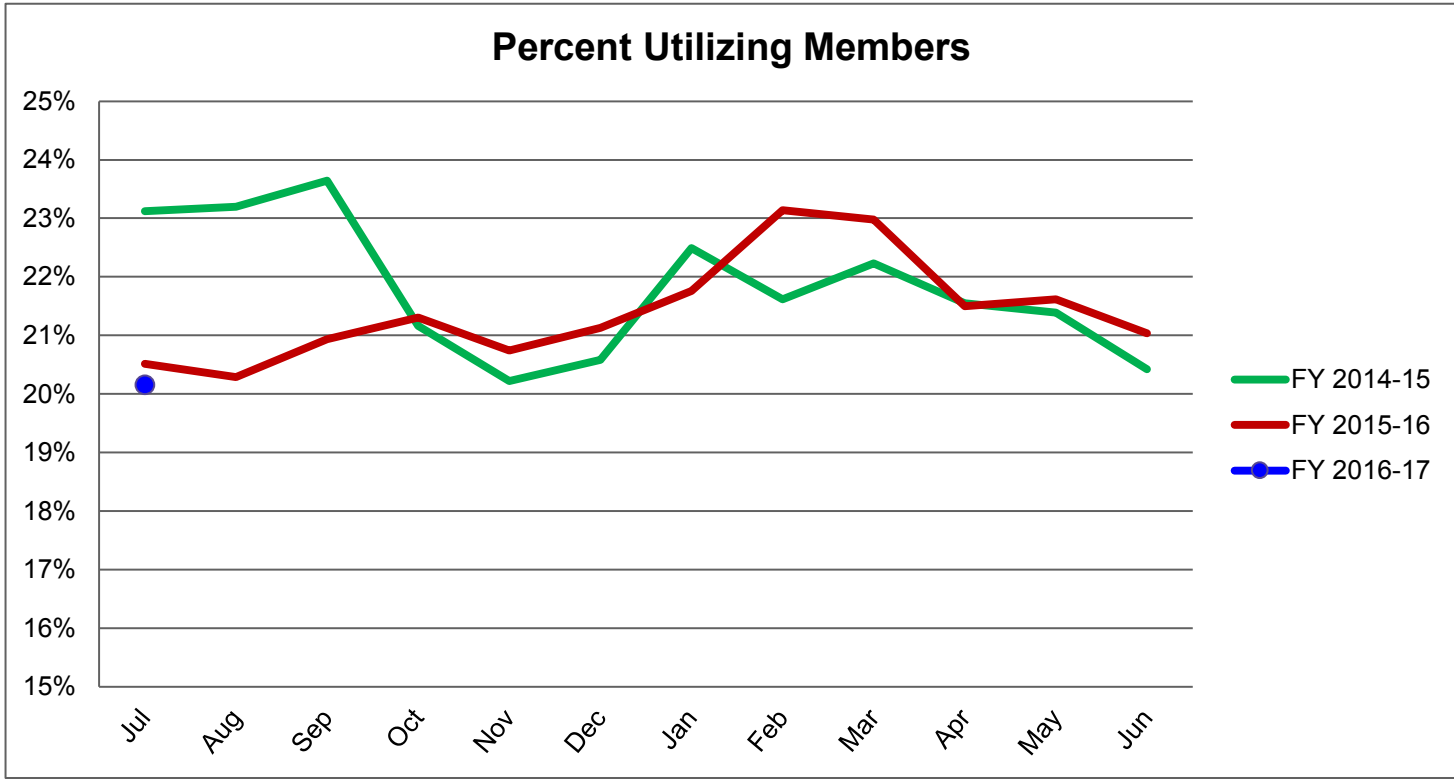
GOLD COAST HEALTH PLAN

Pharmacy Cost Trend

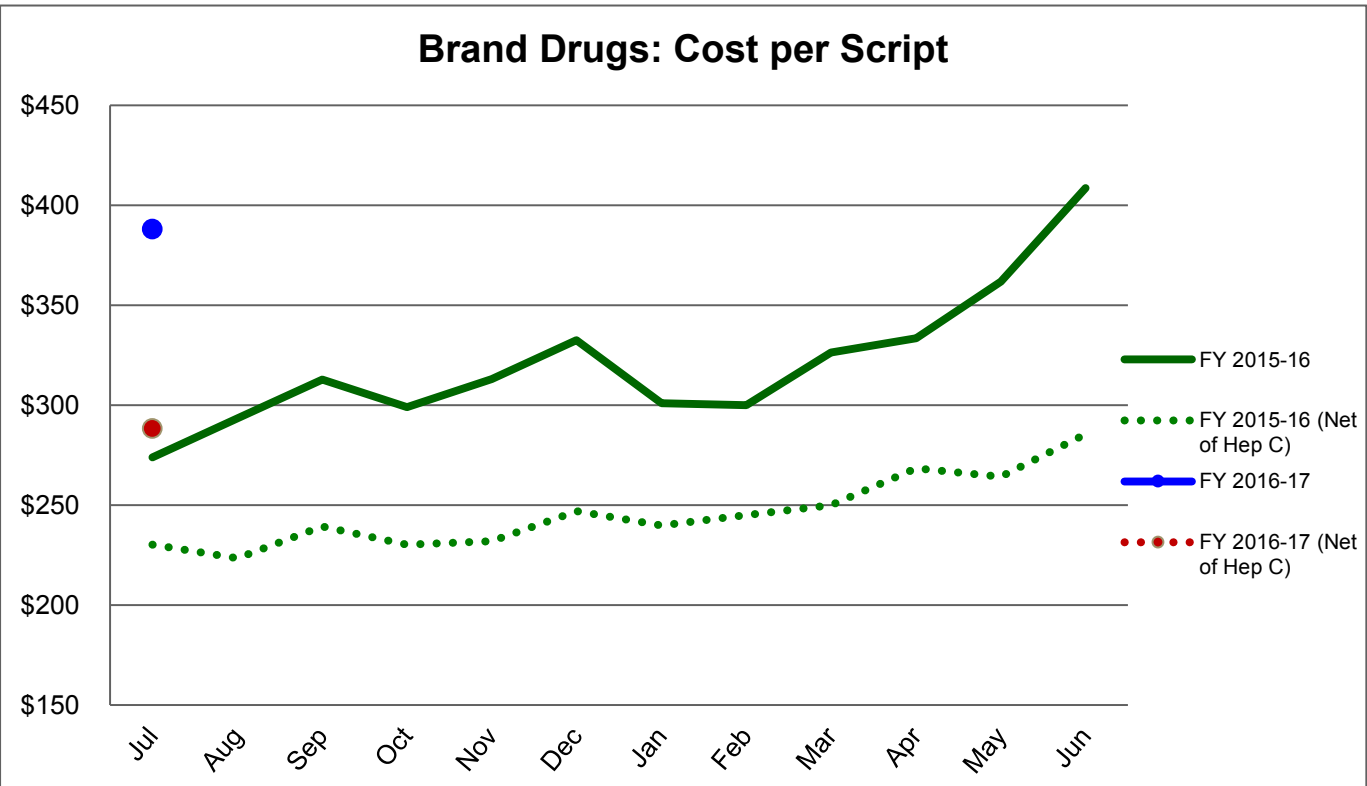
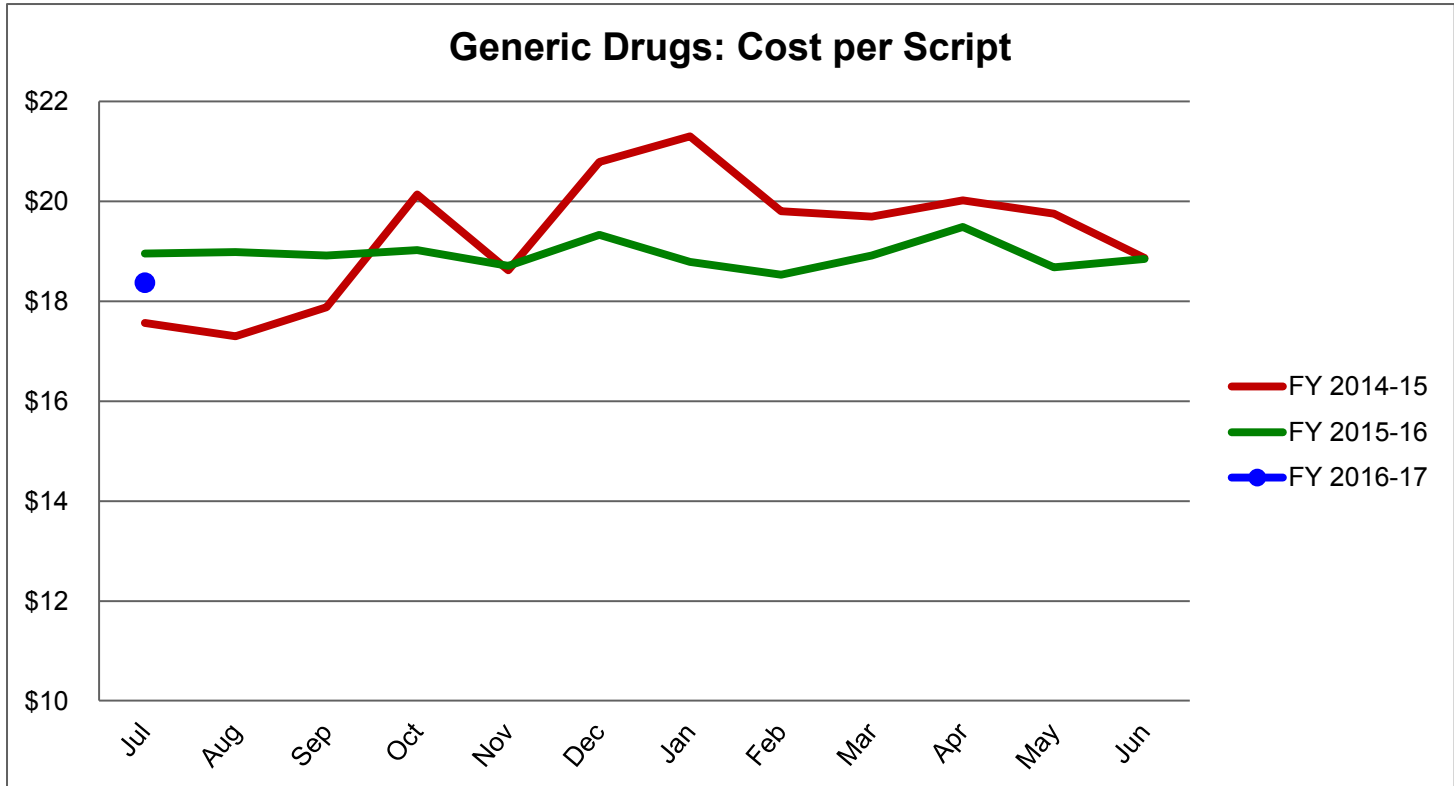


	AUG 15	SEP 15	OCT 15	NOV 15	DEC 15	JAN 16	FEB 16	MAR 16	APR 16	MAY 16	JUN 16	JUL 16
AVG PMPM	\$37.84	\$40.43	\$40.07	\$39.21	\$42.39	\$40.11	\$41.33	\$46.03	\$43.01	\$45.48	\$48.67	\$43.93
■ GENERIC	\$10.66	\$10.86	\$11.17	\$10.42	\$11.35	\$11.11	\$11.45	\$12.11	\$11.47	\$11.26	\$11.09	\$10.34
■ BRAND	\$27.18	\$29.58	\$28.90	\$28.79	\$31.04	\$29.00	\$29.88	\$33.92	\$31.55	\$34.22	\$37.58	\$33.59

**GOLD COAST HEALTH PLAN
PHARMACY ANALYSIS**



Effective Oct 14, Dual members were responsible for prescription copays, lowering the percentage of utilizing members.



AGENDA ITEM NO. 3

TO: Gold Coast Health Plan Commission

FROM: Patricia Mowlavi, Chief Financial Officer

DATE: September 26, 2016

SUBJECT: Consideration of Amending the Audit Committee Charter by Reducing the Required Meetings to Twice a Year

SUMMARY:

Currently, the Audit Committee Charter states the Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require in accordance with the Brown Act. The proposed change would reduce the required meetings to twice a year and still retain the ability to meet additionally as needed.

At the September 1, 2016, Audit Committee meeting, the Board Members approved reducing the required meetings to twice a year and to forward to the Commission for approval.

FISCAL IMPACT:

None.

RECOMMENDATION:

Approve the amended Audit Committee Charter revising the required meetings to twice a year.

ATTACHMENTS:

Audit Committee Charter Redline

AUDIT COMMITTEE CHARTER

PURPOSE

To assist the Commission in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, the process for monitoring compliance with laws and regulations and Gold Coast Health Plan's (GCHP) Code of Conflict and all applicable conflicts of interest laws and regulations.

AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization up to \$500,000.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audit activities including projects that may not be in the audit plan.
- Retain counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation, in accordance with GCHP procurement policy.
- Request and obtain information from the Plan that it requires – said requests shall be made of the Chief Executive Officer.
- Meet with Plan's officers, external auditors, or counsel, as necessary.

COMPOSITION

The Audit Committee will consist of at least three and no more than six members of the Commission. The Commission will appoint Committee members. Unless a chair is elected by the Commission, the members of the Committee may designate a chair by majority vote of the Committee.

Each Committee member will be "financially literate", as defined as being able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. At least one member shall be designated as the "financial expert", as defined by having past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the individual being financially sophisticated. This would include having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

Each Committee member must be able to function independently, in the best interests of GCHP, with no conflict of interest and in conformance with GCHP's Code of Conduct and all applicable conflict of interest laws and regulations.

MEETINGS

The Committee will meet at least ~~four~~two times a year, with authority to convene additional meetings, as circumstances require in accordance with the Brown Act. All Committee members are expected to attend each meeting. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

RESPONSIBILITIES

The Committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and other areas of higher concern for the Committee, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any findings or difficulties encountered.
- Review the annual financial statements, and consider whether it is complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

Internal Control

- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's response.
- Consider the effectiveness of the Plan's internal control system, including information technology security and controls.
- Consider efficiencies of satisfying compliance and other regulatory requirements through effective internal controls.

Internal Audit

- Approve the Internal Audit Policy and Procedures.
- Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- Review with the Internal Auditor (known as Chief Audit Executive [CAE] in Best Practices) the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.

- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the Code of Conduct to Plan personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and Plan legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the Commission about Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Executive/Finance Committee and the Commission.
- Report annually to the Commission, describing the Committee's composition, responsibilities, and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports concerning organization issues that relate to Committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the Commission.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Committee's charter annually, any changes to said charter must be presented to the Commission for approval and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

AGENDA ITEM NO. 4

TO: Gold Coast Health Plan Commission
FROM: Dale Villani, CEO
DATE: September 26, 2016
SUBJECT: State of California Contract Amendment A21

SUMMARY:

The State of California Department of Health Care Services (DHCS) establishes monthly capitation payments by major Medi-Cal population groups and updates them periodically to reflect policy changes and other adjustments. Amendment A21 reflects expected changes to Gold Coast Health Plan (GCHP or Plan) capitation rates for FY2014-15.

BACKGROUND/DISCUSSION:

GCHP received a contract amendment from DHCS on May 24, 2016 which updates the Plan's FY2014-15 capitation rates for as follows:

- Adjusts the FY2014-15 rates for the traditional population to incorporate the Intergovernmental Transfer (IGT) for the period.
- Adds language to provide Behavioral Health Treatment (BHT) services for members under twenty-one years of age. A21 also establishes capitation rates for BHT supplemental payments. BHT services and the associated rates are effective as of September 15, 2014.

FISCAL IMPACT:

Amendment A21 memorializes rates increases needed to effect the payment of the first half of the 2014-15 IGT. The IGT funding included in the rates is treated as a pass-through item and is not expected to impact the Plan's net assets. BHT supplemental rates were not contemplated in the Plan's budget, but are expected to approximate the associated costs. Therefore, the impact should be budget-neutral.

RECOMMENDATION:

Staff is recommending the Commission ratify the CEO's execution of DHCS Contract Amendment A21.

CONCURRENCE:

N/A

AGENDA ITEM NO. 5

TO: Gold Coast Health Plan Commission

FROM: Dale Villani, Chief Executive Officer

PREPARED BY: Tracy J. Oehler, Clerk of the Board

DATE: September 26, 2016

SUBJECT: Adoption of Resolution Amending the Conflict of Interest Code

SUMMARY:

The Plan is required to perform a biennial review of its Conflict of Interest Code and to amend it to reflect revised filing categories based on job titles and job descriptions. Attached is a draft resolution which would rescind Resolution No. R2014-002, revise Ventura County Medi-Cal Managed Care's (VCMCC) Conflict of Interest Code to include an updated list of designated titles and disclosure categories, and incorporate by reference the terms of Title 2, Division 6, California Code of Regulations, Section 18730, and any amendments to it as duly adopted by the Fair Political Practices Commission.

The revised Conflict of Interest Code must then be approved by the Ventura County Board of Supervisors, who is the code reviewing body for VCMCC.

FISCAL IMPACT:

None.

RECOMMENDATION:

Adopt Resolution No. 2016-___ amending the Conflict of Interest Code and forward to the Ventura County Clerk of the Board's Office for review and adoption by the Ventura County Board of Supervisors.

ATTACHMENT:

Draft Resolution

RESOLUTION NO. 2016-___

**A RESOLUTION OF THE VENTURA COUNTY MEDI-CAL
MANAGED CARE COMMISSION, DBA GOLD COAST
HEALTH PLAN, UPDATING DESIGNATED EMPLOYEES,
OFFICERS, AND DISCLOSURE CATEGORY LIST FOR
POLITICAL REFORM ACT AND FAIR POLITICAL
PRACTICES REQUIREMENTS (CONFLICT OF INTEREST)
AND RESCINDING RESOLUTION NO. 2014-002**

WHEREAS, the Political Reform Act, Government Code Section 87300 et seq., requires local government agencies to adopt and promulgate Conflict of Interest Codes; and

WHEREAS, the Fair Political Practices Commission (FPPC) has adopted a regulation (Title 2, California Code Regulations Section 18730) which contains the terms of a standard Conflict of Interest Code, which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings conducted by the Fair Political Practice Commission; and

WHEREAS, the terms of California Code of Regulations, Title 2, Section 18730 and any amendment to it duly adopted by the FPPC are hereby incorporated by reference as part of the Conflict of Interest as the Conflict of Interest Code for Ventura County Medi-Cal Managed Care Commission (VCMCC) dba Gold Coast Health Plan, and along with the attached Exhibit "A" which designates positions requiring disclosure and Exhibit "B" which sets forth disclosure categories for each designated position, constitute the Conflict of Interest Code of the VCMCC; and

WHEREAS, the Ventura County Board of Supervisors is the reviewing body for VCMCC. Pursuant to Section 4 of the Standard Code and Government Code Section 87500 (k) and (p), persons holding the designated positions described in Exhibit "A" shall file original statements of economic interests with VCMCC. With respect to the statements for Commissioners and the Chief Executive Officer, VCMCC shall retain copies thereof and forward the originals to the Clerk of the Ventura County Board of Supervisors. For all other persons holding the designated positions described in Exhibit "A", VCMCC shall retain the originals of such statements; and

WHEREAS, the Conflict of Interest Code establishes no additional filing requirements for public officials specified by Government Code Section 87200 et seq. if they designated in this Conflict of Interest Code in that same capacity or if the geographical jurisdiction of the VCMCC is the same as or is wholly included within the jurisdiction in which those persons must report their economic interests pursuant to Government Code Section 87200 et seq.

BE IT RESOLVED AS FOLLOWS:

SECTION 1. The terms of Title 2, Division 6, California Code of Regulations Section 18730, and any amendments thereto duly adopted by the FPPC are hereby incorporated by reference and along with the attached Exhibits "A" and "B", in which employees, officials, and consultants are designated and disclosure categories are set forth, to constitute the Conflict of Interest Code for the Ventura County Medi-Cal Managed Care Commission. If any of the positions listed in Exhibit "A" have a change of title, the filing requirement and disclosure category shall remain the same until the next update of VCOMMCC's Conflict of Interest Code.

SECTION 2. Persons holding designated positions shall file a Statement of Economic Interests pursuant to Section 4 of the Conflict of Interest Code (Title 2, Division 6, California Code of Regulations, Section 18730).

SECTION 3. Said statements shall be available for public inspection and reproduction as required by law (Government Code Section 81008).

SECTION 4. Resolution No. R2014-002 is hereby rescinded.

SECTION 5. VCOMMCC's existing Conflict of Interest Code adopted by VCOMMCC on September 29, 2014, and approved by the Ventura County Board of Supervisors on December 9, 2014, shall remain in effect until the Ventura County Board of Supervisors, as the code reviewing body for VCOMMCC, approves these revisions to the Conflict of Interest Code, pursuant to Government Code Section 87303. At such time the Conflict of Interest Code approved by VCOMMCC on September 29, 2014, shall be repealed and rescinded; and this Conflict of Interest Code adopted pursuant to this Resolution shall become effective.

PASSED, APPROVED AND ADOPTED by the Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan, at a regular meeting on the 26th day of September, 2016, by the following vote:

AYE:
NAY:
ABSTAIN:
ABSENT:

Darren Lee, Chair

Attest:

Tracy J. Oehler, Clerk of the Board

**CONFLICT OF INTEREST CODE FOR
VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION
dba Gold Coast Health Plan**

The Political Reform Act, Government Code § 81000 et seq., requires local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation (Cal. Code Regulations, Title 2, § 18730) which contains the terms of a standard Conflict of Interest Code (“Standard Code”), which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings.

The terms of California Code of Regulations, Title 2, § 18730 and any amendment to it, duly adopted by the Fair Political Practices Commission are hereby incorporated by reference as the Conflict of Interest Code for the VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION (“VCMCC”), and along with the attached Exhibit “A”, which designates positions requiring disclosure and Exhibit “B”, which sets forth disclosure categories for each designated position, constitute the Conflict of Interest Code of the VCMCC dba Gold Coast Health Plan (the “Code”).

Pursuant to Section 4 of the Standard Code, and Government Code § 87500, Subdivision (j) and (o), persons holding the designated positions described on Exhibit “A” shall file originals of their statements of economic interests with the VCMCC. With respect to the statements for each Commission Member and for the Chief Executive Officer, VCMCC shall retain copies thereof and forward the originals to the Clerk of the Ventura County Board of Supervisors (unless VCMCC is instructed otherwise). For all other persons holding the designated positions described on Exhibit “A”, VCMCC shall retain the originals of such statements.

This Code establishes no additional filing requirements for public officials specified by Government Code § 87200 if they are designated in this Code in that same capacity or if the geographical jurisdiction of the VCMCC is the same as or is wholly included within the jurisdiction in which those persons must report their economic interest pursuant to Government Code § 87200, et seq.

A person holding a designated position with an assigned disclosure category shall (i) submit an initial statement of economic interest within 30 days after the effective date of this Code; and (ii) file annual statements of economic interest and other required statements pursuant to Section 5 of the Code as set forth in California Code of Regulations, Title 2, § 18730. Such statements shall be available for public inspection and reproduction as required by law (Government Code § 81008).

APPROVED AND ADOPTED the ~~29th-26th~~ day of September, ~~2014~~2016.

By: _____
Traci R. McGinley, MMCTracy J. Oehler
Clerk of the Board

ADDENDUM DESIGNATING OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

Pursuant to Government Code Section 87200 et seq., certain city and county officials, as well as all “other officials who manage public investments”, are required to disclose their economic interests in accordance with the Political Reform Act. This Addendum provides the relevant definitions for determining which public officials qualify as “other officials who manage public investments”, designates the agency’s positions which qualify as such, and states the Filing Officer for each designated position.

APPLICABLE DEFINITIONS

As set forth in Title 2, California Code of Regulations Section 18701, the following definitions apply for the purposes of Government Code Section 87200:

(1) “Other public officials who manage public investments” means:

(A) Members of boards and commissions, including pension and retirement boards or commissions, or of committees thereof, who exercise responsibility for the management of public investments;

(B) High-level officers and employees of public agencies who exercise primary responsibility for the management of public investments, such as chief or principal investment officers or chief financial managers. This category shall not include officers and employees who work under the supervision of the chief or principal investment officers or the chief financial managers; and

(C) Individuals who, pursuant to a contract with a state or local government agency, perform the same or substantially all the same functions that would otherwise be performed by the public officials described in subdivision (1)(B) above.

(2) “Public investments” means the investment of public moneys in real estate, securities, or other economic interests for the production of revenue or other financial return.

(3) “Public moneys” means all moneys belonging to, received by, or held by, the state, or any city, county, town, district, or public agency therein, or by an officer thereof acting in his or her official capacity, and includes the proceeds of all bonds and other evidences of indebtedness, trust funds held by public pension and retirement systems, deferred compensation funds held for investment by public agencies, and public moneys held by a financial institution under a trust indenture to which a public agency is a party.

(4) “Management of public investments” means the following nonministerial functions: directing the investment of public moneys; formulating or approving investment policies; approving or establishing guidelines for asset allocations; or approving investment transactions.

DESIGNATED POSITIONS AND FILING OFFICERS

Based on the foregoing, the following agency positions and/or consultants qualify as “other officials who manage public investments” and shall file Statements of Economic Interests (Form 700) pursuant to Government Code Section 87200 et seq. with the below-designated Filing Officers:

	Position	Number of Positions	Disclosure Category	Filing Officer (Designate County Clerk of Board [COB] or Local Agency's Clerk [AC])
1.	Commissioners	11	1	COB
2.	Chief Executive Officer	1	1	COB
3.	Chief Financial Officer	1	1	COB

**CONFLICT OF INTEREST CODE
VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION**

Exhibit “A”: Designated Positions

The following is a list of designated positions affected by the disclosure requirements and the disclosure categories applicable to each. These positions have been designated because the position entails the making or participation in the making of decisions relating to VCMMCC which may foreseeably have a material effect on any financial interest of the individual holding such positions.

The terms of California Code of Regulations, Title 2, Section 18730, and any amendment to it duly adopted by the Fair Political Practices Commission, are hereby incorporated by reference as the Conflict of Interest Code for the VCMMCC, and along with the attached Exhibit “A”, which designates positions requiring disclosure and Exhibit “B”, which sets forth disclosure categories for each designated position, constitute the Conflict of Interest Code of the VCMMCC. Persons holding positions designated in Exhibit “A” shall file Form 700 Statements of Economic Interests with the Filing Officer specified for that position in Exhibit “A”.

IN PREPARING THE FORM 700, DESIGNATED FILERS NEED ONLY DISCLOSE THOSE FINANCIAL INTERESTS FALLING WITHIN THE DISCLOSURE CATEGORIES DESIGNATED FOR THAT FILER’S POSITION AS STATED IN EXHIBITS “A” AND “B”.

	Position Title	Number of Positions	Disclosure Category	Filing Officer (Designate County Clerk of Board [COB] or Local Agency’s Clerk [AC])
4.	Chief Information & Strategy Officer	4	1	AC
5	Chief Medical Officer	4	1	AC
6.	Chief Operating Officer	4	1	AC
7.	Associate, Chief Medical Officer	4	1	AC
8.	Communications Director, <u>Communications and Marketing</u>	4	1	AC
9	Compliance Director Officer/Director, <u>Compliance</u>	4	1	AC
10.	Controller	4	1	AC
11.	Director, Education Disease Management Director	4	1	AC
12.	Director, Financial Analysis Director	4	1	AC
13.	Government Relations Director Executive Director, <u>Government Regulatory</u>	4	1	AC
14.	Director, Health Services Director	4	1	AC
15.	Senior Director, Human Resources Director	4	1	AC
16.	Manager, IT Infrastructure Manager	4	1	AC
17.	Director, Network Operations Director	4	1	AC
18.	Director, Information Technology		1	AC
18-19.	Director, Operations Director	4	1	AC
19-20.	Director, Pharmacy Director	4	1	AC

	Position Title	Number of Positions	Disclosure Category	Filing Officer (Designate County Clerk of Board [COB] or Local Agency's Clerk [AC])
20-21.	Director, Quality Improvement-Director	4	1	AC
22.	Procurement Officer		1	AC
21-23.	Senior Buyer	4	1	AC
24.	Procurement Coordinator		2	AC
22-25.	Manager, Care Coordination Manager	4	2	AC
23-26.	Manager, Care Management Manager	4	2	AC
27.	RN Lead, Case/Care Management		2	AC
2428..	RN, Case/Care Management RN	8	2	AC
25-29.	Case/Care Management, Social Worker	2	2	AC
26-30.	Child Care Services Care/Case Management	4	2	AG
27-31.	Supervisor, Claims Supervisor	4	2	AC
32.	HIPAA Program Manager		2	AC
33.	Manager, Compliance		2	AC
34.	Senior Manager, Delegation Oversight		2	AC
2835.	Compliance Delegation Oversight Specialist	4	2	AC
2936.	Delegation Oversight Auditor	4	2	AC
30-37.	RN, Delegation Oversight Auditor RN	4	2	AC
31-38.	RN, Discharge RN	4	2	AC
32-39.	Financial Analyst I	4	2	AC
33-40.	Manager, Grievance and Appeals-Manager	4	2	AC
34-41.	Health Education Manager	4	2	AG
35-42.	RN Lead, Health Services Lead-Trainer-RN	4	2	AC
36-43.	RN, Master Trainer Facility Site Review RN	4	2	AC
37-44.	Manager, Member Services Manager	4	2	AC
38-45.	Manager, Operations Support Services-Manager	4	2	AC
39-46.	Provider Claims-Manager, Claims Transactions	4	2	AC
40-47.	Manager, Provider Relations Manager	4	2	AC
41-48.	Quality Improvement Project Manager	4	2	AC
42-49.	Senior Information Security Analyst	4	2	AC
43-50.	Senior Project Manager	2	2	AC
44-51.	Senior SQL Developer	4	2	AC
45-52.	Manager, Utilization Management Manager	4	2	AC
46-53.	RN, Utilization Management RN	14	2	AC
54.	Provider Advisory Committee Members		2	AC
47-55.	Credentialing Coordinator	4	3	AC
48-56.	Manager, Decision Support Services-Manager	4	3	AC
49-57.	Pharmacist	4	3	AC
50-58.	Projects Manager	4	3	AC
51-59.	Quality Improvement Data Analyst	4	3	AC
52-60.	Manager, Quality Improvement Manager	4	3	AC
53-61.	Senior IT Business Analyst	4	3	AC
62.	Senior Business System Analyst		3	AC
54-63.	Provider Contracts Manager	4	3	AC
55-64.	Senior Staff Accountant	2	3	AC
56-65.	SQL Developer	4	3	AC
57-66.	Vendor Contract Manager	4	3	AC

58-67.	Employees in applicable newly created positions			AC
59-68.	Consultants*			AC

*Consultants

Consultants, as defined by Title 2, California Code of Regulations section 18701(a) (2), shall disclose pursuant to the broadest disclosure category in this code subject to the following limitation: The Chief Executive Officer (CEO) may determine in writing that a particular consultant, although a “designated position”, is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements in this section. Such written determination shall include a description of the consultant’s duties and, based upon that description, a statement of the extent of disclosure requirements. The Chief Executive Director’s Officer’s determination is a public record and is to be retained for public inspection in the same manner and location as this Conflict of Interest Code.

Title 2, California Code of Regulations Section 18701(a) (2) reads as follows:

“Consultant” means an individual who, pursuant to a contract with a state or local government agency:

- (A) Makes a governmental decision whether to:
 - (i) Approve a rate, rule, or regulation;
 - (ii) Adopt or enforce a law;
 - (iii) Issue, deny, suspend, or revoke any permit, license, application, certificate, approval, order, or similar authorization or entitlement;
 - (iv) Authorize the agency to enter into, modify, or renew a contract provided it is the type of contract that requires agency approval;
 - (v) Grant agency approval to a contract that requires agency approval and to which the agency is a party, or to the specifications for such a contract;
 - (vi) Grant agency approval to a plan, design, report, study, or similar item;
 - (vii) Adopt, or grant agency approval of, policies, standards, for the agency, or for any subdivision thereof; or

(B) Serves in a staff capacity with the agency and in that capacity participates in making a governmental decision as defined in regulation 18702.2 or performs the same or substantially all the same duties for the agency that would otherwise be performed by an individual holding a position specified in the agency’s Conflict of Interest Code under Government Code Section 87302.

The CEO may determine in writing that a particular consultant, although in a “designated

position” is hired to perform a range of duties that is limited in scope and therefore is not required to fully comply with the disclosure requirements described herein. Such written determination shall include a description of the consultant’s duties, and based upon that description, a statement of the extent of disclosure required. The CEO determination is a public record which shall be retained for public inspection in the same manner and location as this conflict of interest code.

**CONFLICT OF INTEREST CODE
VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION**

Exhibit “B”: Disclosure Categories

The disclosure categories set forth below specify which kinds of financial interests are reportable by the designated employees in their individual Statements of Economic Interests.

Category 1

All investments and income including gifts, loans and travel payments, and business positions in business entities that do business in Ventura County, planning to do business in Ventura County, or have done business in Ventura County within the past two (2) years; and all interest in real property which is located in whole or in part within, or not more than two (2) miles outside of the boundaries of Ventura County.

Category 2

Persons in this category shall disclose all investments, income and business positions in:

- a. Health care providers or other business entities under contract with or under consideration to contract with VCMMCC-~~Health~~;
- b. Business entities engaged in the delivery of health care services or supplies, or services or supplies ancillary thereto of a type to be provided or arranged for by VCMMCC;
- c. Business entities that provide services, supplies, materials, machinery or equipment of a type purchased or leased by VCMMCC; and Business entities subject to the regulatory, permitting or licensing authority of VCMMCC.

“Income” means a payment received, including, but not limited to, any salary, wage, advance, dividend, interest, rent, proceeds from any sale, gift, loan forgiveness or payment of indebtedness, reimbursement of expenses, *per diem*, or contribution to an insurance or pension program paid by any person other than an employer, and including any community property interest in the income of a spouse.

“Investment” means any financial interest in or security issued by a business entity, including, but not limited to, common stock, preferred stock, warrants, options, debt instruments and any partnership or other ownership interest owned directly, indirectly or beneficially by the designate employee if that business entity owns property in Ventura County or does, or has done business in Ventura County at any time within the

preceding two (2) years. Assets with a fair market value of less than \$1,000 do not constitute reportable investments. The term investment does not include: (i) a time or demand deposit in a financial institution; (ii) shares in a credit union; (iii) an insurance policy; (iv) interest in a diversified mutual fund registered with the Securities and Exchange Commission; or (v) any bond for debt instrument issued by any government or governmental agency.

“Business entity” means any organization or enterprise, whether operated for profit or not, including, but not limited to, a sole proprietorship, partnership, firm, business, trust, joint venture, syndicate, corporation or association.

“Business position” is a position of director, officer, partner, trustee, employee or any other position of management in a business entity.

Category 3

Persons in this category shall disclose all business positions, investments in, or income (including gifts and loans) received from business entities that manufacture, provide, or sell services and/or supplies of a type utilized by VCMMCC and associated with the job assignment of designated positions assigned in this disclosure category.

Category 4

New employee’s duties and, based upon that description, a statement of the extent of disclosure requirements. The Chief Executive Officer’s determination is a public record and is to be retained for public inspection in the same manner and location as this Code.

AGENDA ITEM NO. 6

TO: Gold Coast Health Plan Commission
FROM: Nancy Wharfield, MD, Associate Chief Medical Officer
DATE: September 26, 2016
SUBJECT: Benefit Enhancement – Cardiac Rehabilitation

SUMMARY:

Gold Coast Health Plan (GCHP) seeks to add cardiac rehabilitation services as a benefit.

BACKGROUND:

Cardiac rehabilitation services are not a benefit under Fee for Service Medi-Cal. As a managed care Medi-Cal plan, GCHP can elect to add benefits that can further the goals of the Institute for Healthcare Improvement Triple Aim:

- Improving the patient experience of care (including quality and satisfaction)
- Improving the health of populations
- Reducing the per capita cost of health care

DISCUSSION:

The benefits of cardiac rehabilitation align with the framework of the Triple Aim. Cardiac rehabilitation is designed to help individuals with conditions such as heart or vascular disease return to a healthier and more productive life by providing a supervised program in the outpatient setting that involves medical evaluation, an ECG-monitored physical exercise program, cardiac risk factor modification, education, and counseling. Immediate benefits of cardiac rehabilitation include decreased chest pain, shortness of breath, and fatigue, and improvement in exercise tolerance, lipid levels, and psychosocial well-being, as well as a reduction in weight, cigarette smoking and stress. Additionally, there is a 20 – 30% reduction in mortality at 5 years for those who participate in cardiac rehabilitation and a reduction in recurrent heart attacks and an expected 30% drop in readmissions.

Cardiac rehabilitation may be indicated for members who have had heart attacks, open heart surgery, angina, or vascular disease. The number of recommended sessions varies by risk level and ranges from 6 sessions over 30 days to 36 sessions over 90 days.

FISCAL IMPACT:

The fiscal impact of offering cardiac rehabilitation to our members is expected to be near neutral. Factors which will affect the cost of offering this service will include the following:

- Appropriate selection of eligible members who will benefit most from cardiac rehabilitation through review of clinical guidelines in the utilization management process
- Number of sessions needed
- Decrease in readmission rate
- Decrease in length of stay with readmission
- Negotiated rate for cardiac rehabilitation services

We estimate there are between approximately 500 and 1500 members who could be referred for this service. At a rate of about \$174/session, the net cost to the plan for 500 members would be about \$60 and would be less than \$200 for 1500 members.

RECOMMENDATION:

GCHP recommends the Commission approve cardiac rehabilitation as a benefit for Gold Coast Health Plan members.

ATTACHMENT:

Kaiser Health News Article

Cardiac Rehab Improves Health, But Cost And Access Issues Complicate Success

By **Julie Appleby** | Photos by **Francis Ying** | August 31, 2016



Exercise physiologist Courtney Connors checks Mario Oikonomides' vital signs before his cardiac rehab workout. (Francis Ying/KHN)

CHARLOTTESVILLE, Va. — Mario Oikonomides credits a massive heart attack when he was 38 for sparking his love of exercise, which he says helped keep him out of the hospital for decades after.

While recovering, he did something that only a small percentage of patients do: He signed up for a medically supervised cardiac rehabilitation program where he learned about exercise, diet and prescription drugs.

“I had never exercised before,” said Oikonomides, 69, who says he enjoyed it so much he stayed active after finishing the program.

Despite evidence showing such programs substantially cut the risk of dying from another cardiac problem, improve quality of life and lower costs, fewer than one-third of patients whose conditions qualify for the rehab actually participate. Various studies show women and minorities, especially African Americans, have the lowest participation rates.

“Frankly, I’m a little discouraged by the lack of attention,” said Brian Contos, who has studied the programs for the Advisory Board, a consulting firm used by hospitals and other medical providers.

This KHN story also ran on NPR and in The Washington Post. It can be republished for free (details).



The Washington Post

Now, though, advocates say cardiac rehab may gain traction, partly because the federal health care law puts hospitals on a financial hook for penalties if patients are readmitted after cardiac problems. Studies have shown that patients’ participation in cardiac rehab cut hospital readmissions by nearly a third and saved money.

The law also creates incentives for hospitals, physicians and other medical providers to work together to better coordinate care.

Cost Undermines Participation

Oikonomides, who lives in Charlottesville, went for three decades without another heart attack after his first, but recently had bypass surgery because of blockages in his heart.

He is again rebuilding his strength at the University of Virginia Health System. “I attribute my 30 good years of life to cardiac rehab,” he said recently while pedaling on a stationary bike in a light-filled gym at one of the university’s outpatient medical centers, a heart monitor strapped to his chest.

But many patients still face hurdles.

Uninsured patients simply can’t afford cardiac rehab. And for those with some form of coverage, “the No. 1 barrier is the cost of the copayment, which is frustrating,” said Dr. Ellen Keeley, a cardiologist at UVA, who strongly encourages her patients to enroll.

Medicare and most private insurers generally cover cardiac rehab for patients who have had heart attacks, coronary bypass surgery, stents, heart failure and several other conditions. Most coverage is two or three hour-long visits per week, up to 36 sessions.

Insured patients usually must make a per visit copay to participate. For regular Medicare members, that runs about \$20 a session, although many have private supplemental insurance that covers that cost. For patients with job-based insurance — and enrollees in the alternative to traditional Medicare called Medicare Advantage — out-of-pocket costs can range from nothing per session to more than \$60 a pop.

“Some insurers say a copay for a specialty visit is \$50, whether that means going to a neurosurgeon once in their life or whether that’s three times a week for cardiac rehab,” said Pat Comoss, a consultant in Harrisburg, Pa., who trains nurses to work in these programs.



Charles Greiner works out at the University of Virginia Health System's cardiac rehabilitation gym in Charlottesville, Va. (Francis Ying/KHN)

More than a year ago, federal Medicare officials met with insurers after advocates voiced their concern that higher copays were keeping patients from cardiac rehab, said Karen Lui, a legislative analyst for the American Association of Cardiovascular and Pulmonary Rehabilitation, the profession's trade group.

"To their credit, they dug in and talked with plans that had much higher copays, such as \$100 per session," said Lui. Medicare officials told insurers that a \$50 copay per session is the upper limit a plan should charge," he added.

UnitedHealth, with nearly 3 million members in Medicare Advantage plans, said patient payments for cardiac rehab vary widely. About 12 percent of members pay nothing, while 23 percent pay \$50 a session. Another large insurer, Humana, has a similar range, with copays running up to \$60 a session.

Nationally, the weighted average payment now for Medicare members in private plans is just a bit more than the \$20 that patients in traditional Medicare pay, said Dale Summers, director of the Center for Medicare & Medicaid Services' division of finance and benefits.

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Francis Ying/Kaiser Health News

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Cardiac Rehab Saves Lives. So Why Don't More Heart Patients Sign Up?

KAISER HEALTH NEWS

listen



0:00

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Preventing The Next Heart Attack

Aside from cost, another big reason so few patients participate is many are never referred to a program. Some hospitals are addressing this disconnect by building automatic referrals into their discharge system.

Patients may be reluctant to attend cardiac rehab, especially if they had not been physically active before their heart problem.

To counter that, Gary Balady, director of preventive cardiology at Boston Medical Center stresses its importance with his patients. He tells them that about 15 percent of heart attack patients may experience another one within a year.

“One of first things we say [in cardiac rehab] is we are here today to work together to prevent the next heart attack,” he said.

At the University of Virginia medical center, heart attack patients are given an appointment to come back to a special clinic within 10 days of discharge. Over the course of about an hour, patients meet with an exercise physiologist, a cardiologist, a nutritionist and a pharmacist — and all in the same exam room.

At the visit, the medical professionals answer questions, go over the patient's medications, make diet tips and recommend cardiac rehab. Kathryn Ward, manager of UVA's cardiology clinics, says up to 100 patients a month were referred to the clinic in its first year. Of those, 71 percent enroll, she said, well over the national average.

Other Barriers

Still, patients face other barriers to this kind of care, including time constraints, or having to travel long distances to the nearest program.

And existing programs aren't enough to accommodate all patients who are eligible. A recent study in the Journal of Cardiopulmonary Rehabilitation and Prevention surveyed 812 existing cardiac rehab programs in the U.S., finding that even if they were expanded modestly and operated at capacity, they could still only serve 47 percent of qualifying patients.

"We have patients who are an hour away from any cardiac facility and they can't afford the gas money or the time," said UVA cardiologist Keeley.



Kathryn Shiflett meets with Dr. Ellen Keeley, a cardiologist, to learn more about post-heart attack care. (Francis Ying/KHN)

Take Kathryn Shiflett of Culpeper, Va. At age 33, the last thing she expected was a heart attack.

But one night in late March, she felt pain in her arm — pain that spread to her jaw — and she felt nauseated. After tests at a local hospital, she was transferred by ambulance to UVA, where cardiologists opened a blocked artery in her heart.

Shiflett, a medical worker with two children, traveled back to UVA a week later for her clinic appointment, and was encouraged to participate in cardiac rehab.

Shiflett found the program appealing because she wants to be active and prevent a repeat of her heart attack. But she lives an hour away. In addition to the distance, she isn't sure she can make any of the sessions. Cardiac rehab classes are during working hours. The latest starts at 3 p.m.

"I'm not sure I can get there by then," Shiflett said.

One answer for patients like Shiflett could be a home-based program, which are less common, but drawing increased interest.

“There are a whole plethora of different ways to provide cardiac rehab outside traditional center model,” said Mark Vitcenda, senior clinical exercise physiologist at the University of Wisconsin Hospital and Clinics in Madison.

At his program, patients can start in a supervised program at a center for two or three sessions, then can choose whether to continue in a home-based model, with occasional visits to the center. About 30 to 40 percent of Wisconsin program patients choose the home-based option, he said, with most being younger, working patients with lower medical risk.

“If we can lower the barriers of transportation and cost, patients are able to be more involved,” he said.

CATEGORIES: Cost and Quality, Medicare, Syndicate

TAGS: Medicare Advantage, Preventive Services

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AGENDA ITEM NO. 7

TO: Gold Coast Health Plan Commission

FROM: Ruth Watson, Chief Operating Officer

DATE: September 26, 2016

SUBJECT: Administrative Services Organization (ASO) Consultant

SUMMARY:

In February 2016, the Commission approved staff to move forward with a contract with Optimity Advisors (Optimity) to assist the Plan with the evaluation of the existing Administrative Services Organization (ASO) arrangement. That work has been completed and the Plan is in the process of re-negotiating an extension with the incumbent ASO vendor, ACS Health Administration, INC. (ACS/Xerox.) The next step in this multi-phased project is to develop and issue an RFP designed around a “service tower” concept, uncoupling many of the bundled services currently provided by ACS. It is the Plan’s recommendation to extend the contract with our current consultant Optimity for services that will assist the plan in the development and deployment of this complex RFP.

BACKGROUND/DISCUSSION:

Gold Coast Health Plan entered into a contract with ACS Health Administration, Inc. (ACS/Xerox) on July 1, 2011. ACS / Xerox functions as the Plan’s Administrative Services Organization (ASO), performing core administrative services such as claims processing, mailroom and fulfillment services and call center activities. In November 2014, staff recommended and received Commission approval to extend the contract with ACS/Xerox for a period of one (1) year, commencing July 1, 2016, with an option for two additional yearly renewals. The initial five (5) year contract has been extended at its current terms through October 31, while we negotiate new terms and service level agreements.

Staff also committed to evaluate the existing ASO arrangement to determine if administrative services should continue to be outsourced, brought in-house or some combination of the two. Optimity will continue to assist the Plan in this complex effort.

The ASO contract is a strategic arrangement supporting Plan administrative operations. Under the ASO arrangement, ACS / Xerox provides core administrative functions on behalf of the Plan. These functions include:

- Claims Processing – Mailroom, Scanning / Optical Character Recognition (OCR), Electronic Data Interchange (EDI), Workflow automation / Contact tracking, System configuration, Claim adjudication, Claim Adjustments, Claim dispute resolution, Claim payment recovery (through Xerox Recovery Services)
- Call Center – Member and provider calls
- Fulfillment – Member materials (Member Handbook, ID cards, Provider Directory, Ad hoc mailings)
- Encounter Data Submission to DHCS
- Standard and Ad Hoc Reporting
- Systems Support and Configuration (Core Administration Processing System (IKA), IVR, ACD, Scanning & Workflow, Provider Portal, Contact Tracking)
- Staffing to support all services

The Scope of Work to be completed by Optimity includes:

- Lead an assessment of GCHP's current ASO vendor to determine if current performance is in line with contract terms
 - Review current contract for gaps and perform a risk analysis
 - Compare vendor performance to industry benchmarks and leading practice metrics
- Provide GCHP with insight into third party vendors that provide technology and/or ASO offerings for managed care entities (Medicaid, Medicare, dual eligibles)
- Meet with internal GCHP stakeholders to gather concerns around current performance issues and future-state opportunities for inclusion in future vended or internal administrative systems
- Synthesize all research, analysis and findings into a cohesive vendor assessment report
- Create a recommendation(s) document that supports the path-forward decision to continue current vended arrangements or move to a partial/full internalization of operations functions
- Manage future RFP process(es) including development of RFP documents and draft contract(s)

FISCAL IMPACT

The Plan is still negotiating final contract terms with the selected vendor, Optimity. The work is expected to progress through the remainder of FY 2016-17. Staff estimates that the impact to the Plan for these services will be between \$300,000 and \$375,000 which includes consultant travel expenses. This amount has been approved by the Commission in the FY 2016-17 budget. All travel expenses will be approved by GCHP and will adhere to the Plan's travel policy.

RECOMMENDATION:

Subject to review by legal counsel, authorize and direct the Chief Executive Officer to execute a contract amendment with Optimity Advisors to assist the Plan in development of an RFP designed with multiple “service towers” for the potential procurement of an ASO vendor.

CONCURRENCE:

None



AGENDA ITEM NO. 8

TO: Gold Coast Health Plan Commission

DATE: September 26, 2016

SUBJECT: Closed Session Item – Discussion Involving Trade Secrets

AGENDA ITEM NO. 9

To: Ventura County Medi-Cal Managed Care Commission

From: Anne Freese, PharmD, Director of Pharmacy

Date: September 26, 2016

RE: PBM RFP Results

SUMMARY:

Gold Coast Health Plan (GCHP or the Plan) contracts with a Pharmacy Benefits Manager (PBM) in order to provide pharmacy benefit services to its members. The contract with the current PBM, Script Care LTD. (SCL), is due to terminate. GCHP initiated a new RFP on June 6, 2016 to select a PBM for the next contract term.

GCHP received responses from three PBMs. The PBMs were assessed for their ability to meet the RFP requirements, meet minimum qualifications, the quality of their responses, the ability to accept GCHP contract terms and, finally, pricing. At this time, Plan staff is providing the results of the RFP to the Commission for their selection.

BACKGROUND:

SCL was selected as the PBM for GCHP in 2010 for an initial 5 year term beginning on the Plan go live date. GCHP selected SCL through an RFP process. SCL provides a full suite of PBM services including prescription claim adjudication, pharmacy network access, and prescription utilization management (UM) services for GCHP.

GCHP has conducted a detailed and thorough selection process for a new PBM contract, with a potential implementation date in the first half of 2017.

DISCUSSION

The Plan's goal is to select a PBM that shares GCHP's philosophy and will work collaboratively to continuously improve GCHP's members' customer service experience, health status and cost-effective solutions related to pharmacy benefits. Further, GCHP is seeking a PBM that utilizes industry best practices, that is knowledgeable in the landscape of Medicaid and Medicare pharmacy benefits, and that has the clinical and quality initiatives to allow GCHP to further realize positive member health outcomes while maintaining fiscal responsibility.

GCHP's Chief Medical Officer, Associate Chief Medical Officer and Director of Pharmacy made up the core selection team and subject matter expertise was provided from all of the following departments: finance, procurement, information technology, and information security.

Three vendors were invited to submit a proposal: Magellan Rx Management, Inc. (MRx), OptumRx, and SCL. All three vendors responded to the RFP. Each vendor was given the opportunity to make improvements to their pricing proposal during the contract negotiations.

In addition to assessing whether each vendor met the RFP requirements and the minimum qualifications, each vendor was assessed in 3 major areas: (1) technical questions, (2) contract terms and conditions and statement of work, and (3) pricing. The technical questions were divided into 14 sections. The pricing section was divided into three sections which are discussed further in the Fiscal Impact section.

A chart showing the score of section for each vendor is attached to this presentation. The scoring was conducted using a 1-3-5 methodology where a “1” indicates that the scoring element was not met, a “3” indicates that the scoring element was partially met and a “5” indicates that the scoring element was fully met. The highest score in each section is highlighted in yellow for ease of identification. The scoring was completed with the initial documents received at the due date of the proposal and again after completion of the contract negotiation. The final scores are shown in the chart only. Although a couple of the scores changed due to updated proposals, the ranking remained the same.

Each vendor has been invited to present to the Commission and will be available to answer questions. Each vendor will be given 40 minutes to present, followed by questions from the Commissioners.

The Commissioners may review the proposals from each vendor. Due to the voluminous nature of the proposals, the proposals will be available for review by the Commissioners at the GCHP offices.

FISCAL IMPACT:

Through the RFP process, GCHP assessed the vendors on the following financial areas: pricing (overall drug price and administrative fees), performance guarantees, and maximum allowable costs (MAC) for generic drugs.

Although overall drug pricing and administrative fees are integral to the ability of the plan to be responsible fiscal stewards, generic drug pricing is reviewed on an annual basis by the California Department of Health Care Services (DHCS) and the plan receives a penalty in the form of reduced pharmacy rates by an equal percentage of what DHCS considers to be an overpayment. By assigning points specifically to each vendor on the health and ability of the vendor to reduce generic pricing, this puts GCHP in the most favorable position for future DHCS efficiency reviews.

CONTRACT DIFFERENCES:

Each vendor was contacted in an effort to develop signature-ready contracts for the Commission’s review. Each contract consists of 5 parts: 1) the Professional Services Agreement, 2) the Business Associate Agreement, 3) the Service Order (containing the scope of work), 4) the Service Fees Exhibit, and 5) the Performance Guarantees Exhibit.

Staff and legal counsel negotiated separately with each vendor to reach the best possible terms that would be acceptable to the respective vendor and ready for approval by the Commission. The Plan's standard agreement was provided to each vendor, then each vendor was given the opportunity to provide "mark-ups" to the standard agreement. The Plan responded to initial the mark-ups and worked with the vendors to develop the respective final contracts. The Commission should consider the differences among the three contracts and factor the differences into the Commission's ultimate decision. The following highlights some of the key differences.

1. SCL

SCL submitted the most favorable contract because SCL made only minor changes to the Plan's preferred form. SCL requested that both network provider claims and administrative fees be invoiced twice monthly and paid by the Plan within 30 days. Though this is a shorter turnaround time than the Plan initially requested, it is still a longer payment period than either of the other two vendors offered. Additionally, SCL, unlike the other two vendors, did not request a provision allowing performance to be suspended if the Plan's payment becomes delinquent. SCL must continue to perform until there is grounds to terminate the agreement. Notably, SCL's contract also contains considerably better indemnity provisions because it enables the Plan to control any litigation – at SCL's cost – brought by third parties and related to the PBM services.

SCL only requested a minor clarification requiring that the PBM's member services website be linked to the Plan's website. This change does not affect the substance of the scope of work.

2. MRx.

MRx made more changes than SCL, but there are only limited key differences. First, MRx has demanded a shorter turnaround time for network provider claims. MRx will bill twice-a-month, similar to SCL, but the Plan will be required to make payment within 7 days instead of 30 days. MRx also may be able to suspend performance of the contract if the Plan does not make payments within 30 days of when payments become due.

MRx demanded a modification to the indemnity provision, which is less beneficial to the Plan. MRx removed the Plan's right to control any third party litigation at MRx's cost, meaning that the Plan must choose to tender a claim to MRx or to pay its own up-front litigation costs. The Plan still reserves the right to choose not to tender a claim and to cover its own up-front costs. The Plan also reserves the right to participate in any defense or settlement of a third party claim handled by MRx.

3. OptumRx

The changes made by OptumRx are more substantial and less favorable to the Plan. OptumRx, like the other vendors, requested a shorter turnaround for network pharmacy claim

payments. OptumRx will invoice twice-a-month, the same as the other two vendors, and the Plan will be required to pay network pharmacy claims within 14 days. OptumRx has the right to suspend performance if payment is delinquent for 30 days and OptumRx gives a 10-day demand for payment. Thus, OptumRx's payment terms are slightly better than MRX's because there is a longer period before OptumRx may suspend performance, but the terms are still inferior to SCL's contract.

The changes OptumRx made to the indemnity provision are considerably less favorable to the Plan than the indemnity provisions provided by the other two vendors. OptumRx refused to allow the Plan to provide its own defense at Optum's expense, and it also refused to give the Plan the option to tender its defense. Thus, in the event of a third party claim, the Plan would have to either tender its defense to OptumRx or choose to pay its own costs. Under this provision, the Plan's ability to control its potential liability, and other aspects of litigation, is significantly hindered. This provision therefore presents substantially more risk for the Plan, which the Commission should account for in considering the award of the contract.

OptumRx made changes to GCHP's ability to control its pharmacy network. Specifically, GCHP will be able to approve the addition or removal of pharmacies only within the counties of Ventura, Kern, LA, and Santa Barbara.

Additionally, OptumRx made a number of other changes that potentially impact the ultimate cost of the contract to the Plan. Some of the key changes are as follows:

- a. **Pass-through Pricing Model.**
GCHP required through the RFP that the PBM vendors offer a 'pass-through, transparent pricing' model that requires the savings and financial benefits of the PBMs negotiated discounts, rebates, and credits to be passed to GCHP. GCHP defined the model within the contract and required the PBM vendors to certify that they have not received any remuneration related to GCHP's drug claims. OptumRx made changes to the language that neither SCL nor MRx requested. The changes exempted mail order and specialty claims from pass-through, transparent pricing and struck the language requiring certification against remuneration. These changes, although they do not change the outcome of the pricing exercise, would allow OptumRx to retain additional savings they have earned in relation to those negotiated discounts, rebates, credits and financial benefits. In the other contracts, those benefits would flow to GCHP.
- b. **Drug Pricing Exceptions.**
OptumRx included the following claims as exemptions which are not exempted in the other contracts: compound prescriptions, long term care prescriptions, and prescriptions filled in the states of Hawaii, Alaska and US territories (i.e. Guam, Puerto Rico, etc.).

c. Rebates

GCHP required through the RFP that the PBM vendors pass through 100% of all rebates be passed 100% to GCHP and defined rebates within the RFP and subsequently within the contract. OptumRx added language to the rebate language that negates the 100% pass through of rebates that may be obtained via a third party.

d. Pricing Modifications.

OptumRx added language related to pricing modifications that may be necessary due to changes in the industry AWP benchmarking, scope of services, and membership. This language unilaterally allows OptumRx to change the pricing structure and only offers GCHP 30 days' notice of the change.

Lastly, OptumRx has provided improved performance guarantees. The guarantee themselves are substantially similar across all three vendors, but OptumRx's total dollars at risk are greater than either SCL or MRx has offered.

In sum, the contracts were scored quantitatively, but the Commissioners may also factor in the qualitative discrepancies of each contract. SCL has offered the most favorable contract terms to the Plan because SCL essentially agreed to all terms desired by the Plan. The terms offered by MRx are less favorable than those offered by SCL. The differences are meaningful but are only moderately less favorable. The terms offered by OptumRx, on the other hand, are notably inferior to the terms offered by the other two vendors. Even though OptumRx has agreed to put more dollars at risk by way of the performance guarantees, OptumRx's terms could result in more overall risk to the Plan. This risk should be factored in when considering OptumRx's pricing.

RECOMMENDATION:

The RFP process is developed to provide an objective review of the potential PBM vendors' ability to partner with GCHP to ensure that the Plan is in compliance with all applicable laws, is achieving the best pricing, and, most importantly, achieving the best clinical outcomes for GCHP's members. It is the Plan Staff's recommendation to move forward with the vendor who achieves the highest overall score. Staff is asking for the Ventura County Medi-Cal Managed Care Commission to select the winner of this RFP from the three vendors presented today.



PBM RFP Scoring

Integrity

Accountability

Collaboration

Trust

Respect

Annie Freese, Pharm.D., Director of Pharmacy

Qualitative Scoring

	Section Weights	Magellan	OptumRx	Script Care
General	2.25%	2.19	1.93	2.09
Definition of Discounts	3.15%	3.06	2.40	2.97
Rebates	1.80%	1.72	1.20	1.52
Formulary	4.50%	4.50	3.30	3.75
Account Management and Imp.	4.50%	4.45	3.52	3.52
Auditing And Quality Assurance	4.50%	4.33	3.73	3.21
Coverage and Contractual Issues	1.80%	1.80	1.13	1.51
Network Access Details	3.60%	3.44	2.64	3.12
Eligibility	4.50%	4.23	3.96	4.05
System and Support	2.25%	2.17	1.88	1.75
Data Reporting	4.50%	4.20	3.30	4.02
Member Services	3.15%	3.09	2.73	2.97
Specialty Pharmacy	2.25%	2.19	1.95	1.71
Drug Utilization Review	2.25%	2.15	2.15	1.60
Total Qualitative Score	45%	43.51	35.82	37.79

Quantitative Scoring

	Section Weights	Magellan	OptumRx	Script Care
Contract Terms & Conditions and Statement of Work	25.00%	23.30	22.45	24.79
Pricing	20.00%	19.69	20.00	19.31
MAC Analysis	5.00%	5.00	3.00	3.00
Performance Guarantees	5.00%	5.00	5.00	5.00
Total Quantitative Score	55%	52.99	50.45	52.09

Overall Score

	Section Weights	Magellan	OptumRx	Script Care
Qualitative Analysis	45%	43.51	35.82	37.79
Quantitative Analysis	55%	52.99	50.45	52.09
Overall Score	100%	96.50	86.27	89.88

**AGREEMENT FOR PROFESSIONAL SERVICES
BETWEEN VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION
DOING BUSINESS AS GOLD COAST HEALTH PLAN
AND
SCRIPT CARE, LTD.**

THIS AGREEMENT, is made as of [REDACTED], 2016, by and between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan, a California public entity established under the laws of the State of California, (hereinafter "GCHP") and Script Care, Ltd. a Limited Partnership, (hereinafter "CONTRACTOR").

WHEREAS, GCHP is a County Organized Health System ("COHS") established pursuant to Welfare & Institutions Code §14087.54;

WHEREAS, GCHP has entered into and maintains contracts with the State of California, Department of Health Care Services (the "Medi-Cal Agreements"), under which Ventura County Medi-Cal beneficiaries, assigned to GCHP as members ("Members"), receive certain health care services hereinafter defined as "Covered Services";

WHEREAS, the Covered Services provided to Members includes benefits for prescription drugs and certain devices and supplies dispensed by pharmacists;

WHEREAS, GCHP has released a Request for Proposal ("RFP") entitled Request for Proposal Number GCHP060316, to which CONTRACTOR has responded;

WHEREAS, CONTRACTOR provides pharmacy benefit management ("PBM") services, including services in connection with the payment of pharmacy claims on behalf of clients, and CONTRACTOR has submitted a response to the RFP in the form of a proposal dated July 6, 2016, and entitled "SCL Proposal for GCHP PBM RFP #GCHP060316" ("Proposal"), incorporated herein by this reference;

NOW THEREFORE in consideration of the above-referenced recitals, the mutual covenants, promises, terms and provisions herein set forth, GCHP and CONTRACTOR agree as follows:

1. DESCRIPTION OF SERVICES

- a) CONTRACTOR shall provide PBM services, including but not limited to administrative, management, consultative, claims processing and other general pharmacy benefit management support services to GCHP in conjunction with administration and operation of GCHP's Medi-Cal managed care benefit plan that includes a prescription drug benefit for Medi-Cal Members ("Services"). The scope of the Services shall be more fully set forth in one or more project authorizations duly executed by GCHP and CONTRACTOR, which shall be incorporated into this Agreement by this reference (hereinafter, "Service Order" or "Service Orders"). The initial Service Order shall be substantially in the form attached hereto as Exhibit A and shall become effective only upon the issuance of an implementing purchase order by an authorized member of GCHP's Procurement Services organization (the "Authorized Procurement Representative"). Each Service Order is subject to all terms and conditions contained in this Agreement unless expressly stated otherwise in the Service Order.

- b) Precedence. Any inconsistency in this Agreement shall be resolved by giving precedence in the following order: (1) this Agreement; (2) An applicable Service Order, including any attachments, exhibits or other component parts of the Service Order; (3) the Business Associate Agreement; (4) the RFP; and (5) CONTRACTOR's Proposal. Each document identified in this section is a part of this Agreement and is incorporated herein by this reference. Any requirement or obligation of CONTRACTOR set forth in the RFP shall be deemed a part of the general terms and conditions of this Agreement unless the Parties expressly agree to exclude any such requirement from this Agreement.

2. QUALIFICATIONS

- a) CONTRACTOR hereby represents and warrants to GCHP that: (a) it has the experience and skill to perform the Services hereunder; (b) it shall comply with all applicable federal, state and local laws in effect at the time Services are performed, including all professional licensing and registration requirements; (c) it shall perform the Services in accordance with generally accepted professional standards and in an expeditious and economical manner, consistent with sound professional practices; (d) it is adequately financed to meet any financial obligation it may be required to incur hereunder; and (e) it maintains, and shall continue to maintain for the term of this Agreement, an active, unrestricted PBM URAC accreditation.
- b) Each of CONTRACTOR's professional workforce members, including but not limited to independent contractors hired by CONTRACTOR to perform work under this Agreement, who render professional services pursuant to this Agreement ("Professionals") shall: (a) hold applicable, current and unrestricted professional licenses or certifications from, or licenses or certifications recognized by, the licensing authorities of the State of California; and (b) meet such other credentialing requirements and conditions as GCHP may from time to time establish. During the term of this Agreement, CONTRACTOR shall notify GCHP immediately but not later than twenty-four (24) hours, followed by written notice within ten (10) calendar days, upon (i) any action which results in suspension or limitation of CONTRACTOR's, or a Professional's, license, permit, accreditations, or ability to conduct the applicable business or profession, (ii) any action which results in restriction, limitation, suspension or termination of a Professional's privileges, if any, at a licensed facility; (iii) any malpractice or professional liability action against a Professional that is adversely concluded by settlement or judgment; (iv) any action which results in the loss or restriction of a Professional's DEA permit; (v) any action against a Professional to exclude or suspend its participation in any federal or state health care program, including but not limited to the Medicare or Medicaid programs, or any other payor programs; or (vi) any lapse in a Professional's professional liability insurance or reduction below the limits required herein; (vii) any other occurrence as set forth in any applicable Service Order.
- c) CONTRACTOR acknowledges that CONTRACTOR was selected by GCHP, in part, on the basis of qualifications of particular staff identified in CONTRACTOR's response to GCHP's solicitation, hereinafter referred to as "Key Staff." CONTRACTOR shall ensure that Key Staff are available for Services as long as said Key Staff are in CONTRACTOR's employ. With the exception of voluntary resignation, promotion, involuntary termination for cause, illness, disability, or death, CONTRACTOR will

obtain prior written acceptance of GCHP to change Key Staff. CONTRACTOR shall provide GCHP with such information as necessary to determine the suitability of proposed new Key Staff. GCHP will act reasonably in evaluating Key Staff qualifications.

3. GCHP POLICIES AND PROCEDURES

CONTRACTOR agrees to comply with GCHP'S rules, policies and procedures that have been established as of the effective date of this Agreement, or will be established and have been provided to CONTRACTOR with at least thirty (30) days in advance of implementation, including rules, policies and procedures regarding: quality improvement/management; utilization management, including but not limited to, precertification procedures, referral process or protocols, and reporting of clinical data; member grievances; provider credentialing.

4. COMPENSATION AND PAYMENT

- a) Compensation. The total compensation payable to CONTRACTOR for Services under any Service Order shall not exceed the services fees, allowable expenses, and other compensation expressly set forth within the Service Order. No compensation shall be allowed unless expressly set forth in a Service Order.
- b) Payment. Unless otherwise provided by the issuing Service Order or otherwise requested by GCHP's Authorized Person in writing, CONTRACTOR shall submit invoices to GCHP on or about the first and fifteenth day of each calendar month for services rendered and expenses incurred under each outstanding Service Order during the preceding calendar month. GCHP shall pay each invoice within thirty (30) days after receipt thereof from CONTRACTOR, subject to Sections 4(c) and 4(d) and any other applicable conditions and limitations hereof.
- c) Availability of Funds. Payment to CONTRACTOR is subject to GCHP's corresponding receipt of funding from DHCS, CMS or any other governmental agency providing revenue to GCHP, as applicable. In the event funding to GCHP is terminated or delayed or is otherwise insufficient, GCHP's payment to CONTRACTOR may be terminated or delayed. GCHP shall have the option to provide written notification to CONTRACTOR of the lack of funding or of the insufficiency of funding, and after providing such notification, GCHP shall have no obligation to pay or otherwise compensate CONTRACTOR for future performance unless GCHP provides a subsequent written notification that adequate funding is established. If the lack of sufficient funding is the result of a delay in GCHP's payment from DHCS, then GCHP's payment obligation will automatically suspend and will only resume within fifteen (15) days following GCHP's receipt of its payment from DHCS for the applicable time period.
- d) Expense Reimbursement. GCHP shall not be responsible for reimbursement of CONTRACTOR's expenses incurred in the performance of Services pursuant to this Agreement unless the issuing Service Order so provides. If, and to the extent, that the Service Order provides that GCHP shall reimburse any such expenses of CONTRACTOR, such reimbursement shall be subject to the GCHP's Reimbursable Expense Guidelines, attached hereto as Exhibit C and incorporated herein by reference as set forth in full. Under no circumstances will reimbursement for expenses

exceed the "Maximum Amount" specified in the Service Order, unless the Service Order is modified to increase such maximum.

- e) Invoice Detail. Each invoice shall show: (a) the Service Order number to which the invoice relates; (b) the Purchase Order Number of the GCHP Purchase Order relating to the Service Order; (c) the GCHP billing information identified on the applicable Service Order; and (d) the specific items billed, including hours billed for each CONTRACTOR personnel performing under each Service Order. Sales and use taxes, if applicable, shall be listed as separate items on each invoice. GCHP, at its sole discretion, may refuse to pay any invoice not containing the required detail and, instead, return the invoice to CONTRACTOR within thirty (30) days of receipt. In such event, GCHP shall not be obligated to pay any sums billed by such returned invoice until thirty (30) days after GCHP receives a properly corrected invoice therefor.
- f) Mailing of Invoices. Each invoice shall be mailed, in duplicate, to GCHP at the following address:

**GOLD COAST HEALTH PLAN
711 E DAILY DRIVE
CAMARILLO, CA 90310
Attention: Accounts Payable**
- g) E-mail Invoices. Invoices may also be submitted to GCHP using the following e-mail address: Accountspayable@goldchp.org
- h) Time Limit for Invoice Submission. CONTRACTOR must submit, and GCHP must actually receive, an invoice for any Service or part thereof not later than ninety (90) days after the end of the month in which such Service or part thereof has been performed or GCHP shall have no obligation or liability to pay CONTRACTOR for such Service or part thereof, unless GCHP has otherwise specifically agreed in writing.
- i) Sales and Use Taxes. GCHP shall be solely responsible for the payment of any and all sales and use taxes assessed by any governmental authority with respect to the Services performed under this Agreement.

5. ADJUSTMENTS TO PAYMENT

GCHP may review and audit any and all claims for payment prior to or subsequent to payment to ensure that such payment is in accordance with this Agreement. If any claim or payment is not in accordance with this Agreement, GCHP reserves the right to deny, reduce or otherwise adjust such claim or payment, as applicable to the extent necessary to make such claim or payment conform to this Agreement. If an audit conducted by GCHP shows that CONTRACTOR for any reason owes monies to GCHP, then GCHP will notify CONTRACTOR and CONTRACTOR shall refund such overpayment to GCHP within thirty (30) business days after receipt of such notice. If CONTRACTOR does not within such period either refund such overpayment or notify GCHP that CONTRACTOR contests such overpayment, then GCHP is hereby authorized to offset the amount of the overpayment against any amounts owed to CONTRACTOR to the maximum extent permitted by applicable law. If this Agreement is terminated for any reason prior to GCHP's full recovery of such an overpayment, the remaining amount shall become due and owing immediately upon the effective date of the termination. This Section shall survive Termination of this Agreement.

6. EXTRA SERVICES

- a) Additional Services. CONTRACTOR shall not be entitled to compensation for any services other than or in addition to the Services specified in any Service Order issued pursuant hereto, unless an implementing change order in the form of Exhibit B hereto for such other or additional services is issued and signed by GCHP's and CONTRACTOR's respective Project Managers and an implementing purchase order change order is issued to CONTRACTOR by GCHP's Authorized Procurement Representative prior to commencement of any such additional Services.
- b) Increase in Scope. If directed by GCHP to change or increase the scope of any Services, and if CONTRACTOR determines that such change or increase in scope will result in an increase in the total of charges to GCHP under the applicable Service Order, CONTRACTOR shall provide to GCHP a written proposal for such change or increase in scope. If such proposal is accepted and authorized by an implementing change order in accordance this Agreement, CONTRACTOR shall be compensated at the rates set forth in the Service Order and/or at such other fixed price mutually agreed upon in writing.

7. SUBCONTRACTORS

All subcontracts pertaining to the provision of the Services shall be in writing, and will be entered into in accordance with the requirements of this Agreement, the Medi-Cal Agreements, and applicable federal and State laws and regulations. All such subcontracts and their amendments shall become effective only upon written approval by GCHP. The following Services shall not be subcontracted: prescription claim adjudication, prior authorization/coverage determinations, network contracting, and member call center/pharmacy help desk. The Services identified in this section shall be performed in the United States.

8. NO ASSIGNMENT

This Agreement is not assignable by CONTRACTOR without the GCHP's prior consent in writing.

9. CONFIDENTIALITY

- a) To the extent the services to be performed by the CONTRACTOR are of a confidential nature, all services performed by CONTRACTOR under this Agreement shall be in strict conformance with all applicable Federal, State of California and/or local laws and regulations relating to confidentiality, including but not limited to, California Civil Code section 56 et seq., California Welfare and Institutions Code sections 5328, 10850 and 14100.2, Health and Safety Code sections 11977 and 11812, 22 California Code of Regulations section 51009, and 42 Code of Federal Regulations § 2.1 et seq. CONTRACTOR shall submit to GCHP's monitoring of said compliance with all State of California and Federal statutes and regulations regarding confidentiality.
- b) The parties shall execute and comply with GCHP's Business Associate Agreement, which is attached as Exhibit D and incorporated herein.

10. INDEMNITY AND INSURANCE

- a) **Indemnification.** CONTRACTOR shall indemnify, hold harmless and defend GCHP, its directors, officers, employees, agents and affiliates from and against all third party claims, actions, suits, demands, damages, liabilities, obligations, settlements or judgments, (including without limitation reasonable attorneys' fees and costs) ("Claims") suffered or incurred by GCHP arising out of or in connection with any breach of any representation or warranty of CONTRACTOR contained in this Agreement, or any breach of any covenant or other obligation or duty of CONTRACTOR under this Agreement or under applicable law, excluding Claims to the extent resulting from the negligence or wrongful acts of GCHP. GCHP shall promptly notify CONTRACTOR of any Claim for which indemnification is sought, following actual knowledge of such Claim, provided however that the failure to give such notice shall not relieve CONTRACTOR of its obligations hereunder except to the extent that CONTRACTOR is materially prejudiced by such failure. In the event that any third party Claim is brought, GCHP will have the option at any time to either (i) tender its defense to CONTRACTOR, in which case CONTRACTOR will provide qualified attorneys, consultants, and other appropriate professionals to represent GCHP's interests at CONTRACTOR's expense, or (ii) undertake its own defense, choosing the attorneys, consultants, and other appropriate professionals to represent its interests, in which case CONTRACTOR will be responsible for and shall pay reasonable fees and expenses of such attorneys, consultants, and other appropriate professionals. GCHP shall have the sole right and discretion to settle, compromise, or otherwise resolve any and all claims, causes of action, liabilities, or damages against it, notwithstanding that GCHP may have tendered its defense to CONTRACTOR. Any such resolution will not relieve CONTRACTOR of its obligation to indemnify GCHP. The indemnification requirements set forth herein shall survive the termination of this Agreement.
- b) **Insurance.** CONTRACTOR shall, at CONTRACTOR's sole cost and expense and throughout the term of this Agreement and any extensions thereof, carry adequate insurance to protect CONTRACTOR from claims under workers compensation acts that meets statutory requirements and the following insurance:
- i) Commercial General Liability with a minimum limit of \$1 million per occurrence/claim and a \$2 million annual aggregate.
 - ii) Comprehensive automobile liability insurance with limits for bodily injury of not less than \$500,000 per person and \$1 million per occurrence. Coverage shall include owned and non-owned vehicles used in connect with this Agreement.
 - iii) Professional error and omission insurance, with a minimum limit of \$3 million per occurrence/claim and a \$5 million annual aggregate.
 - iv) GCHP and its officers, directors, employees and agents shall be named as additional insured on all insurance except for Worker's Compensation and Professional Liability insurance.

In all situations arising out of this Agreement, the parties shall attempt to avoid and minimize the damages resulting from the conduct of the other party.

11. RELATIONSHIP OF THE PARTIES

The relationship of the parties to this Agreement shall be that of independent contractors and in no event shall CONTRACTOR be considered an officer, agent, servant or employee of GCHP. GCHP has no right to control or supervise or direct the manner or method by which CONTRACTOR performs the services. The CONTRACTOR shall be solely responsible for any and all workers compensation insurance, withholding taxes, unemployment insurance and any other employer obligations or benefits associated with the described work/services.

12. CORRECTIONS

In addition to the above indemnification obligations, the CONTRACTOR shall correct, at its expense, all errors in the work which may be disclosed during the GCHP's review of the CONTRACTOR's report/plans/work deliverables. Should CONTRACTOR fail to make such correction in a reasonably timely manner, such correction shall be made by GCHP, and the cost thereof shall be charged to CONTRACTOR.

13. FINANCIAL AND ACCOUNTING RECORDS

- a) CONTRACTOR shall maintain, in accordance with standard and accepted accounting practices, all financial, accounting, claims and payment records relating to services provided or paid for hereunder as is necessary and appropriate for the proper administration of this Agreement, the Services to be rendered, and payments to be made hereunder or in connection herewith.

Upon GCHP's written request, CONTRACTOR will furnish to GCHP an annual Balance Sheet and Profit and Loss Statement prepared in accordance with generally accepted accounting principles consistently applied and, if available, the annual audit report of an independent certified public accountant.

- b) The records maintained in accordance with this section shall be maintained for a period of not less than five (5) years from the date when the applicable claim, payment or other transaction was made. The records maintenance requirements set forth herein shall survive the termination of this Agreement.

14. AUDITS AND INSPECTIONS

CONTRACTOR shall make available for examination all of its records and data with respect to the matters covered by this Agreement, at any time during normal business hours, and as often as deemed necessary by GCHP, to GCHP, the California Department of Health Care Services, the U.S. Department of Health and Human Services, the Comptroller General of the United States, the California Department of Justice, Bureau of Medi-Cal Fraud, the Department of Managed Health Care, and other authorized California state agencies, or their duly authorized representatives. The foregoing obligation of CONTRACTOR shall survive the termination of this Agreement.

15. REPORTS

Upon GCHP's written request, and at no additional charge, CONTRACTOR shall provide regular prescription claims data, any reports required by an applicable Service Order, and periodic or ad hoc reports and information pertaining to the Services, with such content and in such format(s) as reasonably requested by GCHP.

16. TERMINATION BY GCHP

- a) GCHP, by notifying CONTRACTOR in writing, may upon fifteen (15) calendar days' notice, terminate any portion or all of the services agreed to be performed under this Agreement. In the event of such termination, CONTRACTOR shall immediately assemble work in progress for the purpose of winding up the job and reporting to GCHP as to the final status of work. All compensation for actual work performed and charges outstanding at the time of termination shall be payable by GCHP to CONTRACTOR within 45 days following submission of a final statement by CONTRACTOR.
- b) GCHP may immediately suspend or terminate this Agreement in whole or in part, where in the sole determination of GCHP, there is any of the following:
 - i) An illegal or improper use of funds;
 - ii) A failure to comply with any term of this Agreement;
 - iii) A substantially incorrect or incomplete report submitted to GCHP;
 - iv) Improperly performed service.
- c) In no event shall any payment by GCHP constitute a waiver by GCHP of any breach of this Agreement or any default which may then exist on the part of CONTRACTOR. Neither shall such payment impair or prejudice any remedy available to GCHP with respect to the breach or default.
- d) Transition Period. Upon the expiration or termination of this Agreement for any reason, GCHP shall have the unilateral right to renew this Agreement for three (3) consecutive Renewal Terms of three (3) months each by giving CONTRACTOR written notice of renewal at least sixty (60) days prior to the expiration of the then-current term.
- e) Service Orders. All termination provisions contained in this Section shall apply to the full Agreement as well as to any Service Orders. Any right to terminate held by either Party shall be construed as a right to terminate either a particular Service Order or this full Agreement.

17. POST-TERMINATION

The parties agree that, upon termination or expiration of this Agreement or of any applicable Service Order under this Agreement, the following shall occur:

- a) CONTRACTOR shall have no further obligation to provide Services, except that CONTRACTOR shall continue to provide such Services as are reasonably necessary to ensure an orderly wind down of the arrangement contemplated by this Agreement or any applicable Service Order and to ensure that Services furnished to GCHP Members during the applicable term are fully and completely administered ("Runout Services"). CONTRACTOR's duties related to Runout Services may be more specifically defined by Service Order.
- b) CONTRACTOR shall use its best efforts to facilitate a complete and efficient transfer of all Services to GCHP or its designated agents to ensure the smooth and continued operation of Services. CONTRACTOR shall cooperate fully and completely with GCHP and any of its contractors and agents both during and after the termination and

transfer process.

- c) CONTRACTOR shall ensure continued insurance coverage in the same minimum amounts specified in this Agreement or otherwise ensure continued insurance coverage of its liabilities arising out of this Agreement, including CONTRACTOR's obligations to process claims after termination of this Agreement.
- d) CONTRACTOR shall provide to GCHP promptly upon GCHP's written request and at no cost to GCHP, electronic copies of the records pertaining to CONTRACTOR's provision of Services. In the event the copies cannot be provided electronically, they may be provided in hard copy. CONTRACTOR shall grant to GCHP for the purpose of preparing for any actual or anticipated legal proceeding or for any other reasonable purpose, access to any other pertinent information regarding CONTRACTOR's performance of its duties under this Agreement during the term of this Agreement.
- e) The terms of this Agreement relating to confidentiality of Member confidential information and access to records shall survive termination or expiration of this Agreement in accordance with applicable law. The terms of this Agreement relating to indemnity provisional remedies and representations and warranties shall survive termination or expiration of this Agreement.
- f) The provisions of this Agreement which by their sense and context are intended to survive completion of performance, expiration or termination of this Agreement, or provisions that otherwise require or contemplate performance or applicability after such completion of performance, expiration or termination shall be enforceable notwithstanding the termination. Without limiting the foregoing, the provisions that are intended to survive and remain enforceable after termination of this Agreement include, but are not limited to the following: the terms of this Agreement relating to confidentiality of Member confidential information (including but not limited to the Business Associate Agreement and related obligations), access to records, indemnity, provisional remedies and representations and warranties.
- g) In the event of termination of this Agreement, a final accounting and settlement shall be made taking into account the charges set forth in any Service Order and any other costs and expenses reimbursable by one party to the other under this Agreement. Final settlement may be deferred at the option of GCHP for no longer than one hundred eighty (180) days following the later of (1) termination of this Agreement or (2) completion by CONTRACTOR of any post-termination or runout services provided by CONTRACTOR.
- h) Immediately following the termination or expiration of this Agreement, CONTRACTOR shall deliver to GCHP at no charge an electronic copy, in a format mutually agreed by the parties, of all records required under this Agreement, including but not limited to billing amount and reports to verify the provision of claims for Services, documentation concerning eligibility and claims data information.

18. WAIVER; REMEDIES CUMULATIVE

Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, irrespective of the length of time for which such failure continues, shall not constitute a waiver of such party's right to demand strict compliance by

such other party in the future. No waiver by a party of a default or breach of the other party shall be effective or binding upon such party unless made in writing by such party, and no such waiver shall be implied from any omissions by a party to take any action with respect to such default or breach. No express written waiver of a specified default or breach shall affect any other default or breach, or cover any other period of time, other than any default or breach and/or period of time specified. All of the remedies permitted or available to a party under this Agreement, or at law or in equity, shall be cumulative and alternative, and invocation of any such right or remedy shall not constitute a waiver or election of remedies with respect to any other permitted or available right of remedy.

19. NO CONFLICT OF INTEREST

CONTRACTOR represents and warrants that no GCHP employee or GCHP official, or their spouse or registered domestic partner, has a financial interest in CONTRACTOR's business, or that any such financial interest has been fully disclosed to GCHP prior to the effective date of this Agreement. For the purpose of this representation and warranty, having a "financial interest" includes, but is not limited to:

- a) Having an investment interest of \$2,000 or more in a CONTRACTOR;
- b) Having an ownership or leasehold interest of \$2,000 or more in real property of CONTRACTOR;
- c) Receiving income or promised income aggregating to \$500 or more in the previous 12 months from CONTRACTOR; or
- d) Receiving gifts aggregating to \$460 or more in the previous 12 months from an CONTRACTOR.

20. NONDISCRIMINATION AND EQUAL OPPORTUNITY

- a) CONTRACTOR shall not differentiate nor discriminate on the basis of race, color, National origin, ancestry, religion, sex, marital status, Medical condition, mental or physical disability, sexual orientation, age, or any other basis protected by federal or California law.
- b) CONTRACTOR shall ensure compliance with Title VI of the Civil Rights Act of 1964 and other implementing regulations (42 USC Section 2000d and 45 CFR Part 80) that prohibit recipients of federal financial assistance from discriminating against persons based on race, color, religion, or national origin.
- c) Equal Opportunity Requirements
 - i) The CONTRACTOR will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era. The CONTRACTOR will take affirmative action to ensure that qualified applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sexual orientation, national origin, physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era. Such action shall include, but not be limited to the

following; employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and career development opportunities and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Federal Government California Department of Health Care Services setting forth the provisions of the Equal Opportunity clause, Section 503 of the Rehabilitation Act of 1973 and the affirmative action clause required by the Vietnam Era Veterans' Readjustment Assistance Act of 1974 *38 USC 4212). Such notices shall state the CONTRACTOR's obligation under the law to take affirmative action to employ and advance in employment qualified applicants without discrimination based on their race, color, religion, sexual orientation, national origin physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era and the rights of applicants and employees.

- ii) The CONTRACTOR will, in all solicitations or advancements for employees placed by or on behalf of the CONTRACTOR, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sexual orientation, national origin physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era.
- iii) The CONTRACTOR will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding a notice, to be provided by the Federal Government or the State of California, advising the labor union or workers' representative of the CONTRACTOR's commitments under the provisions herein and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- iv) The CONTRACTOR will comply with all provisions of and furnish all information and reports required by Section 503 of the Rehabilitation Act of 1973, as amended, the Vietnam Era Veterans' Readjustment Assistance Act of 1974 (38 USC 4212) and of the Federal Executive Order No. 11246 as amended, including by Executive Order 11375, 'Amending Executive Order 11246 Relating to Equal Employment Opportunity,' and as supplemented by regulation at 41 CFR 60, "Office of the Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," and of the rules, regulations, and relevant orders of the Secretary of Labor.
- v) The CONTRACTOR will furnish all information and reports required by Federal Executive Order No. 11246 as amended, including by Executive Order 11375, 'Amending Executive Order 11246 Relating to Equal Employment Opportunity,' and as supplemented by regulation at 41 CFR 60, "Office of the Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," and the Rehabilitation Act of 1973, and by the rules, regulations, and orders of the Secretary of labor, or pursuant thereto, and will permit access to its books, records, and accounts by the State and its designated representatives and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- vi) In the event of the CONTRACTOR's noncompliance with the requirements of the provisions herein or with any Federal rules, regulations, or orders which are

referenced herein, this Agreement may be cancelled, terminated, or suspended in whole or in part and the CONTRACTOR may be declared ineligible for further Federal and state contracts in accordance with procedures authorized in Federal Executive Order No. 11246 as amended and such other sanctions may be imposed and remedies invoked as provided in Federal Executive Order No. 11246 as amended, including by Executive Order 11375, 'Amending Executive Order 11246 Relating to Equal Employment Opportunity,' and as supplemented by regulation at 41 CFR 60, "Office of the Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

- d) CONTRACTOR shall comply with all applicable Federal requirements in Section 504 of the Rehabilitation Act of 1973 (29 USC §794) Nondiscrimination under Federal grants and programs; Title 45 CFR Part 84 Nondiscrimination on the basis of handicap in programs or activities receiving Federal financial assistance; Title 28 CFR Part 36 Nondiscrimination on the basis of disability by public accommodations and in commercial facilities; Title IX of the Education Amendments of 1973 (regarding education programs and activities); Title 45 CFR Part 91 the Age Discrimination Act of 1975; and all other laws regarding privacy and confidentiality.

21. HUMAN SUBJECTS USE REQUIREMENTS

By signing this Agreement, CONTRACTOR agrees that if any performance under this Agreement, or any subcontract, that includes any tests or examination of materials derived from the human body for the purpose of providing information, diagnosis, prevention, treatment or assessment of disease, impairment, or health of a human being, all locations at which such examinations are performed shall meet the requirements of 41 U.S.C. § 263a (CLIA) and the regulations thereto.

22. DEBARMENT AND SUSPENSION CERTIFICATION

- a) By signing this Agreement, the CONTRACTOR agrees to comply with applicable Federal suspension and debarment regulations including, but not limited to 7 C.F.R. § 3017, 45 C.F.R. § 76, 40 C.F.R. § 32, or 34 C.F.R. § 85.
- b) By signing this Agreement, the CONTRACTOR certified to the best of its knowledge and belief, that it and its principals:
 - i) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
 - ii) Have not within a three-year period preceding this Agreement been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - iii) Are not presently indicted for or otherwise criminally or civilly charged by a governmental Entity (Federal, State or local) with commission of any of the

offenses enumerated in Sub-provision (b)(ii) herein;

- iv) Have not within a three-year period preceding this Agreement had one or more public transactions (Federal, State or local) terminated for cause or default;
 - v) Shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under Federal regulations (i.e., 48 C.F.R. § 9, subpart 9.4), debarred, suspended, declared ineligible, or voluntarily excluded from participation in such transaction, unless authorized by the State; and
 - vi) Will include a clause entitled, "Debarment and Suspension Certification" that essentially sets forth the provisions herein, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
- c) If the CONTRACTOR is unable to certify to any of the statements in this certification, the CONTRACTOR shall submit an explanation to the GCHP program funding this Agreement.
 - d) The terms and definitions herein have the meanings set out in the Definitions and Coverage sections of the rules implementing Federal Executive Order 12549.
 - e) If the CONTRACTOR knowingly violates this certification, in addition to other remedies available to the Federal Government, the GCHP may terminate this Agreement for cause or default.

23. SMOKE-FREE WORKPLACE CERTIFICATION

- a) Public Law 103-227, also known as the Pro-Children Act of 1994 (Act), requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, early childhood development services, education or library services to children under the age of 19, if the services are funded by Federal programs either directly or through state or local governments, by federal grant, contract, loan, or loan guarantee. The Act also applies to children's services that are provided in indoor facilities that are constructed, operated, or maintained with such federal funds. The Act does not apply to children's services provided in private residences; portions of facilities used for inpatient drug or alcohol treatment; service providers whose sole source of applicable federal funds is Medicare or Medicaid; or facilities where WIC coupons are redeemed.
- b) Failure to comply with the provisions of the Act may result in the imposition of a civil monetary penalty of up to \$1,000 for each violation and/or the imposition of an administrative compliance order on the responsible party.
- c) By signing this Agreement, CONTRACTOR certifies that it will comply with the requirements of the Act and will not allow smoking within any portion of any indoor facility used for the provision of services for children as defined by the Act. The prohibitions herein are effective December 26, 1994.
- d) CONTRACTOR further agrees that it will insert this certification into any subcontracts entered into that provide for children's services as described in the Act.

24. COVENANT AGAINST CONTINGENT FEES

The CONTRACTOR warrants that no person or selling agency has been employed or retained to solicit/secure this Agreement upon an agreement of understanding for a commission, percentage, brokerage, or contingent fee, except *bona fide* employees or *bona fide* established commercial or selling agencies retained by the CONTRACTOR for the purpose of securing business. For breach or violation of this warranty, GCHP shall have the right to annul this Agreement without liability or in its discretion to deduct from the Agreement price or consideration, or otherwise recover, the full amount of, such commission, percentage, and brokerage or contingent fee.

25. OFFICIALS NOT TO BENEFIT

No members of or delegate of Congress or the State Legislature shall be admitted to any share or part of this Agreement, or to any benefit that may arise therefrom. This Provision shall not be construed to extend to this Agreement if made with a corporation for its general benefits.

26. PROHIBITED USE OF STATE FUNDS FOR SOFTWARE

CONTRACTOR certifies that is has appropriate systems and controls in place to ensure that State funds will not be used in the performance of this Agreement for the acquisition, operation or maintenance of computer software in violation of copyright laws.

27. ALIEN INELIGIBILITY CERTIFICATION

By signing this Agreement, the CONTRACTOR certifies that he/she is not an alien that is ineligible for State and local benefits, as defined in Subtitle B of the Personal Responsibility and Work Opportunity Act. (8 U.S.C. § 1601, et seq.)

28. DATA CERTIFICATIONS

- a) CONTRACTOR shall comply with data certification requirements set forth in 42 C.F.R. § 438.604 and 42 C.F.R. § 438.606.
- b) With respect to any report, invoice, record, papers, documents, books of account, or other Agreement required data submitted, pursuant to the requirements of this Agreement, the CONTRACTOR's Representative or his/her designee will certify, under penalty of perjury, that the report, invoice, record, papers, documents, books of account or other Agreement required data is current, accurate, complete and in full compliance with legal and contractual requirements to the best of that individual's knowledge and belief.

29. TRACKING SUSPENDED PROVIDERS

- a) CONTRACTOR shall comply with Title 42 C.F.R. Section § 438.610. Additionally, CONTRACTOR is prohibited from employing, contracting or maintaining a contract with Physicians or other health care providers that are excluded, suspended or terminated from participation in the Medicare or Medi-Cal/Medicaid programs.

- b) A list of suspended and ineligible providers is maintained in the Medi-Cal Provider Manual, which is updated monthly and available on line and in print at the GCHP Medi-Cal website (www.medi-cal.ca.gov) and by the Department of Health and Human Services, Office of Inspector General, List of Excluded individuals and Entities (<http://oig/hhs.gov>). CONTRACTOR is deemed to have knowledge of any providers on these lists.
- c) CONTRACTOR must notify the Medi-Cal Managed Care Program/Program Integrity Unit within ten (10) State working days of removing a suspended, excluded, or terminated provider from its provider network and confirm that the provider is no longer receiving payments in connection with the Medicaid program.

30. FALSE CLAIM COMPLIANCE

CONTRACTOR shall comply with 42 U.S.C. Section 1396a(a)(68), Employee Education About False Claims Recovery, as a condition of receiving payments under this Agreement. Upon request by GCHP, CONTRACTOR shall demonstrate compliance with this provision, which may include providing GCHP with copies of CONTRACTOR's applicable written policies and procedures and any relevant employee handbook excerpts.

31. DISABLED VETERAN BUSINESS ENTERPRISES (DVBE)

CONTRACTOR shall comply with applicable requirements of California law relating to Disabled Veteran Business Enterprises (DVBE) commencing at Section 10115 of the Public Contract Code.

32. DISPUTE RESOLUTION

- a) Judicial Reference. At the election of either party to this Agreement (which election shall be binding upon the other party), a dispute between CONTRACTOR and GCHP arising out of this Agreement shall be heard and decided by a referee appointed pursuant to California Code of Civil Procedure Section 638 (or any successor provision thereto, if applicable), who shall hear and determine any and all of the issues in any such action or proceeding, whether of fact or law, and to report a statement of decision, subject to judicial review and enforcement as provided by California law, and in accordance with Chapter 6 (References and Trials by Referees), of Title 8 of Part 2 of the California Code of Civil Procedure, or any successor chapter. The referee shall be a retired judge of the California superior or appellate courts determined by agreement between the parties, provided that in the absence of such agreement either party may bring a motion pursuant to the said Section 638 for appointment of a referee before the appropriate judge of the Ventura Superior Court. The parties acknowledge that they forego any right to trial by jury in any judicial reference proceeding. Any counterpart or copy of this Agreement, filed with such Court upon such motion, shall conclusively establish the agreement of the parties to such appointment. The parties agree that the only proper venue for the submission of claims to judicial reference shall be the courts of general jurisdiction of the State of California located in Ventura County. The parties reserve the right to contest the referee's decision and to appeal from any award or order of any court. The designated non-prevailing party in any dispute shall be required to fully compensate the referee for his or his services hereunder at the referee's then respective prevailing rates of compensation.

- b) Limitations. CONTRACTOR must comply with the claim procedures set forth in the Government Claims Act (Government Code Section 900, et. seq.) prior to filing any legal proceeding, including judicial reference, against GCHP. If no such Government Code claim is submitted, no action against GCHP may be filed. Notwithstanding anything to the contrary contained in this Agreement, any suit, judicial reference or other legal proceeding must be initiated within one (1) year after the date the facts giving rise to a dispute occurred or such dispute shall be deemed waived and forever barred; provided that, if a shorter time period is prescribed under the Government Claims Act, then, the shorter time period (if any) prescribed under the Government Claims Act shall apply.
- c) Cut-Off for Disputes Against GCHP. Within ninety (90) days of the expiration or termination of this Agreement or any Service Order under this Agreement, CONTRACTOR shall provide to GCHP formal written notice of any unresolved disputes CONTRACTOR has against GCHP relating to this Agreement or to the applicable Service Order. The formal written notice shall describe any unresolved dispute and identify the amount CONTRACTOR demands in satisfaction of the dispute, and it shall include any supporting documentation. CONTRACTOR's failure to submit timely notice shall constitute a waiver of all unresolved disputes against GCHP. To the extent a dispute arises after the time for providing notice, and CONTRACTOR could not have timely discovered the dispute, CONTRACTOR shall provide formal written notice within ten (10) days of discovery. Nothing herein shall modify CONTRACTOR's duty to comply with the Government Claims Act and subsection "b" above.

33. AUTHORITY

Each corporate entity executing this Agreement represents and warrants that all necessary corporate action has been taken, including the due adoption of a resolution by its board of directors, sufficient to enable such corporation to enter into this Agreement, to be bound thereby and to perform fully as required hereunder. Each person executing this Agreement on behalf of CONTRACTOR represents and warrants that he/she has been duly authorized to enter into this Agreement on behalf of said party.

34. OWNERSHIP OF WORK PRODUCTS

- a) Works. All work products created for and/or delivered to GCHP hereunder, or which arise out of or result from the Services performed during the term of this Agreement, and any inventions, ideas or original works of authorship in whole or in part conceived or made by CONTRACTOR, which arise out of or result from the work performed by CONTRACTOR for GCHP hereunder, shall belong exclusively to GCHP, whether or not embodied or fixed in a tangible form or medium of expression. Any such work products or original works (collectively, "Works") shall be deemed "works made for hire," provided that, if and to the extent that such Works are determined not to constitute "works made for hire" as a matter of law, CONTRACTOR hereby irrevocably assigns and transfers such Works and all right, title and interest therein, worldwide and without limitation, including patents, trademarks, servicemarks, copyrights and other proprietary rights or interest, to GCHP and its successors and assigns. Without limiting the generality of the foregoing, title to all plans, drawings, designs, specifications, calculations, renderings, computer programs, source codes, documentation, ideas, concepts, models, prototypes, reports or other tangible work products produced by

CONTRACTOR pursuant to this Agreement shall become the property of GCHP when produced.

- b) Delivery. CONTRACTOR shall deliver all Works to GCHP promptly upon their completion or, if sooner, the termination of the Services hereunder. CONTRACTOR agrees to execute any and all documents as requested by GCHP to evidence any transfers or assignments provided for herein.

35. PUBLICITY

- a) Name and Mark. CONTRACTOR shall acquire no right under this Agreement to use, and shall not use, the name, service mark or design of GCHP in any advertising, publicity, promotion or other material disseminated by CONTRACTOR, or to express or imply any endorsement of CONTRACTOR or any of CONTRACTOR's products or services in any manner or for any purpose whatsoever, unless CONTRACTOR has first obtained the written permission of GCHP, which permission may be withheld by GCHP in its sole discretion.
- b) Survival. The provisions of this Section shall survive termination or expiration of this Agreement.

36. RECRUITMENT

GCHP agrees not to hire, or attempt to hire, "Full-Time Employees" of CONTRACTOR (the term "Full-Time Employees" refers only to personnel who are employed on an ongoing basis, and does not include personnel who are only treated as CONTRACTOR employees while on a contracted assignment), without CONTRACTOR's prior written consent, during the term of this Agreement and during the six (6)-month period after the expiration or termination of the Service Order under which a CONTRACTOR's employee was performing Services. If CONTRACTOR grants such consent, then GCHP agrees to pay the CONTRACTOR a recruitment fee at a rate to be negotiated in good faith (but, in no event greater than 35%) based on the annualized starting base salary at GCHP of such former employee of CONTRACTOR.

37. FORCE MAJEURE

Neither of the parties shall be deemed to be in default of or to have breached any provision of this Agreement as a result of any delay, failure in performance or interruption of service resulting directly or indirectly from acts of God, acts of civil or military authorities, civil disturbances, wars, fires, transportation contingencies, laws, regulations, acts or orders of any government or agency or official thereof, or any other similar occurrences beyond such party's reasonable control. In every case, the delay or failure in performance or interruption of service must be without the fault or negligence of the party claiming excusable delay, and the party claiming excusable delay must promptly notify the other party of such delay. Performance time under this Agreement shall be considered extended for a period of time equivalent to the time lost because of any delay that is excusable, provided, however, that if any such delay continues for a period of more than sixty (60) days, the party not claiming excusable delay shall have the option of terminating this Agreement immediately upon written notice to the party claiming excusable delay.

38. NOTICES

- a) Any and all notices, demands, requests or other communications required or permitted by this Agreement or by law to be served on, given to or delivered to any party hereto by any other party to this Agreement shall be in writing and shall be deemed duly served, given or delivered upon delivery by (1) facsimile transmission or other electronic means (if duplicated by any of the alternative notice methods that follow), (2) a national overnight courier service, fee prepaid (with proof of service), (3) hand delivery or (4) certified or registered mail (return receipt requested and first-class postage prepaid) and addressed as follows (or as later changed in a manner required by this section):

Gold Coast Health Plan
711 E. Daily Drive, Suite #106
Camarillo, CA 93010-6082

Attn: Anne Freese
Title: Director of Pharmacy
Email: afreese@goldchp.org

CONTRACTOR:
Script Care, Ltd.
6380 Folsom Drive
Beaumont, TX 77706
Attn: Jade Thibodeaux
Fax: (409) 923-7391
Email: jthibodeaux@scriptcare.com

- b) Any notice that is address and delivered in the manner herein provided shall be conclusively presumed to have been duly given to the party to which it is addressed at the close of business, local time of the recipient: (i) upon delivery if by hand, (ii) on the third day after the day it is so placed in the mail, (iii) the next business day following delivery national overnight courier service, (iv) the next business day following delivery by facsimile transmission or other electronic means (if confirmed by any of the methods above) or (v) upon the intended recipient's refusal to accept delivery. Any party may change their address for the purposes of this Agreement by giving notice of the change, in the manner required by this section, to the other party.

39. CONSTRUCTION OF LANGUAGE OF AGREEMENT; GOVERNING LAW; MODIFICATIONS; CAPTIONS; SEVERABILITY:

- a) This Agreement, and the rights and obligations of the parties, shall be governed and interpreted in accordance with the laws of the State of California and Federal laws and regulations as applicable. The parties agree that should legal or administrative proceedings arise as a result of this Agreement and performance under this Agreement that jurisdiction for venue shall be Ventura County, California. The captions or headings in this Agreement are for convenience only and in no other way define, limit or describe the scope or intent of any provision or section of the Agreement. Except for CONTRACTOR's proposals and submitted representations for obtaining this Agreement, this Agreement supersedes any other agreements, either oral or in writing, between the parties hereto with respect to the rendering or services, and contains all of the covenants and agreements between the parties with respect to said services. Any modifications of this Agreement will be effective only if it is in writing and signed by all parties.
- b) CONTRACTOR also agrees to the following:
- i) If it is necessary to interpret this Agreement, all applicable laws may be used as aids in interpreting the Agreement. However, the parties agree that any such applicable laws shall not be interpreted to create contractual obligations upon GCHP, unless such applicable laws are expressly incorporated into this Agreement in some section other than this provision, Governing Law. This Agreement is the product of mutual negotiation, and if any ambiguities should arise in the interpretation of this Agreement, both parties shall be deemed authors of this Agreement.
 - ii) Any provision of this Agreement that is in conflict with Current or future applicable Federal or State laws or regulations is hereby amended to conform to the provisions of those laws and regulations. Such amendment of the Agreement shall be effective on the effective date of the statutes or regulations necessitating it, and shall be binding on the parties even though such amendment may not have been reduced to writing and formally agreed upon and executed by the parties.
 - iii) All Policy and All Plan Letters issued by DHCS subsequent to the effective date of this Agreement shall provide clarification of CONTRACTOR's obligations pursuant to this Agreement, and/or inform and provide clarification to CONTRACTOR regarding mandated changes in State or Federal law or regulations, or pursuant to judicial interpretation, but shall not add new obligations to the Agreement.
 - iv) Unless the context of this Agreement clearly requires otherwise, (a) the plural and singular numbers shall each be deemed to include the other; (b) the masculine, feminine, and neuter genders shall each be deemed to include the others; (c) "shall," "will," "must," or "agrees" are mandatory, and "may" is permissive; (d) "or" is not exclusive; and (e) "includes" and "including" are not limiting.
 - v) The provisions of this Agreement are severable. The invalidity or unenforceability of any one provision in the Agreement shall not affect the other provisions.

In concurrence and witness whereof, this Agreement has been executed by the parties effective on the date and year first above written.

Ventura County Medi-Cal Managed Care
Commission d.b.a. Gold Coast Health Plan

Script Care, Ltd.

Date: _____

Date: _____

Signature: _____

Signature: _____

Title: Chief Executive Officer

Title: President _____

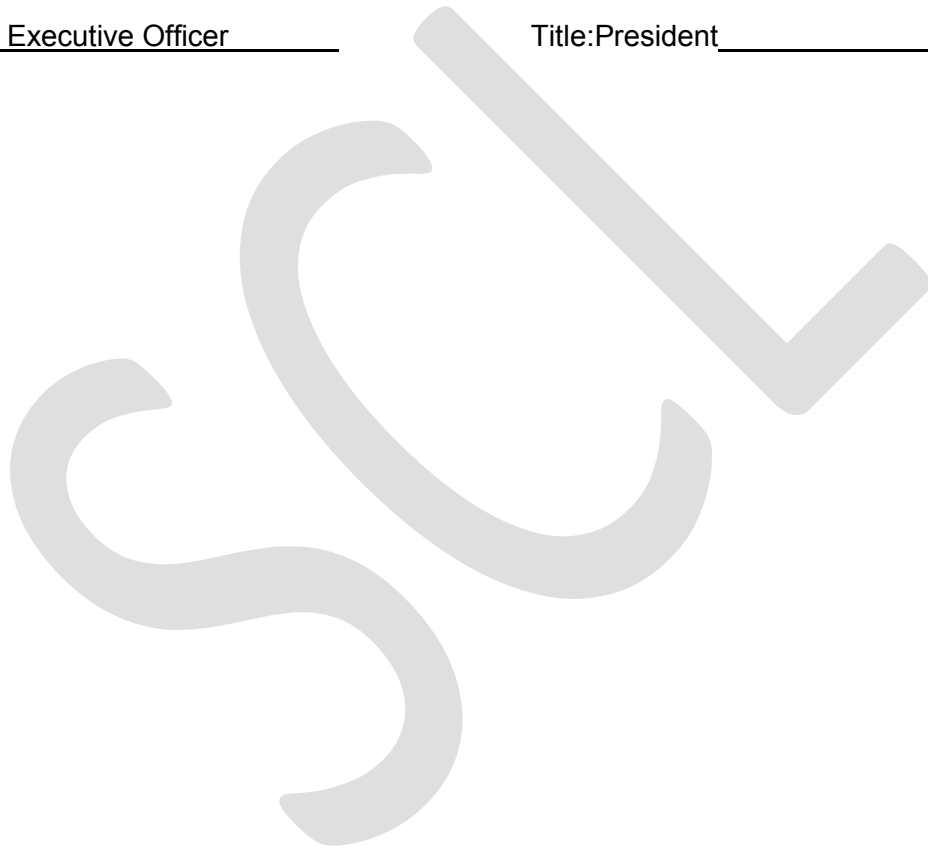


Exhibit A
SERVICE ORDER



EXHIBIT B

to PROFESSIONAL SERVICES AGREEMENT

Change Order No. ___ for Service Order ___

Between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan, a California public entity established under the laws of the State of California, and Script Care, Ltd

This Change Order No. **XXX** hereby modifies and is made an integral part of Service Order **XXX** between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan, a California public entity established under the laws of the State of California, (“GCHP”) and **Script Care, Ltd.**(“CONTRACTOR”), which was issued under Professional Services Agreement dated **XXXX-XXXX** (“Agreement”) between GCHP and CONTRACTOR.

CHANGE ORDER

This is Change Order No. **XXX** to a Service Order issued by GCHP to CONTRACTOR under which CONTRACTOR is to provide GCHP with a **[Insert Project Name]** Solution (“Solution”). The following item(s) is/are hereby modified as follows:

N/A SCL does not anticipate any changes to the services currently provided.

This Change Order No. **XXX** is issued pursuant to and, upon execution, shall become incorporated in the Service Order which is incorporated in the Agreement. In the event of conflict of terms, the Professional Services Agreement shall supersede all other agreements and terms.

The foregoing is the complete and final expression of the agreement between the parties to modify the Service Order and cannot be modified, except by a writing signed by duly authorized representatives of both parties hereto. ALL OTHER TERMS AND CONDITIONS OF THE REFERENCED SERVICE ORDER REMAIN UNCHANGED.

By signing below, the authorized parties agree to the terms of this Change Order No. **XXX**, effective (**INSERT EFFECTIVE DATE**).

Ventura County Medi-Cal Managed Care Commission d.b.a. Gold Coast Health Plan

Script Care, Ltd.

Date: _____

Date: _____

Signature: _____

Signature: _____

Title: Chief Executive Officer

Title: _____

EXHIBIT C

REIMBURSABLE EXPENSE GUIDELINES

These REIMBURSABLE EXPENSE GUIDELINES (“Guidelines”) shall apply to certain expenses that CONTRACTOR may incur, pursuant to the agreement entered into by and between GCHP and CONTRACTOR dated as of **DATE 01**, 2015 entitled AGREEMENT FOR PROFESSIONAL SERVICES (“Agreement”). With respect to such expenses, when incurred by CONTRACTOR specifically for purposes of the Agreement, GCHP and CONTRACTOR hereby agree as follows:

1. **GENERAL**

1.1 When practical to do so, CONTRACTOR shall book all travel for the sole purpose of fulfilling on-site service obligations described in the GCHP Service Order. CONTRACTOR should communicate to GCHP’s Project Manager all associated travel costs prior to finalizing any/all travel arrangements. CONTRACTOR shall provide the travel service name and telephone number and agent assigned to CONTRACTOR by GCHP. Any airline ticket, car rental and hotel charges should be paid directly by CONTRACTOR, with available discounts applied.

1.2 For purposes of reimbursement hereunder, CONTRACTOR must submit original receipts to receive reimbursement of air travel expenses.

2. **AIR TRAVEL**

All personnel of CONTRACTOR (“Travelers”) will fly coach class. Original airline receipts are required for reimbursement in all cases.

3. **HOTELS**

3.1 Requests by Travelers for specific hotels will be honored only at the discretion of GCHP’s Project Manager and only if the rates of such hotels are the same as or lower than current industry averages.

3.2 Lodging expenses shall include the cost of a Traveler’s room plus applicable taxes, but shall not include room service, recreation, or any other direct charges to the room. (See Section 5 of the Guidelines for further discussion of these charges.)

4. **AUTOMOBILE EXPENSE**

4.1 Rental car charges shall be billed directly to each Traveler.

4.1.1 Reimbursement will cover no more than the cost of a mid-size rental car.
Limousine service is expressly prohibited.

4.1.2 Additional insurance coverage, as provided in the rental car agreement, will not be reimbursed.

4.2 Mileage for travel in CONTRACTOR’s vehicles or in Travelers’ personal vehicles shall be reimbursed at the same per-mile rate in effect from time to time for reimbursement of mileage incurred by GCHP’s own employees. Toll-road charges will be reimbursed only if incurred for office-to-office travel between CONTRACTOR’s

offices and GCHP's. Mileage and tolls should be supported by appropriate, contemporaneous logs of such charges maintained by Travelers.

5. MISCELLANEOUS TRAVEL EXPENSES

5.1 Original receipts must be submitted for expenses including the following: meals; taxi and hotel shuttle fares; parking; and other costs for which receipts can be typically obtained. Expenses such as tips (for which receipts are usually not provided) should be reasonable for the services provided and supported by a personal log or other contemporaneous record kept by the Traveler.

5.1.1 Travelers' expense reports submitted as documentation for reimbursement are to be signed by appropriate management personnel of CONTRACTOR and are to include copies of applicable receipts as supporting documentation.

5.1.2 Documentation of each business meal should include the names of all Individuals for whom the meal was ordered, the date of the meal, the business purpose, the relationships between or among the individuals, and a summary of the business discussion.

5.2 A per diem allowance is offered for meals, tips, and incidentals, when agreed to in advance in writing by GCHP Management, shall be in lieu of any other reimbursement for such expenses and shall not exceed the maximum per traveler rates established by the U.S. General Services Administration: <http://www.gsa.gov/portal/category/100120>

6. OTHER EXPENSES

If incurred by CONTRACTOR exclusively for purposes of the Agreement, other costs (such as for document reproduction, computer time, air freight, postage telephone, and facsimile) will be reimbursed by GCHP only upon submission in advance of documentation satisfactory to GCHP. Such documentation may include office logs that identify specific costs with specific services performed by CONTRACTOR under the Agreement.

7. SUBCONTRACTORS

If CONTRACTOR contracts with a third party ("Subcontractor") for purposes of performing CONTRACTOR's obligations under the Agreement, these Guidelines shall apply to travel expenses incurred by a Subcontractor and which CONTRACTOR is obligated to reimburse to the Subcontractor. GCHP shall not be responsible to pay CONTRACTOR any amount in excess of CONTRACTOR's actual cost of reimbursing a Subcontractor, or the maximum amount permitted by these Guidelines, whichever is less. In no event shall GCHP pay CONTRACTOR any percentage, fee, administrative charge or other mark-up.

EXHIBIT D

BUSINESS ASSOCIATE AGREEMENT

This BUSINESS ASSOCIATE AGREEMENT (“Agreement”) is entered into effective the ___ day of _____, 2016 by and between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan (“GCHP”) and Script Care, Ltd, a Texas limited Partnership (“Business Associate”).

RECITALS

A. GCHP is a Covered Entity as defined under the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and is therefore subject to HIPAA and its implementing regulations, including the Standards for Privacy of Individually Identifiable Health Information (the “Privacy Rule”) and the Security Standards for the Protection of Electronic Protected Health Information (the “Security Rule”), and Subtitle D of the Health Information Technology for Economic and Clinical Health Act (“HITECH”) enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and HITECH Omnibus Rule, 78 Fed. Reg. 5,566 (Jan. 25, 2013) (collectively, HIPAA, the Privacy Rule, Security Rule, HITECH and HITECH Omnibus Rule shall be referred to herein as the “HIPAA Rules and Regulations”).

B. Protected Health Information received from GCHP or created or received by Business Associate on behalf of GCHP (“PHI”) may be needed for Business Associate to perform the <TYPE OF SERVICES TO BE PROVIDED> services (the “Services”) requested by GCHP and described in any underlying agreement between the parties (the “Underlying Agreement”).

C. To the extent Business Associate needs to access PHI to perform the Services, it will be acting as a Business Associate of GCHP and will be subject to certain provisions of the HIPAA Rules and Regulations.

D. To the extent the Underlying Agreement is a subcontract of a California Department of Health Care Services contract (“DHCS Subcontract”), Business Associate will be subject to certain California Department of Health Care Services (“DHCS”) information privacy and security requirements.

E. GCHP and Business Associate wish to set forth their understandings with regard to the use and disclosure of PHI by Business Associate so as to comply with the HIPAA Rules and Regulations and GCHP’s contract with DHCS.

AGREEMENTS

For valuable consideration received and the above referenced Recitals which are incorporated herein as if set forth in full and the mutual conditions, terms and promises set forth in these Agreements below, the parties agree as follows:

1. Defined Terms. Capitalized terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in the HIPAA Rules and Regulations: Breach, Data Aggregation, Designated Record Set, Disclosure, Health Care Operations,

Individual, Minimum Necessary, Notice of Privacy Practices, Protected Health Information, Required by Law, Secretary of Health & Human Services, Security Incident, Subcontractor, Unsecured Protected Health Information, and Use.

Specific Definitions:

- (a) Business Associate. “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 Business Associate.
- (b) Covered Entity. “Covered Entity” shall generally have the same meaning as the term “covered entity” at 45 CFR 160.103, and in reference to the party to this agreement, shall mean GCHP.
- (c) HIPAA Rules and Regulations. “HIPAA Rules and Regulations” shall mean the Privacy, Security, Breach Notification, and Enforcement Rules and Regulations at 45 CFR Part 160 and 164.
- (d) Member. “Member” shall mean an Individual who is enrolled in the Gold Coast Health Plan.

2. Business Associate’s Obligations and Permitted Activities.

Business Associate agrees to the following:

- (a) That this Agreement shall apply to all agreements between and among GCHP and Business Associate;
- (b) That Business Associate shall not use or disclose PHI other than:
 - (i) as permitted to perform the Services set forth in this Agreement or the Underlying Agreement; or
 - (ii) for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate. Business Associate may disclose PHI for Business Associate’s proper management and administration or to carry out Business Associate’s legal responsibilities only if the disclosure is required by law, or Business Associate obtains reasonable assurances from the person or organization to whom the information is disclosed that it will remain confidential and used or further disclosed only as required by law or for the purpose for which it was disclosed to the person or organization, and the person or organization notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.
- (c) That Business Associate shall use appropriate safeguards, and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI, to prevent use or disclosure of PHI other than as provided for by this Agreement and the Underlying Agreement and shall develop, implement, maintain, and use appropriate administrative procedures, and physical and technical safeguards, to preserve and protect the confidentiality, integrity and availability of electronic PHI;
- (d) Without any reasonable delay, and in any event no more than forty-eight (48) hours, Business Associate shall report to and notify GCHP of any Breach of unsecured PHI upon discovery of such Breach, as required by 45 CFR 164.410. Under 45 CFR 164.410, a Breach is deemed to be discovered by a business associate “as of the first day on which such breach is known to the business associate or, by exercising reasonable diligence, would have been known to the business associate”;

(e) For any Breach of Unsecured PHI, as defined in 45 CFR 164.402, following the initial notification of any such Breach, Business Associate shall provide a report to GCHP, within five (5) business days of the discovery of the Breach, that includes, to the extent possible: (1) a brief description of what happened, including the date of occurrence and the date of the discovery by Business Associate; (2) a description of the PHI affected, including the names of any Individuals whose PHI has been or is reasonably believed to have been accessed, acquired or disclosed and the types of PHI involved (such as full name, social security number, date of birth, home address, account numbers, etc.); and (3) a brief description of what Business Associate has done to investigate the Breach, to mitigate harm to Individuals, and to protect against any further Breaches. Further, Business Associate shall provide to GCHP any other available information GCHP is required to include in its notification to affected Individual(s);

(f) Business Associate will report to GCHP any Security Incident relating to electronic PHI, not more than twenty-four (24) hours after Business Associate's discovery of such security incident, including any attempted or successful (A) unauthorized access, use, disclosure, modification, or destruction of GCHP's electronic PHI or (B) interference with Business Associate's system operations in Business Associate's information systems, of which Business Associate becomes aware that extend beyond routine, unsuccessful attempts. Routine, unsuccessful attempts include but are not limited to pings on Business Associate's firewall, port scans, attempts to log on to Business Associate's system to enter a database with an invalid password or username, denial-of-service attacks that do not result in a server being taken off-line and malware (e.g., worms, viruses). Examples of reportable security incidents include, but are not limited to: (i) the exposure of Business Associate's information systems to malicious code, such as a virus or worm, that places electronic PHI at risk; (ii) unauthorized access granted to or obtained by servers or workstations that contain electronic PHI; (iii) Business Associate becomes aware that electronic PHI is being used, copied, or destroyed inappropriately; and (iv) Business Associate experiences a "denial of service" attack or the compromise of a server or workstation containing electronic PHI that requires the server or workstation to be taken offline;

(g) Business Associate agrees to ensure that any of its agents or subcontractors that create, receive, maintain, or transmit GCHP's PHI of GCHP, agree to the restrictions, conditions, and requirements at least as restrictive as those that apply to Business Associate through this Agreement and the Underlying Agreement with respect to such PHI;

(h) Business Associate shall make its internal policies, procedures and records relating to the use and disclosure of PHI reasonably available to the Secretary of Health and Human Services or to GCHP if necessary or required to assess Business Associate's, its subcontractors, or the GCHP's compliance with the HIPAA Rules and Regulations;

(i) Business Associate shall, within ten (10) business days of a request by GCHP, make available PHI in a Designated Record Set on behalf of GCHP as necessary to satisfy GCHP's obligations under 45 CFR 154.524;

(j) Business Associate shall, within ten (10) business days of a request by GCHP, make any amendments to such PHI in a Designated Record Set as directed or

agreed to by GCHP pursuant to 45 CFR 164.526, or take other measures as necessary to satisfy GCHP obligations under 45 CFR 164.526;

(k) Business Associate shall maintain and make available to GCHP the information required to provide an accounting of disclosures as necessary to satisfy GCHP's obligations under 45 CFR 164.528, including recording for each required accounting: (i) the disclosure date, (ii) the name and (if known) address of the person or entity to whom Business Associate made the disclosure, (iii) a brief description of the PHI disclosed, and (iv) a brief statement of the purpose of the disclosure; and Business Associate must have available for GCHP such disclosure information for the six (6) years preceding GCHP's request for the disclosure information (except Business Associate need have no disclosure information for disclosures occurring before the Effective Date of this Agreement);

(l) To the extent Business Associate is to carry one or more of GCHP's obligations under Subpart E of 45 CFR 164, Business Associate shall comply with the requirements of Subpart E that apply to the covered entity in the performance of such obligations under this Agreement or the Underlying Agreement.

3. DHCS Contract Requirements. To the extent the Underlying Agreement is a subcontract of a DCHS Contract, Business Associate agrees to the following:

(a) General Security Controls.

i. Confidentiality Statement. All Business Associate workforce members shall sign a confidentiality statement supplied by Business Associate. The statement shall include, at a minimum, general use, security and privacy safeguards, unacceptable use, and enforcement policies. The statement shall be signed by the workforce member prior to access of PHI. The statement shall be renewed annually.

ii. Background check. Before a member of the Business Associate's workforce may access PHI, Business Associate shall conduct a thorough background check of that worker and evaluate the results to assure that there is no indication that the worker may present a risk for theft of confidential data.

iii. Workstation/Laptop/Remote Access encryption. All processes that provide remote access to PHI, and all workstations and laptops that process and/or store PHI shall be encrypted in accordance with the U.S. Department of Health and Human Services (DHHS), Guidance to Render Unsecured Protected Health Information Unusable, Unreadable, or Indecipherable to Unauthorized Individuals, or any superseding guidance issued by DHHS. Such guidance may be found at: <http://www.hhs.gov/ocr/privacy/hipaa/administrative/breachnotificationrule/brguidance.html>. The internet link provided above is provided for the convenience of the parties and is subject to change. All remote access must be limited to the minimum necessary and least privilege principles.

iv. Business Associate shall download only the minimum necessary amount of PHI to a laptop or hard drive, and shall do so only when absolutely necessary for business purposes.

v. Removable media devices. All electronic files that contain PHI must be encrypted by Business Associate when stored on any removable media type device (e.g., USB thumb drives, floppies, CD/DVD, etc.).

vi. Email security. All emails that include PHI shall be sent by Business Associate in an encrypted method using encryption processes for data in motion complying, as applicable, with National Institute of Standards and Technology (NIST) Special Publications 800-52, Guidelines for the Selection and Use of Transport Layer Security (TLS) Implementations; 800-77, Guide to IPsec VPNs; or 800-113, Guide to SSL VPNs, or other encryption processes which are Federal Information Processing Standards (FIPS) 140-2 validated.

vii. Antivirus software. Business Associate shall install a commercial third-party anti-virus software solution with a minimum daily automatic update on all workstations, laptops and other systems that process and/or store PHI.

viii. Patch Management. Business Associate shall have security patches applied and up-to-date on all workstations, laptops and other systems that process and/or store PHI.

ix. User IDs and Password Controls. All of Business Associate's users of electronic PHI must be issued a unique user name for accessing electronic PHI. Passwords shall: (1) not to be shared, (2) be at least eight characters, (3) not be stored in readable format on the computer, (4) be changed every 60 days, (5) be changed if revealed or compromised, and (6) be composed of characters from at least three of the following four groups from the standard keyboard: upper case letters, lower case letter, Arabic numerals or non-alphanumeric characters (punctuation symbols).

x. Data Destruction. Except as otherwise provided in subsection 5(c)(ii) below, all PHI shall be returned or destroyed using Department of Defense standard methods for data destruction when the PHI is no longer needed.

(b) System Security Controls.

i. System Timeout. Business Associate's workstations with access to PHI shall provide an automatic timeout after no more than 20 minutes of inactivity.

ii. Warning Banners. Business Associate systems processing or maintaining PHI shall display a warning banner stating that data is confidential, system access is logged, and system use is for business purposes only. Users shall be directed to log off the system if they do not agree with these requirements.

iii. System Logging. Business Associate systems maintaining or processing PHI shall log success and failures of user authentication at all layers. Such systems shall log all system administrator/developer access and changes, and shall log all user transactions at the database layer if such database maintains or processes PHI.

iv. Access Controls. Business Associate systems maintaining or processing PHI shall use role based access controls for all user authentication, applying the principle of least privilege.

v. Transmission Encryption. All Business Associate transmissions of electronic PHI shall be encrypted end-to-end using encryption processes conforming with those specified in Section 3(a)(vi) of this Agreement.

vi. Host Based Intrusion Detection. All Business Associate systems maintaining or processing PHI that are accessible via the Internet shall use a comprehensive third-party real-time host based intrusion detection and prevention program.

(c) Audit Controls.

i. System Security Review. All Business Associate systems maintaining or processing PHI shall have at least an annual system security review. Reviews shall include administrative and technical vulnerability scanning tools.

ii. Log Reviews. All Business Associate systems maintaining or processing PHI shall apply a routine procedure to review system logs for unauthorized access. Log records of each access occurrence shall be maintained for six years.

iii. Change Control. All Business Associate systems maintaining or processing PHI shall have a documented change control procedure that ensures separation of duties and protects the confidentiality, integrity and availability of data.

(d) Business Continuity / Disaster Recovery Controls.

i. Emergency Mode Operation Plan. Business Associate shall establish a written plan to enable continuation of critical business processes and protection of the security of electronic PHI in the event of an emergency.

ii. Data Backup Plan. Business Associate shall have established written procedures to backup data to maintain retrievable copies electronic PHI maintained by Business Associate. The plan shall include a regular schedule for making backups, storing backups offsite, an inventory of backup media, and the amount of time to restore data should it be lost. At a minimum, the schedule must be a weekly full backup and monthly offsite storage of data.

(e) Paper Document Controls.

i. Supervision of Data. Business Associate shall have a policy that:

1) PHI in paper form shall not be left unattended at any time, unless it is locked in a file cabinet, file room, desk or office. Unattended means that information is not being observed by an employee authorized to access the information.

2) PHI in paper form shall not be left unattended at any time in vehicles or planes and shall not be checked in baggage on commercial airplanes.

ii. Escorting Visitors. Business Associate shall escort visitors in areas where PHI is contained. PHI shall be kept out of sight while visitors are in the area, unless the visitors are authorized to view the PHI.

iii. Confidential Destruction. PHI in paper form, when disposed of by Business Associate, shall be disposed of through confidential means, such as shredding and pulverizing.

iv. Removal of Data. PHI shall not be removed by Business Associate from Business Associate's premises except for necessary business purposes.

v. Faxing. Faxes containing PHI shall not be left unattended by Business Associate and fax machines shall be in secure areas. Faxes shall contain a confidentiality statement notifying persons receiving faxes in error to destroy them. Fax numbers shall be verified by Business Associate before sending faxes.

vi. Mailing. PHI shall only be mailed by Business Associate using secure methods. Large volume mailings of PHI shall be by a secure, bonded courier with signature required on receipt. Disks and other transportable media sent through the mail must be encrypted.

(f) Member Contact Information. Business Associate shall document and provide to GCHP a list of third parties to which Business Associate discloses Members' names and contact information. This list of third parties shall be provided within thirty (30) calendar days of the execution of this Agreement and annually thereafter and as otherwise requested by GCHP.

4. GCHP's Obligations.

(a) GCHP shall not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Privacy Rule or the Security Rule if done by GCHP.

(b) GCHP shall make reasonable efforts not to provide Business Associate with more PHI than that which is minimally necessary for Business Associate to provide the Services.

(c) GCHP shall notify Business Associate of any change in, or the withdrawal of, the consent or authorization of an Individual regarding the use or disclosure of PHI to the extent that such change or withdrawal may affect Business Associate's use or disclosure of PHI.

5. Term and Termination.

(a) Term. This Agreement shall be effective as of the date first written above, and shall terminate when all PHI is destroyed or returned to GCHP. If Business Associate determines, in accordance with subsection 5(c)(ii) below, that it is infeasible to return or destroy PHI, the protections of this Agreement with respect to such PHI shall remain in effect until such PHI is returned or destroyed.

(b) Termination. Upon a party's knowledge of a material breach by the other party, the non-breaching party shall either:

(i) Provide an opportunity for the breaching party to cure the breach or end the violation within a period of time specified by the non-breaching party, with the

understanding that if the breaching party does not cure or end the violation in the specified period of time, the non-breaching party may terminate the Agreement; or

(ii) Immediately terminate this Agreement if the breaching party has breached a material term of this Agreement and cure is not possible.

(c) Effect of Termination.

(i) Except as otherwise provided in subsection 5(c)(ii) below, within 30 days of termination of this Agreement for any reason, Business Associate shall return or destroy all PHI. This provision shall also apply to PHI that is in the possession of subcontractors or agents of Business Associate.

(ii) If the parties determine upon reasonable consultation that returning or destroying any or all PHI is infeasible, the protections of this Agreement shall continue to apply to such PHI, and Business Associate shall limit further uses and disclosures of PHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such PHI. GCHP hereby acknowledges and agrees that infeasibility includes Business Associate's need to retain PHI for purposes of complying with its work product documentation standards and Business Associate shall:

- A. Retain only that PHI which is necessary for Business Associate to continue its proper management and administration or carry out its legal responsibilities;
- B. Return to GCHP the remaining PHI that Business Associate still maintains in any form;
- C. Continue to use appropriate safeguards and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI 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;
- D. Not use or disclose 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 subsection (h) and (i) of Section 2, above, which applied prior to termination; and
- E. Return to GCHP, if not destroyed, the PHI retained by Business Associate when it is no longer needed by Business Associate for its proper management and administration or to carry out its legal responsibilities.

(d) Survival. The obligations of Business Associate under this Section shall survive the termination of this Agreement.

6. Indemnification. Business Associate shall indemnify, defend, and hold harmless the GCHP and its officers, agents, contractors, and employees from any third party claims, damages, costs, losses, lawsuits, liabilities, or expenses (including but not limited to legal fees and costs in enforcing this indemnity) arising out of or resulting from the performance of this Agreement, or the breach of any provision of this Agreement by Business Associate or any of its officers, agents, contractors, or employees. If GCHP is named a party in any judicial, administrative, or other proceeding arising out of or in connection with a breach

of this Agreement or a violation of the HIPAA Rules and Regulations, or other applicable information security or privacy laws by Business Associate or any subcontractor or agent under Business Associate's control, GCHP will have the option at any time to either (i) tender its defense to Business Associate, in which case Business Associate will provide qualified attorneys, consultants, and other appropriate professionals to represent GCHP's interests at Business Associate's expense, or (ii) undertake its own defense, choosing the attorneys, consultants, and other appropriate professionals to represent its interests, in which case Business Associate will be responsible for and shall pay reasonable fees and expenses of such attorneys, consultants, and other appropriate professionals. GCHP shall have the sole right and discretion to settle, compromise, or otherwise resolve any and all claims, causes of action, liabilities, or damages against it, notwithstanding that GCHP may have tendered its defense to Business Associate. Any such resolution will not relieve Business Associate of its obligation to indemnify GCHP.

7. Miscellaneous.

(a) Regulatory References. A reference in this Agreement to a section in the HIPAA Rules and Regulations means the section as in effect or as amended, and for which compliance is required.

(b) Amendment. Upon the effective date of any final regulation or amendment to the HIPAA Regulations, this Agreement shall be deemed automatically amended so that the obligations it imposes on the parties remain in compliance with such regulations. Following amendment of the Agreement in this manner, the parties shall, as necessary, work together to clarify their respective obligations with respect to any new requirements under the modified HIPAA Regulations.

(c) Notice. Any notice, report or other communication to GCHP by Business Associate required or permitted in this Agreement shall be in writing and shall be deemed to have been given on the day of service if served personally or by facsimile transmission with confirmation, or three (3) days after mailing if mailed by registered or certified mail, or two (2) days after delivery by a nationally recognized overnight courier, to the GCHP Compliance Officer at the address noted below or to such other person or address as GCHP may designate in writing from time to time:

Gold Coast Health Plan
711 E. Daily Drive, Suite #106
Camarillo, CA 93010-6082

Fax: (805) 437-5132

(d) Independent Contractors. Business Associate and GCHP are independent contractors and this Agreement will not establish any relationship of partnership, joint venture, employment, franchise or agency between Business Associate and GCHP. Neither Business Associate nor GCHP will have the power to bind the other or incur obligations on the other party's behalf without the other party's prior written consent, except as otherwise expressly provided in this Agreement.

(e) Conflicts. In the event that any terms of this Agreement are inconsistent with the terms of the Underlying Agreement, then the terms of this Agreement shall control.

(f) Entire Agreement. This Agreement shall constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, oral or written, and all other communications between the parties hereto relating to such subject matter.

(g) Governing Law and Venue. The governing law and venue for disputes arising under this Agreement shall be the same as set forth in the Underlying Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

Ventura County Medi-Cal Managed Care
Commission d.b.a. Gold Coast Health Plan

Script Care, Ltd.

Date: _____

Date: _____

Signature: _____

Signature: _____

Title: Chief Executive Officer

Title: President

EXHIBIT A

SERVICE ORDER

THIS SERVICE ORDER NO. 01 ("Service Order") is made as of _____, 2016 ("Service Order Effective Date"), by and between Ventura County Medi-Cal Managed Care Commission doing business as GCHP Health Plan, a California public entity established under the laws of the State of California (hereinafter "GCHP"), and _____, a **[type of entity]** ("CONTRACTOR"). The parties entered into Agreement For Professional Services dated as of _____, 2016 ("Agreement"). The terms and conditions of the Agreement are incorporated into this Service Order by this reference thereto. If there is a conflict between a specific term in this Service Order and the terms of the Agreement, the specific term of the Agreement shall control.

1. **DEFINITIONS**

- 1.1 "***AWP***" means the average wholesale price, as reflected on the Pricing Source, of a Prescription Drug or other pharmaceutical products or supplies based on the NDC of the Drug dispensed. Contractor will rely on the Pricing Source as updated by Contractor no less frequently than every seven (7) days to determine AWP for purposes of establishing the pricing provided to GCHP under this Service Order.
- 1.2 "***Benefit Plan***" means the Medi-Cal managed care benefit plan sponsored by GCHP that includes the prescription drug benefit for Medi-Cal Members as reflected, under which GCHP is obligated to provide Covered Prescription Services, and such other benefit plans as determined by GCHP.
- 1.3 "***Brand Drug***" means a single-source or multi-source Prescription Drug that received its marketing approval from the FDA under a New Drug Application (NDA) or a Biological License Application (BLA) and cannot be identified as a Generic Drug.
- 1.4 "***Clean Claim***" means a Prescription Claim prepared in accordance with the NCPDP-promulgated standard format that contains all information necessary for processing for a Prescription Claim and submitted for payment no later than thirty (30) days after the date of service, or a longer period of time if required by law.
- 1.5 "***Clinical Documentation Form***" means the document describing the clinical services elected by GCHP to be provided by Contractor as mutually agreed in writing to by the Parties.
- 1.6 "***Compound Prescription Drug***" means a Prescription Drug that is prepared by a pharmacist who mixes or adjusts one or more Prescription Drugs which are not already available in a commercially made product to customize a medication to meet a Member's individual medical needs. GCHP's payment to Contractor for providing a Compound Prescription Drug to a Member will include the Network Pharmacy contracted rate for each Prescription Drug included in the medication and one contracted dispensing fee minus any Cost-Sharing amount.

- 1.7 **“Cost-Sharing Amount”** means the coinsurance, copay, deductible or other cost sharing amount, either a specified dollar amount or a percentage of eligible expenses, that a pharmacy may collect from a Member for Covered Prescription Services in accordance with the Member’s Benefit Plan.
- 1.8 **“Covered Prescription Services”** means Prescription Drugs or other pharmaceutical products, services or supplies dispensed by a pharmacy to a Member for which coverage is provided in accordance with the Member’s Benefit Plan.
- 1.9 **“DHCS”** means the State of California Department of Health Care Services.
- 1.10 **“Drug Manufacturer”** means an entity that manufactures, sells, markets or distributes Prescription Drugs and operates under FDA approval.
- 1.11 **“FDA”** means United States Food and Drug Administration.
- 1.12 **“Formulary”** means the list of Prescription Drugs covered by the applicable Benefit Plan as developed and adopted by GCHP for use with the Benefit Plans. The Formulary will be made available to physicians, pharmacies and other healthcare persons or entities to guide the prescribing, dispensing, sale and coverage of Covered Prescription Services.
- 1.13 **“Generic Drug”** means 1) Prescription Drugs that are approved or brought to market under an ANDA, 2) Prescription Drugs that are brought to market under an NDA but listed as “authorized generics” in the FDA NDC Directory, or 3) Prescription Drugs identified as a generic drug in the Medi-Span drug database with a multisource code “Y – considered generic multiple sources.” A Generic Drug does not need to meet all three definitions. If any of the above three definitions apply, then the Prescription Drug shall be considered a Generic Drug.
- 1.14 **“Governmental Authority”** means the Federal government, any state, county, municipal or local government or any governmental department, political subdivision, agency, bureau, commission, authority, body or instrumentality or court that regulates the applicable party’s activities or operations.
- 1.15 **“MAC”** means the maximum allowable cost of a Prescription Drug as specified on a list established by Contractor. Contractor will employ a single universal MAC list for each Network Pharmacy, which is subject to Contractor’s periodic review and modification in its sole discretion. GCHP will have access to any MAC list at all times and shall be given no less than thirty (30) days’ prior notice of any material changes to the MAC list(s).
- 1.16 **“Mail Order Pharmacy”** means a facility that is duly licensed to operate as a pharmacy at its location and to dispense Prescription Drugs via postal or commercial courier delivery to individuals, including Members. Mail Order Pharmacy includes pharmacies that Contractor owns or operates.
- 1.17 **“Medi-Cal Agreement”** means the agreement entered into by and between GCHP and DHCS under which GCHP has agreed to arrange for or provide

health benefits under the Medi-Cal Managed Care Program to Medi-Cal beneficiaries who may enroll in GCHP's Medi-Cal Managed Care Program. The required elements of this Service Order will, among other things, conform to the Medi-Cal Agreement.

- 1.18 **“Member”** means an eligible individual legitimately enrolled in a Benefit Plan.
- 1.19 **“NCPDP”** means the National Counsel for Prescription Drug Programs.
- 1.20 **“NDC”** means the National Drug Code that is the identifying Prescription Drug number maintained by the FDA.
- 1.21 **“Network Pharmacy”** means a retail pharmacy, Mail Order Pharmacy, Specialty Pharmacy or other facility that is duly licensed to operate as a pharmacy at its location and to dispense Prescription Drugs to individuals, including Members, and for third-party pharmacies, have entered into a Network Pharmacy Agreement. Contractor, when acting solely in its capacity as a Mail Order Pharmacy or Specialty Pharmacy, is a Network Pharmacy of GCHP.
- 1.22 **“Network Pharmacy Agreement”** means the Agreement between a Network Pharmacy and Contractor or GCHP to provide Covered Prescription Services.
- 1.23 **“Paid Claim”** means a Prescription Drug claim that is approved for payment during Contractor's semi-monthly billing cycle or is a reversal during this semi-monthly billing cycle of a Prescription Drug Claim that was approved for payment during a prior semi-monthly billing cycle. A rejected or denied claim or a claim approved for payment and reversed during the same semi-monthly billing cycle is not a Paid Claim.
- 1.24 **“Pharmacy and Therapeutics Committee”** means the committee formed by GCHP that reviews a legend drug for inclusion on the Formulary and creates criteria, policies and procedure for such inclusion including, but not limited to, clinically-appropriate quantity restrictions, step therapies and prior authorizations.
- 1.25 **“PHI”** means any information Contractor receives or provides on behalf of the Plan that is considered Protected Health Information, as defined in the privacy regulations of the Health Insurance Portability and Accountability Act of 1996.
- 1.26 **“Plan Specifications”** means GCHP's requirements for its prescription drug benefit plan that Contractor utilizes to carry out its obligations under this Service Order as reflected in Contractor's Plan design document and approved in writing by both parties, including written Benefit Plan descriptions, Member eligibility and identification requirements, benefit definitions, Formulary, Pharmacy Network, utilization management programs, applicable Cost-Sharing Amounts, number of days' supply for acute and maintenance medications, dispensing and other limitations, manuals and other Benefit Plan or Member information.
- 1.27 **“Prescription Claim”** means a single request for payment for, or a bill or invoice relating to, a Covered Prescription Service that a Network Pharmacy, other health care provider or Member submits, whether the request, bill or invoice is paid or denied.

- 1.28 **“Prescription Drug”** means a Generic Drug or Brand Drug that is approved by the FDA and required under law to be dispensed only as authorized by a written or oral order to dispense a Prescription Drug by an appropriately licensed and qualified health care professional in accordance with law.
- 1.29 **“Pricing Source”** means the Medi-Span Prescription Pricing Guide (with supplements) or another nationally recognized pricing source determined by Contractor and agreed upon in writing by GCHP.
- 1.30 **“Rebate”** means any and all funds/payments/revenue received by Contractor from any and all third party sources (e.g., manufacturers (brand or generic), wholesalers, pharmacies, etc.) associated with the Prescription Drug utilization of GCHP and its Members.
- 1.31 **“Service Fees”** means those fees and charges set forth in Schedule A-2 Service Fees and Charges, attached hereto.
- 1.32 **“Specialty Drugs”** means the Prescription Drugs including: (a) biotechnology drugs; (b) orphan drugs used to treat rare diseases; (c) typically high-cost drugs; (d) drugs administered by oral or injectable routes, including infusions in any outpatient setting; (e) drugs requiring on-going frequent patient management or monitoring; or (f) drugs that require specialized coordination, handling and distribution services for appropriate medication administration. For means of pricing, Specialty Drugs will be Prescription Drugs maintained on the Specialty Drug price list that are mutually agreed upon in writing by the parties and periodically updated throughout the life of the Service Order.
- 1.33 **“Specialty Pharmacy”** means a facility that is duly licensed to operate as a pharmacy at its location and to dispense Specialty Drugs to individuals, including Members. Specialty Pharmacy includes pharmacies that Contractor owns or operates.
- 1.34 **“Usual and Customary Charge”** or **“U&C”** means the price, including all applicable customer discounts, such as special customer, senior citizen and frequent shopper discounts, that a cash paying customer pays a pharmacy for Prescription Drugs.

2. **SCOPE OF WORK**

2.1 **Administrative Support**

- 2.1.1 **Services**. Contractor agrees to use reasonable care and diligence in the performance of its duties under this Service Order and will provide administrative, management, consultative, claims processing and other general pharmacy benefit management support services to GCHP in conjunction with administration and operation of the Benefit Plans as set forth in this Service Order (**“Services”**). Contractor shall perform all functions necessary to administer and operate the Benefit Plan. Contractor will administer and support the Benefit Plans in accordance with the most current Plan Specifications that GCHP has provided to Contractor as required by this Service Order, and will ensure that such

Plan Specifications meet the requirements to operate the Benefit Plan in accordance with applicable law and the Medi-Cal Agreement. The parties anticipate that Contractor will commence the provision of Covered Prescription Services to Members on or about **[April 1, 2017 or July 1, 2017]** (the “Implementation Date”).

2.1.1.1 Services will include, but are not limited to:

- Provider Network Management
- Information Processing System
- Claims Adjudication
- Clinical Services
- Decision Support and Management Reporting System
- Prior Authorizations
- Financial Management
- Fraud, Waste and Abuse
- Quality Assurance
- Dedicated Account Management
- Pharmacy Auditing Services
- Rebate Management
- Medicaid
- Pharmacy Call Center
- 340B
- Member Services
- Reporting
- Mail order Pharmacy
- Specialty Pharmacy
- Infusion Services
- Drug Utilization Management

2.1.2 Account Management. Contractor shall provide GCHP account management services, including an account manager who shall, among other things, oversee Contractor’s provision of Services under this Service Order and serve as GCHP’s day-to-day contact. Such account manager and all account management personnel shall be trained, experienced account service resources to serve as liaison between GCHP and Contractor for the purpose of facilitating operational activities, resolving issues, and providing consultative support. Account management support includes scheduling conference calls to monitor and discuss outstanding priorities. Account management staff will act as the primary contact to GCHP after the implementation process is completed. Contractor’s account management team will be available during normal business hours in the Pacific Time Zone, 8 am to 5 pm Monday to Friday. Contractor will assign to GCHP an account manager acceptable to GCHP, and GCHP will have prior approval of any such manager assigned to it. The parties will meet and confer should GCHP determine and request that a change in any such manager’s assignment to GCHP should be made, so that Contractor may review and accommodate such request.

- 2.1.3 Member Customer Service. Member customer service provides Members with information regarding pharmacy locations, eligibility, drug coverage, Copayment, prior authorization requirements, Benefit Plan guidelines, appeals process, direct member reimbursement instructions, benefit status, claims submission and status, claims payment and general information regarding their prescription benefit plan. Member customer service is a toll-free phone line available 24 hours a day, 7 days a week, 365 days a year. Contractor's call center is and will be located in the United States during the term of this Service Order. Contractor will be able to support all Department of Health Care Services mandated threshold languages in written materials.
- 2.1.4 On-Line Member Services. Contractor will provide Members with access to a Member portal via a direct link to Contractor's portal log-in screen from the Gold Coast Health Plan website that will provide Members with resources and tools to assist in understanding their pharmacy benefit, manage their medications and make informed decisions about their health. Key services available to Members through the Member portal include the following:
- 2.1.4.1 View real-time benefits, including coverage amounts, copayments, plan and Member payment amounts, deductibles, and drug spend.
 - 2.1.4.2 Access detailed claims history.
 - 2.1.4.3 Search the drug information tool to learn about appropriate dosage guidelines, possible side effects and other general information about specific medications.
 - 2.1.4.4 Use the formulary look-up tool to confirm coverage of specific medications by Benefit Plan.
 - 2.1.4.5 Locate nearby pharmacies using the pharmacy locator tool.
 - 2.1.4.6 Access an extensive library of educational materials.
 - 2.1.4.7 Designate a head of household to view benefit information for multiple family members through a single profile.
 - 2.1.4.8 Submit requests for new, refill and transfer home delivery pharmacy prescriptions.
 - 2.1.4.9 Review customized medication reminders.
 - 2.1.4.10 Conduct drug cost comparisons and search for alternatives through our Drug Pricing and Alternatives tool, including: drug pricing specific to the member's benefit, deductible status, and pharmacy selected, lower cost alternative drugs, plan pay and member savings amount.

2.1.5 Implementation Support. Contractor shall provide GCHP implementation services, including an implementation project manager who shall, among other things, lead Contractor's implementation team and facilitate the successful implementation of all aspects of Contractor's provision of Services under this Service Order. Such implementation project manager and all implementation support personnel shall be trained, experienced project management resources to serve as liaison between GCHP and Contractor and to manage the implementation process. A Contractor implementation project manager will act as the primary contact to GCHP during implementation. Implementation support shall include establishing a project plan; identifying necessary activities to support the implementation; and coordinating internally, within Contractor, to identify and resolve implementation issues. Contractor will assign to GCHP a project implementation manager acceptable to GCHP, and GCHP will have prior approval of any such manager assigned to it. The parties will meet and confer should GCHP determine and request that a change in any such manager's assignment to GCHP should be made, so that Contractor may review and accommodate such request.

2.1.6 On-Site Meetings. Contractor will participate in such meetings or teleconferences with GCHP as requested by GCHP at no additional cost to GCHP. It is anticipated that GCHP will require on-site management meetings with Contractor at least quarterly. Contractor's senior management will attend Commission meetings to respond to questions regarding Contractor's performance of this Service Order. In addition, Contractor will participate in meetings or teleconferences that are scheduled by the DHCS through the term of this Service Order and as necessary thereafter to provide for the exchange of information relative to the implementation and operation of the Benefit Plan.

2.1.7 Reporting.

2.1.7.1 In addition to the reporting requirements set forth in Section 15 of the Agreement, Contractor will provide GCHP with Contractor's standard reporting package and reports. GCHP will also have access to Contractor's on-line reporting system. Contractor will provide online reporting tool training to GCHP as follows: (i) training manuals will be provided to GCHP's staff members who access the system; and (ii) GCHP staff members will receive one day of extensive system training. Contractor will conduct one day of training on-site at the location of GCHP's choice. Contractor's on-line reporting system's minimum functionality will include: drill-down capabilities; date, group, physician, member, and drug classification parameter manipulation capabilities; and user scheduled customized batch reporting capabilities. Ad hoc reporting services that can be generated from queries available in the online reporting system are provided at no additional charge. If GCHP requests custom reports that require system programming, complex customized report programming, or plan-specific templates, then additional fees may apply as set forth in Schedule A-2 Service Fees and

Charges. Notwithstanding the foregoing, any report requested or required by DHCS or the Medi-Cal Agreement will be provided by Contractor within the required timelines or as soon as reasonably practical upon request by GCHP at no charge to GCHP.

- 2.1.7.2 Contractor will provide GCHP, its administrative service organization (ASO), medical management teams and/or its consultant with monthly detailed claims data at no additional fees and in the format necessary for each entity. Contractor shall ensure that adequate information is captured during the claim payment process to allow GCHP to evaluate individual and overall health care utilization in the Benefit Plan. The claims database shall contain for each claim all applicable claim information, as identified in the National Council for Prescription Drug Program (“NCPDP”) standards, which at a minimum must include an identification number; claim number; dates of service; date of claim submission; NDC; generic product indicator (“GPI”); brand name; generic name; brand/generic indicators; prescribing provider name, National Provider identification (“NPI”) number, and Drug Enforcement Agency (“DEA”) number; pharmacy name, National Association of Boards of Pharmacy (“NABP”) number, and NPI number; amount billed; amount allowed; amount paid; AWP; U&C; other health coverage costs (coordination of benefits) including amount paid and member cost share; and Member responsibility. The database shall have the capability of producing a variety of reports concerning utilization of Covered Prescription Services as directed by GCHP. In all respects, claims and utilization data shall be maintained, and available for reporting to and analysis by GCHP or any designee, in a manner consistent with industry standards for comparable pharmacy benefit managers.
- 2.1.7.3 Contractor will provide quarterly ongoing reporting on compliance with the pricing and performance guarantees set forth in the Performance Guarantee Schedule, attached to this Service Order as Schedule A-1, including yearly reconciliations and true-up reports.
- 2.1.7.4 Contractor will submit all DHCS required encounter data related to Covered Prescription Services claims on behalf of GCHP to DHCS in the manner and frequency necessary to meet or exceed all quality measures contained within the DHCS reference materials as set forth in Attachment 9 of the RFP. This shall include file development, testing, submission, resubmission, file loads, file tracking, remediation, and reporting of all pharmacy encounter data. This also includes the submission, resubmission and passing of pharmacy encounter files and response files generated by a delegate(s) of GCHP and DHCS to DHCS, GCHP and the delegate(s).

2.1.8 GCHP Administrative Responsibility. GCHP has full and final authority concerning for the Benefit Plan and its operation, including the disposition of disputed claims. Contractor shall have no power to act on behalf of GCHP in connection with the Benefit Plan, except as expressly stated in this Service Order or as otherwise directed by GCHP. GCHP has authority over the administration and management of the Benefit Plan as provided by and in accordance with the Medi-Cal Agreement, and applicable federal and state laws.

2.1.9 Benefit Plan Eligibility Data. GCHP will provide Contractor with electronic eligibility data in NCPDP format, or another format agreed to by the parties, as well as Member personal address, phone number and email and work email, if available, for all Members who are entitled to Covered Prescription Services under the Benefit Plans. Contractor will load correctly formatted Member eligibility data no later than one (1) business day after receipt from GCHP. Contractor will be entitled to rely on the accuracy and completeness of the Member eligibility data. GCHP will be solely responsible for any errors in Member eligibility data that GCHP furnishes to Contractor. If requested by GCHP, Contractor will transfer complete and accurate electronic claim history, eligibility data, open prior authorizations and open fill mail order and/or specialty pharmacy files to GCHP or its authorized representatives at no additional cost monthly and before and after termination of this Service Order, including run-out claims. GCHP will have access to eligibility and claims information through Contractor's web-based Internet Direct Access system, which allows GCHP to view claims transactions in real time allowing GCHP to: (i) view, update and add Member eligibility; (ii) view pharmacy information; (iii) access Member benefit maximums and deductible information; (iv) enter overrides and prior authorizations; and (v) verify GCHP-specific plan designs. Contractor will not sell GCHP's claim data to any third party vendor.

2.1.10 Member Notification. GCHP will make available to Members information regarding the type, scope, restrictions, limitations and duration of Covered Prescription Services to which Members are entitled under an applicable Benefit Plan. GCHP will provide and distribute, as appropriate, ID cards, a list of Network Pharmacies, mail service brochures, the Formulary and other pharmacy benefit related materials to Members.

2.1.11 Covered Prescription Services Information. Contractor will:

2.1.11.1 Provide information to physicians, pharmacists, other health care professionals, and Members about the factors that affect formulary system decisions, including, but not limited to: cost containment measures, such as step therapy; the procedures for obtaining non-formulary drugs; and the importance of formulary compliance to improving quality of care and restraining health care costs; and

2.1.11.2 Provide educational materials or information to Members that explain how formulary decisions are made, how Members can

efficiently and effectively utilize Covered Prescription Services, the process and procedures to obtain medically necessary pharmaceuticals under the Benefit Plan, and the roles and responsibilities of the Member relating to Covered Prescription Services.

2.1.12 Plan Specifications. GCHP will provide Contractor with the Benefit Plan technical assistance and information Contractor reasonably needs to perform the Services, including information regarding Members, Benefit Plans and Plan Specifications. GCHP will provide Contractor with the Plan Specifications no later than forty-five (45) days before the Implementation Date unless the parties otherwise agree. GCHP may amend the Plan Specifications upon forty-eight (48)-hour notice to Contractor if a standard amendment and upon a time period mutually agreed upon in writing by the parties for a complex amendment, unless a Governmental Authority requires that the amendment occur in a shorter time period. GCHP may terminate the Plan Specifications upon forty-five (45) days' prior notice to Contractor, unless a Governmental Authority requires that the termination occur in a shorter time period. GCHP's failure to provide the Plan Specifications within the time periods stated in this section may delay Contractor's implementation of the Services and performance guarantees. GCHP is responsible for the accuracy, completeness and timeliness of all Plan Specifications, and acknowledges Contractor's reliance on, the Plan Specifications.

2.2 Pharmacy Network Administration

2.2.1 Pharmacy Network. Contractor will establish and maintain a network of pharmacies to provide the Services to GCHP ("Pharmacy Network"). Contractor will maintain a Pharmacy Network reasonably necessary to provide services under the Benefit Plan. Contractor will meet and maintain the GCHP pharmacy access standards to ensure that Members have adequate access to Covered Prescription Services. Contractor will provide to GCHP a current list of Network Pharmacies in the Pharmacy Network with all necessary data to meet DHCS required provider network data standards for monthly DHCS submissions and weekly website postings. Contractor may add or remove Network Pharmacies from the Pharmacy Network upon written approval from GCHP. Contractor will allow GCHP to include or exclude certain pharmacies or chains from the Pharmacy Network. Should material changes in the Pharmacy Network impact the pricing guarantees set forth in Schedule A-2 Service Fees and Charges, Contractor will provide GCHP of any such proposed pricing impact upon GCHP's request and within five (5) days of GCHP's notification to Contractor of a change in the Pharmacy Network should the parties agree that such change is material.

2.2.2 Network Pharmacy Credentialing. Contractor will establish and maintain a reasonable process for credentialing Network Pharmacies in accordance with URAC PBM credentialing standards. Contractor will conduct annual audits of all pharmacy credentialing policies, documents, and activities to ensure compliance with these standards.

- 2.2.3 Desk and On-Site Audits. Contractor will, in accordance with its standard audit program and as required by law, conduct real-time and retrospective desk audits and selected on-site audits of the Network Pharmacies to determine whether the Network Pharmacies are submitting appropriate billings for payment by GCHP or Members. Contractor will report the results of the audits to GCHP. Contractor will pay GCHP, or apply as a credit to invoices payable by GCHP to Contractor, the 100% of the amounts Contractor recovers from these audits. The costs associated with real-time and retrospective desk audits will be the responsibility of Contractor. The cost of selected on-site audits will be the responsibility of Contractor for up to twenty (20) on site audits each year.
- 2.2.4 Confirmation of Member Eligibility. Prior to providing Covered Prescription Services to Members, Contractor and Network Pharmacies shall confirm the Members' eligibility status
- 2.2.5 Notifications. Contractor will provide advance notification of any Network Pharmacies that will no longer participate in the Pharmacy Network ("Exiting Pharmacy") at least forty-five (45) days prior to the date of any such Exiting Pharmacy's termination and in accordance with the Network Pharmacy Agreement. All Members who have utilized that Exiting Pharmacy for fulfillment of Covered Prescription Services shall be notified in writing of the date of the termination and closest available Network Pharmacies. The Member notification shall be made at least thirty (30) days prior to the Exiting Pharmacy's termination date to the extent possible and in accordance with this Service Order and the Network Pharmacy Agreement.

2.3 **Claims Process**

- 2.3.1 Claims Adjudication. Contractor will adjudicate, process or pay Prescription Claims for Covered Prescription Services in accordance with the Plan Specifications. Contractor will pay in accordance with Plan Specifications, on GCHP's behalf, only Clean Claims (a) submitted by the Network Pharmacies in a timely manner through Contractor's point-of-service system in accordance with NCPDP guidelines and (b) properly submitted by Members as requests for reimbursement for Covered Prescription Services. For each Clean Claim submitted by a Network Pharmacy, Contractor will reimburse the Network Pharmacy the amount specified in the Network Pharmacy Agreement for the dispensed Prescription Drug less any Cost-Sharing Amounts. Contractor's claim adjudication will have, at a minimum, the following capabilities: (i) prior authorizations; (ii) multi-step (3+) step therapies; (iii) age restrictions (both above and below); (iv) benefit exclusions; (v) quantity limits based on all of the following: (a) metric decimal quantities; (b) morphine equivalent dosing (MED); and (c) total accumulated acetaminophen dosing; (vi) administrative prior authorizations; (vii) maximum dollar or quantity edits per script with abilities to provide customized drug-specific exception lists; and (viii) point of sale DUR edits employment soft and hard edits.

2.3.2 Delays. Contractor will not be responsible for any loss, omission or delay of any Prescription Claim by a Network Pharmacy (other than Contractor's Mail Order Pharmacy or Specialty Pharmacy) or other health care professional.

2.3.3 Coordination of Benefits. GCHP is the payer of last resort and recognizes other health coverage as the primary carrier. Contractor and Network Pharmacies shall bill and recover directly from the primary carrier before billing GCHP for reimbursement for Covered Prescription Services to Members. Contractor and Network Pharmacies shall not bill Members for Covered Prescription Services, except for those Members with an authorized Cost Sharing Amounts. Contractor and Network Pharmacies may look to Members for payment of prescription drug services not part of the Benefit Plan. The coordination of benefits shall be made in accordance with GCHP's policies and procedures. Contractor shall notify GCHP of the discovery of third party insurance coverage for a Member within ten (10) business days of discovery.

2.3.3.1 Claims processed for GCHP where GCHP is the secondary payer will follow the following guidelines with respect to other payers:

2.3.3.1.1 Medicare Part D: any claims for which the claim is eligible for coverage under Medicare Part D, regardless if the Member has active coverage under Medicare Part D, may not be paid in any part by GCHP;

2.3.3.1.2 Medicare Part B: any prescription claim for which the claim is eligible for coverage under Medicare Part B, GCHP is only to pay the portion of the Member cost share that, when summed with coverage by Medicare Part B, would equate to the total amount that GCHP would have paid if GCHP had been the primary payer. This coordination of benefits may result in GCHP not paying any portion of the claim and the Member shall have no remaining cost share.

2.3.3.1.3 Commercial Health Coverage: any claims for which the claim is eligible to for coverage under commercial coverage, GCHP shall be responsible for the Member's cost sharing. If the commercial coverage will not cover any portion of the claim, GCHP shall pay the entire portion of the claim only after all appeals processes through the other commercial coverage have been fully exhausted.

2.3.4 Third Party Liability. In the event that Contractor or Network Pharmacies render Covered Prescription Services to Members for injuries or other conditions resulting from the acts of third parties, the State has the right to

recover from any settlement, award, or recovery from any responsible third party the value of all Covered Prescription Services which have been rendered by Contractor or Network Pharmacies pursuant to the terms of this Agreement. Contractor will report to GCHP the discovery of any third party tort action or potential tort action for a Member within ten (10) days of discovery. Contractor and Network Pharmacies will cooperate with DHCS and GCHP in their efforts to obtain information and collect sums due the State as a result of third party tort liability, including but not limited to workers compensation claims for Covered Prescription Services.

2.3.5 Administrative Grievances and Appeals. At GCHP's request, Contractor will process initial Benefit Plan coverage determinations and exception requests and support GCHP in connection with Benefit Plan appeals and grievances in accordance with Plan Specifications and this Section 2.3.5 and to the extent required by law.

2.3.6 Prior Authorization Appeals. GCHP staff (including licensed pharmacist and physicians) will conduct and make determinations of all appeals. Contractor shall be responsible for the maintenance of appeal documentation and provision of approved Member, prescriber, and pharmacy notifications. All appeals will be conducted in accordance with GCHP policies and procedures.

2.4 **Benefits Administration and Support**

2.4.1 Utilization Management Program

2.4.1.1 Development and Support. GCHP may implement, upon written agreement, Contractor's custom utilization management programs for the Benefit Plans designed to promote cost-effective drug utilization management and to discourage Prescription Drug over and under-utilization. Contractor may, on behalf of GCHP, (a) communicate with Members to describe health-related products or services (or payment for the products or services) provided by or included in the Benefit Plan through the Services, including communications about Network Pharmacies, replacement or enhancement to the Plan, and health-related products or services available only to Members that add value to and are not part of the Benefit Plan; (b) conduct population-based activities relating to improving the health of Members and reducing their healthcare costs; and (c) contact Members with health education information and information about Prescription Drugs, treatment alternatives, and related functions. Upon GCHP's request and at an additional charge to GCHP in accordance with the Clinical Documentation Form, Contractor, in consultation with GCHP, will develop non-standard utilization management policies, procedures, guidelines or programs for the Benefit Plans. Upon GCHP's request, Contractor will communicate GCHP's utilization program requirements to Members through GCHP-approved information and outreach materials.

- 2.4.1.2 Contractor's Prior Authorization Services. Contractor will respond to properly submitted prior authorization requests from providers, Members and pharmacies using utilization management standards and guidelines established by GCHP. GCHP retains complete and exclusive discretionary authority over approval of prior authorization requests, including Benefit Plan override.
- 2.4.2 GCHP Prior Authorization, Overrides, and Appeals. If GCHP chooses to perform prior authorizations, benefit overrides, and/or appeals, then Contractor will provide GCHP access to the information in Contractor's computer systems that GCHP needs to perform these functions.
- 2.4.3 Quality Assurance Program. Contractor will implement its standard quality assurance program for the Benefit Plans that includes quality measures and reporting systems targeted at reducing medical errors and adverse drug interactions. In addition, Contractor will develop and implement systems or require Network Pharmacies to implement systems to: (a) offer Member counseling, when appropriate; (b) identify and reduce internal medication errors; and (c) maintain up-to-date Member quality assurance and patient safety program information.
- 2.4.4 Targeted Disease Intervention Program. Upon GCHP's request and for an additional charge to GCHP as referenced in the Clinical Documentation Form, Contractor will help GCHP develop and operate a targeted disease intervention program for the Benefit Plans that is designed to promote appropriate use of medications and improve therapeutic outcomes for targeted Members. Contractor, on GCHP's behalf, will coordinate and implement the targeted disease intervention program. Also, upon GCHP's request and at an additional cost to GCHP, Contractor will communicate with Members about the targeted disease intervention program through GCHP-approved information and outreach materials.
- 2.4.5 Other Clinical Services. Upon GCHP's request and for an additional charge to GCHP, Contractor will help GCHP develop and implement additional quality initiatives, intervention programs or other clinical services.

2.5 **Formulary**

- 2.5.1 Formulary. GCHP maintains its own custom Formulary and Pharmacy and Therapeutics Committee.
- 2.5.2 Formulary Management Support. Contractor will support the development and maintenance of GCHP's Formulary, including Pharmacy and Therapeutics Committee support, drug monograph development, communication and publication through Contractor's formulary management tool. Contractor will provide GCHP with documentation of formulary updates and testing documents.

2.5.3 Formulary Changes. Contractor will include in the Formulary new FDA-approved medications as specified in the Plan Specifications according to the following schedule: (a) if an open formulary, all new covered FDA-approved medications (formulary and non-formulary) will be included in the Formulary upon publication in the Medi-Span pricing index and loading into Contractor's systems or (b) if a closed formulary, all new covered FDA-approved medications (formulary only) will be included in the Formulary after review and addition to the Formulary by Pharmacy and Therapeutics Committee. Following changes to the Formulary, Contractor, at GCHP's request, will provide or make available appropriate notifications of Formulary changes to GCHP, Members, prescribing physicians, Network Pharmacies and state pharmaceutical assistance programs as required by law and agreed to by the parties.

2.6 **Rebate Management**

2.6.1 Rebate Eligibility. Contractor will remit Rebates to GCHP if: (a) GCHP satisfies the minimum Rebate contract criteria and has included the Drug Manufacturer's Prescription Drug on its Formulary; (b) Contractor has received Rebates resulting directly from GCHP's satisfaction of the foregoing clause (a); and (c) GCHP has agreed in writing that Contractor will act on its behalf to obtain rebates. GCHP, in its sole and absolute discretion, may enter into agreements for rebates concerning Prescription Drugs on its Formulary. In addition, Contractor, in its sole and absolute discretion, may enter into agreements for Rebates concerning Prescription Drugs on Contractor's or any of its customers' formularies, including GCHP; provided, however, that Contractor's rebates agreements do not interfere with GCHP's rebate agreements. Claims that will not be eligible to receive Rebates include Prescription Claims: (a) with invalid service provider identification or prescription numbers; (b) where, after meeting the deductible, the Member's Cost-Sharing Amount under the applicable Benefit Plan requires the Member to pay more than 50% of the Prescription Claim; (c) for devices without a Prescription Drug component; (d) that are re-packaged NDCs; (e) or portion thereof, that includes utilization for which a price concession is payable by a Drug Manufacturer under section 340B of the Public Health Service Act; (f) from entities eligible for federal supply schedule prices (e.g., Department of Veterans Affairs, U.S. Public Health Service, Department of Defense); (g) Claims eligible to receive Rebates from Medicaid, Medicare or other state or federal health care programs; or (h) that are not for Prescription Drugs (except for insulin or diabetic supplies).

2.6.2 Collection. Contractor will use commercially reasonable efforts to collect Rebates. Contractor will not be responsible for any non-payments or partial payments of amounts owing under an agreement for Rebates. To the extent of any undisputed overpayment or erroneous payment to GCHP by Contractor, GCHP will refund the payment or Contractor may recoup the payment from other sums due GCHP within thirty (30) days after prior written notice from Contractor to GCHP requesting

reimbursement of the overpayment or erroneous payment and information documenting such overpayment or erroneous payment.

2.6.3 Disbursement. Provided GCHP is in compliance with the terms of this Service Order, Contractor will disburse GCHP's Rebate payments as follows. Rebate payments will be due to GCHP one hundred eighty (180) days after the close of a given calendar quarter. Contractor will remit Rebate payments to GCHP no later than thirty (30) days after the close of such one hundred eighty (180) day period. By way of example, Rebates earned during the first quarter of a given calendar quarter would be paid to GCHP by October 31 of such contract year. Rebate reconciliation and payment of any necessary true-up will be performed within ten (10) months after the close of a given calendar quarter.

2.7 **E-Prescribing**. Upon GCHP's request and as set forth in Exhibit A-2 Service Fees and Charges, Contractor will provide prescribers with electronic access to Member Benefit Plan information, including: (a) Member eligibility status; (b) Member medication history; (c) Formulary status of the Prescription Drug being prescribed; (d) listing of Generic Drug or Brand Name Formulary alternative medications; (e) Member coverage information where applicable; (f) applicable Cost-Sharing Amount; and (g) drug classification information required by the Centers for Medicare & Medicaid Services or successor Governmental Authority.

2.8 **Mail Order Pharmacy Services**

2.8.1 Mail Order Services. Contractor, in its capacity as a Mail Order Pharmacy, will provide GCHP with Mail Order Pharmacy Covered Prescription Services to Members in accordance with the Plan Specifications. Once a prescription for a Covered Prescription Service has been transmitted to Contractor in accordance with law, in its capacity as Mail Order Pharmacy, Contractor will promptly prepare, package and ship the applicable Covered Prescription Service to the Member or other authorized person or entity. Contractor will provide customer service support for Members who use Mail Order Pharmacy Services. Upon request, Contractor will make available to GCHP mail service brochures for distribution to Members.

2.8.2 Control by Contractor. Contractor will solely and exclusively control and supervise the operation and maintenance of Contractor's Mail Order Pharmacies and their respective facilities and equipment and provision of Mail Order Covered Prescription Services. All decisions respecting the provision of Mail Order Covered Prescription Services by Contractor's Mail Order Pharmacies will be made solely by Contractor and its duly authorized personnel, and not by GCHP. The relationship between a Member and a Mail Order Pharmacy will be subject to the rules, limitations and privileges incident to the pharmacist-patient relationship. Contractor may exclude from coverage by a Mail Order Pharmacy under this Service Order a Prescription Drug that cannot be dispensed under Contractor's mail order pharmacy dispensing protocols or requires special record-keeping procedures.

2.8.3 Mail Order Postage Rates. If GCHP requests or requires expedited or alternative shipping methods other than Contractor's standard method, GCHP will be solely responsible for those costs.

2.9 **Specialty Pharmacy Services**

2.9.1 Specialty Services. Contractor will provide GCHP with Specialty Drug Covered Prescription Services to Members as follows:

2.9.2 Specialty Pharmacy Program. If GCHP is part of Contractor's Specialty Pharmacy Program, GCHP will receive Specialty Drugs as a Covered Prescription Service from Contractor's Specialty Pharmacy as specified in Schedule A-2 Service Fees and Charges.

2.9.3 Open Specialty Pharmacy Program. If GCHP is part of Contractor's Open Specialty Pharmacy Program, Contractor will provide Specialty Drug Covered Prescription Services from a Network Pharmacy, including Contractor's Specialty Pharmacy. Limited Distribution Drugs not dispensed by Contractor's Specialty Pharmacy are excluded from the Specialty Services or excluded from any Specialty Drug pricing guarantees. For purposes of this Section, Limited Distribution Drugs are medications that are distributed to either one or a very limited number of pharmacies and wholesalers.

2.9.4 Addition or Removal of Newly Acquired or Approved Specialty Drugs

2.9.4.1 From the date a newly acquired or approved Specialty Drug ("New Specialty Drug") becomes available until GCHP rejects the New Specialty Drug as specified in Section 2.9.4.2 of this Service Order, GCHP authorizes and directs Contractor to make the New Specialty Drug available to Members as part of the Specialty Drug Covered Prescription Services in accordance with Formulary and utilization management policies. Contractor will be required to make available to GCHP or Members in accordance with Formulary and utilization management policies a new limited distribution or market access, such as a New Specialty Drug with one distributor or manufacturer but the cost of the such drug will be excluded from the Specialty Services or any Specialty Drug pricing guarantee.

2.9.4.2 On a periodic basis, Contractor will review the Specialty Drugs covered under this Service Order and provide GCHP with the name and price of any New Specialty Drugs to be added to this list of Specialty Drugs. From the date of GCHP's receipt of this notice, GCHP will have thirty (30) days to provide Contractor with notice of rejection of additions to the Specialty Drugs covered under this Service Order. Alternatively, on a periodic basis, GCHP will review the Specialty Drugs covered under this Service Order and provide notice to Contractor with the name of any specialty drugs that need to be removed from the list of Specialty Drugs.

2.9.4.3 No later than forty-five (45) days after Contractor's receipt of GCHP's notice of rejection of New Specialty Drugs, Contractor shall remove the New Specialty Drugs covered under this Service Order and cease dispensing the New Specialty Drugs to Members at the pricing specified in Contractor's notice. If GCHP does not notify Contractor of its rejection of the New Specialty Drugs, Contractor will continue to include the New Specialty Drugs as a Specialty Drug made available to Members.

2.9.4.4 No later than thirty (30) days after Contractor's receipt of GCHP's notice of Specialty Drug removals, Contractor will remove the identified specialty drugs from the list of Specialty Drugs and remove any other access restrictions made on such drugs.

2.9.5 **Contractor Control.** Contractor will solely and exclusively control and supervise the operation and maintenance of Contractor's Specialty Pharmacies and their respective facilities and equipment and provision of Covered Prescription Services. All decisions respecting the provision of Covered Prescription Services by Contractor's Specialty Pharmacies will be made solely by Contractor and its duly authorized personnel, and not by GCHP. The relationship between a Member and a Specialty Pharmacy will be subject to the rules, limitations and privileges incident to the pharmacist-patient relationship.

2.10 **Audit.** In addition to the audit requirements set forth in Section 14 of the Agreement, GCHP may conduct such audits as necessary to verify Contractor's compliance with the terms of this Service Order and Agreement. Such audit rights shall include auditing 100% of claims, Rebates, prior authorizations, pharmacy credentialing, documents, and Formulary changes, down to the individual claim level.

3. TERM

3.1 The initial term of this Service Order shall be from **[January 1, 2017]**, until **[December 31, 2019]** ("Initial Term"). Upon the expiration of the Initial Term, GCHP shall have the unilateral right to renew this Service Order for consecutive renewal terms (each a "Renewal Term") of twelve (12) months each, not to exceed a maximum of two (2) Renewal Terms, by giving CONTRACTOR written notice of renewal at least ninety (90) days prior to the expiration of the then-current term.

3.2 After the first anniversary of the Effective Date of this Service Order, GCHP may terminate this Service Order without cause upon ninety (90) days prior written notice of termination to Contractor.

3.3 Upon the expiration or termination of this Service Order for any reason, GCHP shall have the unilateral right to renew this Service Order for three (3) consecutive Renewal Terms of three (3) months each by giving Contractor written notice of renewal at least sixty (60) days prior to the expiration of the then-current term.

4. PERFORMANCE GUARANTEE

Contractor shall be subject to the Performance Guarantees outlined in Performance Guarantee Schedule A-1, attached hereto. The liquidated damage payments specified in the Performance Guarantees Schedule A-1, shall be in addition to all other remedies available to GCHP in accordance with law, and GCHP may pursue such Performance Guarantees, liquidated damages and such other remedies available and appropriate for Contractor's failure to meet such Performance Guarantees or to perform under any other term of this Service Order. The Parties agree that GCHP may collect the liquidated damages by deducting such payment from the Service Fee due Contractor or by any other legal means.

5. PAYMENT FOR SERVICES.

GCHP will pay Contractor for Contractor's provision of Services the Service Fees.

6. MARKET CHECK.

Commencing one (1) year after the Effective Date and every year thereafter during the term of the Service Order, GCHP may review the financial terms of this Service Order to comparable financial offerings available in the marketplace. GCHP may conduct a market check analysis to confirm its pricing is competitive with that of substantially similar customers and for substantially similar PBM services, plan design, financial assumptions, lines of business and other terms and conditions ("comparables"). GCHP may submit to Contractor a market check report providing information that allows Contractor to evaluate in sufficient detail the comparable customers and the other financial offers (summarized or names redacted) to substantiate the market check conclusion. Contractor will review GCHP's market check request and respond to GCHP within thirty (30) days of receipt of the market check report. If the market check report validates an aggregate annualized savings of greater than three percent (3%), the parties will discuss, in good faith, revisions to the Service Fees. Any revisions to the Service Fees resulting from the parties' negotiations will be effective as of the next anniversary of the Effective Date unless otherwise agreed to by the parties, but no sooner than thirty (30) days after completion of the market check report and upon execution of an Amendment to this Service Order. If the parties do not agree on any resulting revisions to Service Fees after good faith negotiations, GCHP may terminate this Service Order upon ninety (90) days' prior notice of termination to Contractor.

7. NOTICES TO GCHP.

Contractor shall notify GCHP as follows:

7.1 In writing at least forty-five (45) days prior to the occurrence of any of the following:

7.1.1 Any change in Contractor's business address, business phone number, office hours, or tax identification number; or

7.1.2 Any material change in Contractor's management or ownership. For purposes of this Section, a material change is a transfer of twenty percent (20%) or more of share ownership or the right to control the selection of

the board of directors of Contractor or the sale of substantially all of the assets of Contractor.

- 7.2 Orally, immediately but not later than twenty-four (24) hours, followed by written notice within ten (10) calendar days, of the occurrence of any of the following:
- 7.2.1 Any formal action taken (and the reasons therefore) to restrict, suspend or revoke any of Contractor's licenses, permits, accreditations or ability to conduct its business; or
 - 7.2.2 Any investigation or inquiry by any federal or state regulator; or
 - 7.2.3 Contractor's knowledge, with due inquiry, of any action taken (and the reasons therefore) which results in restrictions or exclusion of Contractor from participation in the any federal or state health care program, including but not limited Medicare or Medicaid, in accordance with the standards of participation for such program; or
 - 7.2.4 Any changes in Contractor's Key Staff; or
 - 7.2.5 Any material change in Contractor's business organization that may impact Contractor's performance of its obligations under this Service Order.
 - 7.2.6 Any event under which Contractor is no longer capable of providing Services on a timely basis; or
 - 7.2.7 Any other event which would materially affect Contractor's ability to carry out its duties and obligations under this Service Order.
- 7.3 Contractor shall promptly provide GCHP with such additional information as GCHP may request. The notices required under this Section are in addition to any other notices provided for in this Agreement.

8. **RUNOUT SERVICES**

- 8.1 **Runout Services.** The Runout Services Period shall be six (6) months long and shall begin the day after the expiration or termination of the Service Order ("Runout Services Period"). Effective the first day of the Runout Services Period, Contractor and its subcontractors shall have no further obligation to provide or maintain a Pharmacy Network to provide Members with access to Network Pharmacies or to otherwise provide, or arrange for the provision of, Covered Prescription Services to Members under the Benefit Plan. As of the first day of the Runout Services Period, Network Pharmacies shall no longer provide Covered Prescription Services to Members under the Benefit Plan (unless pursuant to an arrangement other than this Service Order). Throughout the Runout Services Period, Contractor shall provide such Runout Services as reasonably necessary to administer the provision of Covered Prescription Services furnished to Members during the term of this Service Order and otherwise to ensure an orderly wind down of the arrangement contemplated by

this Service Order ("Runout Services"). Such Runout Services, shall include, but not be limited to:

- 8.1.1 Claims Processing and Payment. Subject to GCHP's providing Contractor with the required funds to pay such claims, Contractor agrees to process claims for Covered Prescription Services furnished during the term of this Service Order in accordance with the terms and conditions of this Service Order.
 - 8.1.2 Member Health Care Appeals. Contractor shall perform its obligations relating to Member appeals with respect to Covered Prescription Services furnished to Members during the term of this Service Order, in accordance with the terms and conditions of this Service Order.
 - 8.1.3 Customer Service for Members. Contractor shall provide customer service functions and customer service call center accessibility as outlined in Section 2.1.3.
 - 8.1.4 Limited Network Pharmacy and Provider Technical Support. Contractor shall provide limited Network Pharmacy and provider technical support functions including the provision of limited provider service call center accessibility, as reasonably necessary to administer payment for Covered Prescription Services furnished to Members during the term of this Service Order and otherwise as mutually agreed by the parties.
 - 8.1.5 Limited Network Pharmacy Dispute Resolution. Contractor shall provide limited Network Pharmacy dispute resolution functions, as reasonably necessary to resolve disputes regarding payment for Covered Prescription Services furnished to Members during the term of this Service Order and otherwise as mutually agreed by the parties.
 - 8.1.6 Audits, Reporting and Reconciliation. Contractor shall provide reports and participate in audits and reconciliations pursuant to the terms of this Service Order and Agreement.
 - 8.1.7 Mutual Agreement. Contractor shall provide such additional services as mutually agreed by the parties.
- 8.2 **Payment for Covered Prescription Services**. The parties agree that notwithstanding any termination of this Service Order, GCHP shall remain obligated, in accordance with the terms of the Service Order, to pay Contractor for claims for Covered Prescription Services furnished during the term of this Service Order under the terms of this Service Order and in accordance with the time periods prescribed in the Benefit Plan and GCHP policies and procedures for payment of claims for Covered Prescription Services.

9. LETTER OF CREDIT

- 9.1 **Terms of Letter of Credit**. Contractor will obtain and maintain for the term of the Agreement an irrevocable standby letter of credit naming GCHP as the beneficiary to secure or guaranty the successful bidder's performance under the

terms of the Agreement (“Letter of Credit”). The face amount of the Letter of Credit would be a minimum of one million dollars (\$1,000,000) and shall be in form and substance satisfactory to GCHP. The Letter of Credit shall permit GCHP to draw against the Letter of Credit and use the proceeds of any draw should Contractor not perform all of its obligations under the Agreement and this Service Order.

- 9.2 **Issuing Banking Institution.** The Letter of Credit shall be issued by a national banking institution or other comparable financial institution acceptable to GCHP, and preferably through a branch office located in Ventura County but, if needed, Los Angeles County.
- 9.3 **Replacement Letter of Credit.** Contractor may not replace the Letter of Credit without the prior written approval of GCHP. Any replacement or substitute Letter of Credit shall meet all of the requirements applicable to the Letter of Credit being replaced unless otherwise approved by GCHP in writing and shall be effective and delivered or transmitted to GCHP at least thirty (30) days before the date of expiration of the Letter of Credit being replaced. Upon GCHP’s request, Contractor shall within thirty (30) days obtain and deliver to GCHP a replacement or substitute Letter of Credit meeting all of the requirements applicable to the Letter of Credit pursuant to this Section.
- 9.4 **Process for GCHP’s Approval.** Within thirty (30) days prior to the Effective Date, Contractor shall have provided GCHP with the Letter of Credit described in this Section to be effective on the Effective Date, and all related documents and agreements in draft form for GCHP’s review and approval. Any such Letter of Credit issued without the prior review and approval of GCHP shall be deemed to be noncompliant with the terms of this Service Order. Contractor shall obtain GCHP’s prior written approval of the draft of such Letter of Credit and related documents and agreements prior to issuance of the Letter of Credit. Such Letter of Credit shall be issued on or before the Effective Date.

10. FRAUD AND ABUSE

- 10.1 **Operating Procedures.** Contractor shall develop operating procedures to prevent, detect and recover (when applicable and allowable) and immediately report to GCHP incidences of waste, fraud and abuse as well as potential abusers, including Network Pharmacies, providers and Members, of the Benefit Plan. Potential abusers may be identified through review of claims suspended for manual review or through referrals, complaints or inquiries received by Contractor. Contractor shall use commercially reasonable efforts to recover all expenditures from third parties, including providers and Members, for Covered Prescription Services provided to persons in the case of fraudulent activities. Contractor shall cooperate with GCHP and state and federal law enforcement authorities in cases involving waste, fraud and abuse. Contractor shall implement industry standard fraud prevention and detection strategies.
- 10.2 **Prevention and Detection Program.** Contractor shall conduct a program to assess its vulnerability to fraud and abuse and shall operate a system designed to detect and eliminate internal fraud and abuse by Contractor employees and

subcontractors, providers providing goods or services to Members. The Contractor shall:

10.2.1 Include provisions for cost avoidance as well as fraud detection, along with criteria for follow-up actions;

10.2.2 Include mandatory anti-fraud and abuse training for Contractor staff, and claims processing edits to identify cases and pharmacy claims costs, with a high potential to be fraud, waste, or abuse;

10.2.3 Monitor claims for under- and over-utilization and indications of potential fraud; and

10.2.4 Have or develop the capability to identify providers with whom to intervene based on identified patterns of health service claims and utilization that may be indications of potential fraud, waste and abuse.

10.3 **Documentation of Fraud Prevention Program and Quality Assurance Procedures.** Contractor shall keep complete records of its fraud prevention program and quality assurance procedures and the results of program implementation. Contractor shall make such records available to GCHP as required by GCHP.

10.4 **Reporting.** Contractor shall submit to GCHP an annual analysis of the costs and benefits of its fraud and abuse program. Contractor shall submit quarterly reports to GCHP consistent with industry standards, addressing the following:

10.4.1 Cases opened;

10.4.2 Dollars identified as lost and recovered on active cases;

10.4.3 Actual and projected savings on active cases;

10.4.4 Active cases referred to law enforcement (other than GCHP);

10.4.5 Active cases referred to GCHP;

10.4.6 Active cases resolved administratively;

10.4.7 Percentage of active cases where the Benefit Plan is the only or primary line of business affected;

10.4.8 Number of GCHP network providers who are on prepayment review; and

10.4.9 Number of arrests and criminal convictions resulting from active cases.

Contractor shall demonstrate that a statistically valid sampling technique is routinely used prior to or after processing randomly sampled claims against Contractor for quality assurance/fraud and abuse prevention standards.

- 10.5 **Member Complaints Regarding Fraud or Abuse.** Contractor shall establish and maintain procedures to respond to a Member's written complaint regarding fraud or abuse within twenty (20) days from date of receipt.
- 10.6 **Correction of Deficiencies.** In response to a GCHP order for a correction of deficiency in Contractor's quality assurance program, fraud prevention program, or anti-dumping efforts, Contractor shall take prompt, necessary action to implement GCHP's order.

APPROVALS

GOLD COAST HEALTH PLAN

[CONTRACTOR]

BY: _____

BY: _____

NAME: Dale Villani

NAME: _____

TITLE: Chief Executive Officer

TITLE: _____



SCSL

**AGREEMENT FOR PROFESSIONAL SERVICES
BETWEEN VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION
DOING BUSINESS AS GOLD COAST HEALTH PLAN
AND
[CONTRACTOR]**

THIS AGREEMENT, is made as of [REDACTED], 2016, by and between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan, a California public entity established under the laws of the State of California, (hereinafter "GCHP") and [CONTRACTOR NAME], a [TYPE OF BUSINESS, e.g. limited liability company, etc.], (hereinafter "CONTRACTOR").

WHEREAS, GCHP is a County Organized Health System ("COHS") established pursuant to Welfare & Institutions Code §14087.54;

WHEREAS, GCHP has entered into and maintains contracts with the State of California, Department of Health Care Services (the "Medi-Cal Agreements"), under which Ventura County Medi-Cal beneficiaries, assigned to GCHP as members ("Members"), receive certain health care services hereinafter defined as "Covered Services";

WHEREAS, the Covered Services provided to Members includes benefits for prescription drugs and certain devices and supplies dispensed by pharmacists;

WHEREAS, GCHP has released a Request for Proposal ("RFP") entitled Request for Proposal Number GCHP060316, to which CONTRACTOR has responded;

WHEREAS, CONTRACTOR provides pharmacy benefit management ("PBM") services, including services in connection with the payment of pharmacy claims on behalf of clients, and CONTRACTOR has submitted a response to the RFP in the form of a proposal dated [REDACTED], and entitled "[REDACTED]" ("Proposal");

NOW THEREFORE in consideration of the above-referenced recitals, the mutual covenants, promises, terms and provisions herein set forth, GCHP and CONTRACTOR agree as follows:

1. DESCRIPTION OF SERVICES

- a) CONTRACTOR shall provide PBM services, including but not limited to administrative, management, consultative, claims processing and other general pharmacy benefit management support services to GCHP in conjunction with administration and operation of GCHP's Medi-Cal managed care benefit plan that includes a prescription drug benefit for Medi-Cal Members ("Services"). The scope of the Services shall be more fully set forth in one or more project authorizations duly executed by GCHP and CONTRACTOR, which shall be incorporated into this Agreement by this reference (hereinafter, "Service Order" or "Service Orders"). The initial Service Order shall be substantially in the form attached hereto as Exhibit A and shall become effective only upon the issuance of an implementing purchase order by an authorized member of GCHP's Procurement Services organization (the "Authorized Procurement Representative"). Each Service Order is subject to all terms and conditions contained

in this Agreement unless expressly stated otherwise in the Service Order.

- b) Precedence. Any inconsistency in this Agreement shall be resolved by giving precedence in the following order: (1) this Agreement; (2) An applicable Service Order, including any attachments, exhibits or other component parts of the Service Order; (3) the Business Associate Agreement; (4) the RFP; and (5) CONTRACTOR's Proposal. Each document identified in this section is a part of this Agreement and is incorporated herein by this reference. Any requirement or obligation of CONTRACTOR set forth in the RFP shall be deemed a part of the general terms and conditions of this Agreement unless the Parties expressly agree to exclude any such requirement from this Agreement.

2. QUALIFICATIONS

- a) CONTRACTOR hereby represents and warrants to GCHP that: (a) it has the experience and skill to perform the Services hereunder; (b) it shall comply with all applicable federal, state and local laws in effect at the time Services are performed, including all professional licensing and registration requirements; (c) it shall perform the Services in accordance with generally accepted professional standards and in an expeditious and economical manner, consistent with sound professional practices; (d) it is adequately financed to meet any financial obligation it may be required to incur hereunder; and (e) it maintains, and shall continue to maintain for the term of this Agreement, an active, unrestricted PBM URAC accreditation.
- b) Each of CONTRACTOR's professional workforce members, including but not limited to independent contractors hired by CONTRACTOR to perform work under this Agreement, who render professional services pursuant to this Agreement ("Professionals") shall: (a) hold applicable, current and unrestricted professional licenses or certifications from, or licenses or certifications recognized by, the licensing authorities of the State of California; and (b) meet such other credentialing requirements and conditions as GCHP may from time to time reasonably establish. During the term of this Agreement, CONTRACTOR shall notify GCHP immediately but not later than two (2) business days, followed by written notice within ten (10) calendar days, upon its discovery of (i) any action which results in suspension or limitation of CONTRACTOR's, or a Professional's, license, permit, accreditations, or ability to conduct the applicable business or profession, (ii) any action which results in restriction, limitation, suspension or termination of a Professional's privileges, if any, at a licensed facility; (iii) any malpractice or professional liability action against a Professional that is adversely concluded by settlement or judgment; (iv) any action which results in the loss or restriction of a Professional's DEA permit; (v) any action against a Professional to exclude or suspend its participation in any federal or state health care program, including but not limited to the Medicare or Medicaid programs, or any other payor programs; or (vi) any lapse in a Professional's professional liability insurance or reduction below the limits required herein; (vii) any other occurrence as set forth in any applicable Service Order.
- c) CONTRACTOR acknowledges that CONTRACTOR was selected by GCHP, in part, on the basis of qualifications of particular staff identified in CONTRACTOR's response to GCHP's solicitation, hereinafter referred to as "Key Staff." CONTRACTOR shall ensure that Key Staff are available for Services as long as said Key Staff are in

CONTRACTOR's employ. With the exception of voluntary resignation, promotion, involuntary termination for cause, illness, disability, or death, CONTRACTOR will obtain prior written acceptance of GCHP to change Key Staff. CONTRACTOR shall provide GCHP with such information as necessary to determine the suitability of proposed new Key Staff. GCHP will act reasonably in evaluating Key Staff qualifications.

3. GCHP POLICIES AND PROCEDURES

CONTRACTOR agrees to comply with GCHP'S rules, policies and procedures that have been established as of the effective date of this Agreement, or will be established and have been provided to CONTRACTOR with at least thirty (30) days in advance of implementation, including rules, policies and procedures regarding: quality improvement/management; utilization management, including but not limited to, precertification procedures, referral process or protocols, and reporting of clinical data; member grievances; provider credentialing.

4. COMPENSATION AND PAYMENT

- a) Compensation. The total compensation payable to CONTRACTOR for Services under any Service Order shall not exceed the services fees, allowable expenses, and other compensation expressly set forth within the Service Order. No compensation shall be allowed unless expressly set forth in a Service Order.
- b) Payment. Unless otherwise provided by the issuing Service Order or otherwise requested by GCHP's Authorized Person in writing, CONTRACTOR shall submit invoices to GCHP on or about the first day of each calendar month for services rendered and expenses incurred under each outstanding Service Order during the preceding calendar month. GCHP shall pay each invoice as follows:
 - i) For administrative services, within thirty (30) days after receipt thereof from CONTRACTOR, subject to Sections 4(c) and 4(d) and any other applicable conditions and limitations hereof.
 - ii) For payment of network pharmacy claims, within fourteen (14) days after notification of the amount due from CONTRACTOR, subject to Section 4(c) and any other applicable conditions and limitations hereof. In lieu of submitting monthly invoices, CONTRACTOR may submit two (2) invoices per month for network pharmacy claims on the first and fifteenth of each month.
- c) Availability of Funds. Payment to CONTRACTOR is subject to GCHP's corresponding receipt of funding from DHCS, CMS or any other governmental agency providing revenue to GHCP, as applicable. In the event funding to GCHP is terminated or delayed or is otherwise insufficient, GCHP's payment to CONTRACTOR may be terminated or delayed. GCHP shall have the option to provide written notification to CONTRACTOR of the lack of funding or of the insufficiency of funding, and after providing such notification, GCHP shall have no obligation to pay or otherwise compensate CONTRACTOR for future performance unless GCHP provides a subsequent written notification that adequate funding is established. If the lack of sufficient funding is the result of a delay in GCHP's payment from DHCS, then GCHP's payment obligation will automatically suspend and will only resume within fifteen (15)

days following GCHP's receipt of its payment from DHCS for the applicable time period. Notwithstanding the foregoing, CONTRACTOR shall receive payment for services already rendered and obligations already incurred and may, upon ten (10) days written demand for cure, suspend performance of services during any continuous period of non-payment lasting at least thirty (30) days beyond the date that the payment was initially due.

- d) Expense Reimbursement. GCHP shall not be responsible for reimbursement of CONTRACTOR's expenses incurred in the performance of Services pursuant to this Agreement unless the issuing Service Order so provides. If, and to the extent, that the Service Order provides that GCHP shall reimburse any such expenses of CONTRACTOR, such reimbursement shall be subject to the GCHP's Reimbursable Expense Guidelines, attached hereto as Exhibit C and incorporated herein by reference as set forth in full. Under no circumstances will reimbursement for expenses exceed the "Maximum Amount" specified in the Service Order, unless the Service Order is modified to increase such maximum.
- e) Invoice Detail. Each invoice shall show: (a) the Service Order number to which the invoice relates; (b) the Purchase Order Number of the GCHP Purchase Order relating to the Service Order; (c) the GCHP billing information identified on the applicable Service Order; and (d) the specific items billed, including hours billed for each CONTRACTOR personnel performing under each Service Order. Sales and use taxes, if applicable, shall be listed as separate items on each invoice. GCHP, at its sole discretion, may refuse to pay any invoice not containing the required detail and, instead, return the invoice to CONTRACTOR within thirty (30) days of receipt. In such event, GCHP shall not be obligated to pay any sums billed by such returned invoice until thirty (30) days after GCHP receives a properly corrected invoice therefor.
- f) Mailing of Invoices. Each invoice shall be mailed, in duplicate, to GCHP at the following address:

**GOLD COAST HEALTH PLAN
711 E DAILY DRIVE
CAMARILLO, CA 90310
Attention: Accounts Payable**
- g) E-mail Invoices. Invoices may also be submitted to GCHP using the following e-mail address: Accountspayable@goldchp.org
- h) Time Limit for Invoice Submission. CONTRACTOR must submit, and GCHP must actually receive, an invoice for any Service or part thereof not later than ninety (90) days after the end of the month in which such Service or part thereof has been performed or GCHP shall have no obligation or liability to pay CONTRACTOR for such Service or part thereof, unless GCHP has otherwise specifically agreed in writing.
- i) Sales and Use Taxes. GCHP shall be solely responsible for the payment of any and all sales and use taxes assessed by any governmental authority with respect to the Services performed under this Agreement.

5. ADJUSTMENTS TO PAYMENT

GCHP may review and audit any and all claims for payment prior to or subsequent to payment to ensure that such payment is in accordance with this Agreement. If any claim or payment is not in accordance with this Agreement, GCHP reserves the right to deny, reduce or otherwise adjust such claim or payment, as applicable to the extent necessary to make such claim or payment conform to this Agreement. If an audit conducted by GCHP shows that CONTRACTOR for any reason owes monies to GCHP, then GCHP will notify CONTRACTOR and CONTRACTOR shall refund such overpayment to GCHP within thirty (30) business days after receipt of such notice. If CONTRACTOR does not within such period either refund such overpayment or notify GCHP that CONTRACTOR contests such overpayment, then GCHP is hereby authorized to offset the amount of the overpayment against any amounts owed to CONTRACTOR to the maximum extent permitted by applicable law. If this Agreement is terminated for any reason prior to GCHP's full recovery of such an overpayment, the remaining amount shall become due and owing immediately upon the effective date of the termination. This Section shall survive Termination of this Agreement.

6. EXTRA SERVICES

- a) Additional Services. CONTRACTOR shall not be entitled to compensation for any services other than or in addition to the Services specified in any Service Order issued pursuant hereto, unless an implementing change order in the form of Exhibit B hereto for such other or additional services is issued and signed by GCHP's and CONTRACTOR's respective Project Managers and an implementing purchase order change order is issued to CONTRACTOR by GCHP's Authorized Procurement Representative prior to commencement of any such additional Services.
- b) Increase in Scope. If directed by GCHP to change or increase the scope of any Services, and if CONTRACTOR determines that such change or increase in scope will result in an increase in the total of charges to GCHP under the applicable Service Order, CONTRACTOR shall provide to GCHP a written proposal for such change or increase in scope. If such proposal is accepted and authorized by an implementing change order in accordance this Agreement, CONTRACTOR shall be compensated at the rates set forth in the Service Order and/or at such other fixed price mutually agreed upon in writing.

7. SUBCONTRACTORS

All subcontracts pertaining to the provision of the Services shall be in writing, and will be entered into in accordance with the requirements of this Agreement, the Medi-Cal Agreements, and applicable federal and State laws and regulations. All such subcontracts and their amendments shall become effective only upon written approval by GCHP. The following Services shall not be subcontracted: prescription claim adjudication, prior authorization/coverage determinations, network contracting, and member call center/pharmacy help desk. The Services identified in this section shall be performed in the United States.

8. NO ASSIGNMENT

This Agreement is not assignable by CONTRACTOR without the GCHP's prior consent in writing.

9. CONFIDENTIALITY

- a) To the extent the services to be performed by the CONTRACTOR are of a confidential nature, all services performed by CONTRACTOR under this Agreement shall be in strict conformance with all applicable Federal, State of California and/or local laws and regulations relating to confidentiality, including but not limited to, California Civil Code section 56 et seq., California Welfare and Institutions Code sections 5328, 10850 and 14100.2, Health and Safety Code sections 11977 and 11812, 22 California Code of Regulations section 51009, and 42 Code of Federal Regulations § 2.1 et seq. CONTRACTOR shall submit to GCHP's monitoring of said compliance with all State of California and Federal statutes and regulations regarding confidentiality. The parties shall execute and comply with GCHP's Business Associate Agreement, which is attached as Exhibit D and incorporated herein.
- b) Information that GCHP receives from CONTRACTOR, including any formula, pattern, compilation, program, device, method, technique, or process, that derives economic value to CONTRACTOR from not being generally known to the public, that CONTRACTOR has taken reasonable efforts to maintain secret from the public, and that may be marked by CONTRACTOR as proprietary or confidential, shall be maintained as confidential by GCHP, except to the extent that GCHP is required to disclose the information under the California Public Records Act (Gov. Code §§ 6250, et seq.) or other applicable law or by court order.

10. INDEMNITY AND INSURANCE

Indemnification. CONTRACTOR shall indemnify, hold harmless and defend GCHP, its directors, officers, employees, agents and affiliates from and against all third party claims, actions, suits, demands, damages, liabilities, obligations, settlements or judgments, (including without limitation reasonable attorneys' fees and costs) ("Claims") arising out of or in connection with any breach of any representation or warranty of CONTRACTOR contained in this Agreement, or any breach of any covenant or other obligation or duty of CONTRACTOR under this Agreement or under applicable law, excluding Claims to the extent resulting from the negligence or wrongful acts of GCHP. GCHP shall promptly notify CONTRACTOR of any Claim for which indemnification is sought, following actual knowledge of such Claim, provided however that the failure to give such notice shall not relieve CONTRACTOR of its obligations hereunder except to the extent that CONTRACTOR is materially prejudiced by such failure. In the event that any third party Claim is brought, GCHP shall tender its defense to CONTRACTOR, and CONTRACTOR will provide qualified attorneys, consultants, and other appropriate professionals to represent GCHP's interests at CONTRACTOR's expense. CONTRACTOR agrees that any settlement, compromise or resolution CONTRACTOR enters into arising as a result of the Claims will not

include any admission of wrongdoing by GCHP. GCHP shall have the right to participate in the defense and settlement of the claim at GCHP's cost and expense. The indemnification requirements set forth herein shall survive the termination of this Agreement.

- a) Insurance. CONTRACTOR shall, at CONTRACTOR's sole cost and expense and throughout the term of this Agreement and any extensions thereof, carry adequate insurance to protect CONTRACTOR from claims under workers compensation acts that meets statutory requirements and the following insurance:
 - i) Commercial General Liability with a minimum limit of \$1 million per occurrence/claim and a \$2 million annual aggregate.
 - ii) Comprehensive automobile liability insurance with limits for bodily injury of not less than \$500,000 per person and \$1 million per occurrence. Coverage shall include owned and non-owned vehicles used in connect with this Agreement.
 - iii) Professional error and omission insurance, with a minimum limit of \$3 million per occurrence/claim and a \$5 million annual aggregate.
 - iv) GCHP and its officers, directors, employees and agents shall be named as additional insured on all insurance except for Worker's Compensation and Professional Liability insurance.

In all situations arising out of this Agreement, the parties shall attempt to avoid and minimize the damages resulting from the conduct of the other party.

11. RELATIONSHIP OF THE PARTIES

The relationship of the parties to this Agreement shall be that of independent contractors and in no event shall CONTRACTOR be considered an officer, agent, servant or employee of GCHP. GCHP has no right to control or supervise or direct the manner or method by which CONTRACTOR performs the services. The CONTRACTOR shall be solely responsible for any and all workers compensation insurance, withholding taxes, unemployment insurance and any other employer obligations or benefits associated with the described work/services.

12. CORRECTIONS

In addition to the above indemnification obligations, the CONTRACTOR shall correct, at its expense, all errors in the work which may be disclosed during the GCHP's review of the CONTRACTOR's report/plans/work deliverables. Should CONTRACTOR fail to make such correction in a reasonably timely manner, such correction shall be made by GCHP, and the cost thereof shall be charged to CONTRACTOR. Claims will not be paid for ineligible persons. Notwithstanding the foregoing, CONTRACTOR shall not be liable for any prescriptions filled or processed for any person ineligible for GCHP coverage due to incorrect eligibility date provided by GCHP to CONTRACTOR.

13. FINANCIAL AND ACCOUNTING RECORDS

- a) CONTRACTOR shall maintain, in accordance with standard and accepted accounting practices, all financial, accounting, claims and payment records relating to services provided or paid for hereunder as is necessary and appropriate for the proper administration of this Agreement, the Services to be rendered, and payments to be made hereunder or in connection herewith.

Upon GCHP's written request, CONTRACTOR will furnish to GCHP an annual Balance Sheet and Profit and Loss Statement prepared in accordance with generally accepted accounting principles consistently applied and, if available, the annual audit report of an independent certified public accountant.

- b) The records maintained in accordance with this section shall be maintained for a period of not less than five (5) years from the date when the applicable claim, payment or other transaction was made. The records maintenance requirements set forth herein shall survive the termination of this Agreement.

14. AUDITS AND INSPECTIONS

CONTRACTOR shall make available for examination all of its records and data with respect to the matters covered by this Agreement, at any time during normal business hours, and as often as deemed necessary by GCHP, to GCHP, the California Department of Health Care Services, the U.S. Department of Health and Human Services, the Comptroller General of the United States, the California Department of Justice, Bureau of Medi-Cal Fraud, the Department of Managed Health Care, and other authorized California state agencies, or their duly authorized representatives. The foregoing obligation of CONTRACTOR shall survive the termination of this Agreement.

15. REPORTS

Upon GCHP's written request, and at no additional charge, CONTRACTOR shall provide regular prescription claims data, any reports required by an applicable Service Order, and periodic or ad hoc reports and information pertaining to the Services, with such content and in such format(s) as reasonably requested by GCHP. For purposes of clarity, ad hoc reporting services that can be generated from queries available in CONTRACTOR's online reporting system are provided at no additional charge. If GCHP needs custom reports that require system programming, needs complex customized report programming, or needs plan-specific templates, then additional fees will apply as set forth in the applicable Service Order. At no additional charge, CONTRACTOR shall provide any reports required by DHCS or the Medi-Cal Agreements as soon as reasonably practical upon GCHP's request or within any timeframes required by an applicable Service Order.

16. TERMINATION

- a) Mutual Termination. This Agreement may be terminated by mutual consent of the Parties.
- b) Termination by GCHP Without Cause after Notice. GCHP may terminate this Agreement without cause by giving written notice of termination to CONTRACTOR not

less than ninety (90) calendar days prior to the effective date of the termination. Termination shall be effective on the ninety-first (91st) day after such notice. In the event GCHP terminates all or a portion of this Agreement without cause pursuant to this provision, it is understood that GCHP shall pay CONTRACTOR for services rendered in compliance with the terms of this Agreement prior to the effective date of termination, but not in excess of the amount payable pursuant to the terms of this Agreement.

- c) Immediate Termination by GCHP Without Cause. GCHP may terminate this Agreement without cause by giving written notice in the event that:
 - i) Any provision of this Agreement is reasonably determined to place either party in probable violation of any criminal statute, and the parties are not able to promptly amend the Agreement as necessary to alleviate such violation.
 - ii) GCHP's Medi-Cal Agreement terminates or expires.
 - iii) Governmental appropriated funding to GCHP is suspended, terminated, withdrawn or otherwise fails or there is a lack of sufficient funding for any activities or functions contained within the scope of this Agreement.
- d) Termination by GCHP For Cause After Notice. GCHP may terminate this Agreement for cause after GCHP provides CONTRACTOR with prior written notice of any failure by CONTRACTOR to perform any requirement of this Agreement and CONTRACTOR shall have no less than twenty-one (21) calendar days to cure such failure prior to termination by GCHP.
- e) Immediate Termination by GCHP for Cause. GCHP may terminate this Agreement immediately for cause in the event that:
 - i) CONTRACTOR fails to perform any requirement of this Agreement and CONTRACTOR's failure cannot be cured.
 - ii) CONTRACTOR admits in writing its inability to pay its debts generally as they become due; applies for or consents to the appointment of a receiver, trustee or liquidator of all or a substantial part of its assets; files a voluntary petition in bankruptcy; makes a general assignment for the benefit of creditors; files a petition or answer seeking reorganization or arrangement with creditors; or if any order, judgment, or decree shall be entered by any court of competent jurisdiction on the application of a creditor or otherwise adjudicating such party bankrupt or approving a petition seeking reorganization of such party or appointment of a receiver, trustee, or liquidator of such party, or of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for sixty (60) calendar days after its entry.
 - iii) CONTRACTOR fails to adhere to laws, rules, ordinances or orders of any public authority having jurisdiction over CONTRACTOR and/or this Agreement and such violation prevents or substantially impairs performance of CONTRACTOR's duties under this Agreement.

- iv) GCHP discovers that there has been a material error, material misstatement or material omission by CONTRACTOR in the information provided to GCHP.
- v) CONTRACTOR breaches any provision of HIPAA, the HIPAA Regulations, the HITECH Act, or other applicable laws concerning confidentiality with respect to the Services, or breaches the Business Associate Agreement.
- f) Termination By CONTRACTOR Without Cause. CONTRACTOR may terminate this Agreement without Cause only after the initial term. CONTRACTOR shall give not less than 180 days' notice of termination and such termination shall be effective as of the last day of GCHP's fiscal year following expiration of the 180-day notice period. The last day of the fiscal year shall be June 30, unless GCHP gives notice of a change to its fiscal year.
- g) Termination by CONTRACTOR For Cause. CONTRACTOR may terminate this Agreement for cause after CONTRACTOR provides GCHP with prior written notice of any failure by GCHP to perform any material obligation of this Agreement and GCHP shall have no less than ninety (90) calendar days to cure such failure prior to termination by CONTRACTOR.
- h) Transition Period. Upon the expiration or termination of this Agreement for any reason, GCHP shall have the unilateral right to renew this Agreement for three (3) consecutive Renewal Terms of three (3) months each by giving CONTRACTOR written notice of renewal at least sixty (60) days prior to the expiration of the then-current term.
- i) Service Orders. All termination provisions contained in this Section shall apply to the full Agreement as well as to any Service Orders. Any right to terminate held by either Party shall be construed as a right to terminate either a particular Service Order or this full Agreement.

17. POST-TERMINATION

The parties agree that, upon termination or expiration of this Agreement or of any applicable Service Order under this Agreement, the following shall occur:

- a) CONTRACTOR shall have no further obligation to provide Services, except that CONTRACTOR shall continue to provide such Services as are reasonably necessary to ensure an orderly wind down of the arrangement contemplated by this Agreement or any applicable Service Order and to ensure that Services furnished to GCHP Members during the applicable term are fully and completely administered ("Runout Services"). CONTRACTOR's duties related to Runout Services may be more specifically defined by Service Order.
- b) CONTRACTOR shall use its best efforts to facilitate a complete and efficient transfer of all Services to GCHP or its designated agents to ensure the smooth and continued operation of Services. CONTRACTOR shall cooperate fully and completely with GCHP and any of its contractors and agents both during and after the termination and transfer process.
- c) CONTRACTOR shall ensure continued insurance coverage in the same minimum

amounts specified in this Agreement or otherwise ensure continued insurance coverage of its liabilities arising out of this Agreement, including CONTRACTOR's obligations to process claims after termination of this Agreement.

- d) CONTRACTOR shall provide to GCHP promptly upon GCHP's written request and at no cost to GCHP, electronic copies of the records pertaining to CONTRACTOR's provision of Services. In the event the copies cannot be provided electronically, they may be provided in hard copy. CONTRACTOR shall grant to GCHP for the purpose of preparing for any actual or anticipated legal proceeding or for any other reasonable purpose, access to any other pertinent information regarding CONTRACTOR's performance of its duties under this Agreement during the term of this Agreement.
- e) The terms of this Agreement relating to confidentiality of Member confidential information and access to records shall survive termination or expiration of this Agreement in accordance with applicable law. The terms of this Agreement relating to indemnity provisional remedies and representations and warranties shall survive termination or expiration of this Agreement.
- f) The provisions of this Agreement which by their sense and context are intended to survive completion of performance, expiration or termination of this Agreement, or provisions that otherwise require or contemplate performance or applicability after such completion of performance, expiration or termination shall be enforceable notwithstanding the termination. Without limiting the foregoing, the provisions that are intended to survive and remain enforceable after termination of this Agreement include, but are not limited to the following: the terms of this Agreement relating to confidentiality of Member confidential information (including but not limited to the Business Associate Agreement and related obligations), access to records, indemnity, provisional remedies and representations and warranties.
- g) In the event of termination of this Agreement, a final accounting and settlement shall be made taking into account the charges set forth in any Service Order and any other costs and expenses reimbursable by one party to the other under this Agreement. Final settlement may be deferred at the option of GCHP for no longer than one hundred eighty (180) days following the later of (1) termination of this Agreement or (2) completion by CONTRACTOR of any post-termination or runout services provided by CONTRACTOR.
- h) Immediately following the termination or expiration of this Agreement, CONTRACTOR shall deliver to GCHP at no charge an electronic copy, in a format mutually agreed by the parties, of all records required under this Agreement, including but not limited to billing amount and reports to verify the provision of claims for Services, documentation concerning eligibility and claims data information.

18. WAIVER; REMEDIES CUMULATIVE

Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, irrespective of the length of time for which such failure continues, shall not constitute a waiver of such party's right to demand strict compliance by such other party in the future. No waiver by a party of a default or breach of the other party shall be effective or binding upon such party unless made in writing by such party, and no

such waiver shall be implied from any omissions by a party to take any action with respect to such default or breach. No express written waiver of a specified default or breach shall affect any other default or breach, or cover any other period of time, other than any default or breach and/or period of time specified. All of the remedies permitted or available to a party under this Agreement, or at law or in equity, shall be cumulative and alternative, and invocation of any such right or remedy shall not constitute a waiver or election of remedies with respect to any other permitted or available right of remedy.

19. NO CONFLICT OF INTEREST

CONTRACTOR represents and warrants that no GCHP employee or GCHP official, or their spouse or registered domestic partner, has a financial interest in CONTRACTOR's business, or that any such financial interest has been fully disclosed to GCHP prior to the effective date of this Agreement. For the purpose of this representation and warranty, having a "financial interest" includes, but is not limited to:

- a) Having an investment interest of \$2,000 or more in a CONTRACTOR;
- b) Having an ownership or leasehold interest of \$2,000 or more in real property of CONTRACTOR;
- c) Receiving income or promised income aggregating to \$500 or more in the previous 12 months from CONTRACTOR; or
- d) Receiving gifts aggregating to \$460 or more in the previous 12 months from an CONTRACTOR.

20. NONDISCRIMINATION AND EQUAL OPPORTUNITY

- a) CONTRACTOR shall not differentiate nor discriminate on the basis of race, color, National origin, ancestry, religion, sex, marital status, Medical condition, mental or physical disability, sexual orientation, age, or any other basis protected by federal or California law.
- b) CONTRACTOR shall ensure compliance with Title VI of the Civil Rights Act of 1964 and other implementing regulations (42 USC Section 2000d and 45 CFR Part 80) that prohibit recipients of federal financial assistance from discriminating against persons based on race, color, religion, or national origin.
- c) Equal Opportunity Requirements
 - i) The CONTRACTOR will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era. The CONTRACTOR will take affirmative action to ensure that qualified applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sexual orientation, national origin, physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era. Such action shall include, but not be limited to the following; employment, upgrading, demotion or transfer; recruitment or recruitment

advertising; layoff or termination; rates of pay or other forms of compensation; and career development opportunities and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Federal Government California Department of Health Care Services setting forth the provisions of the Equal Opportunity clause, Section 503 of the Rehabilitation Act of 1973 and the affirmative action clause required by the Vietnam Era Veterans' Readjustment Assistance Act of 1974 *38 USC 4212). Such notices shall state the CONTRACTOR's obligation under the law to take affirmative action to employ and advance in employment qualified applicants without discrimination based on their race, color, religion, sexual orientation, national origin physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era and the rights of applicants and employees.

- ii) The CONTRACTOR will, in all solicitations or advancements for employees placed by or on behalf of the CONTRACTOR, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sexual orientation, national origin physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era.
- iii) The CONTRACTOR will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding a notice, to be provided by the Federal Government or the State of California, advising the labor union or workers' representative of the CONTRACTOR's commitments under the provisions herein and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- iv) The CONTRACTOR will comply with all provisions of and furnish all information and reports required by Section 503 of the Rehabilitation Act of 1973, as amended, the Vietnam Era Veterans' Readjustment Assistance Act of 1974 (38 USC 4212) and of the Federal Executive Order No. 11246 as amended, including by Executive Order 11375, 'Amending Executive Order 11246 Relating to Equal Employment Opportunity,' and as supplemented by regulation at 41 CFR 60, "Office of the Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," and of the rules, regulations, and relevant orders of the Secretary of Labor.
- v) The CONTRACTOR will furnish all information and reports required by Federal Executive Order No. 11246 as amended, including by Executive Order 11375, 'Amending Executive Order 11246 Relating to Equal Employment Opportunity,' and as supplemented by regulation at 41 CFR 60, "Office of the Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," and the Rehabilitation Act of 1973, and by the rules, regulations, and orders of the Secretary of labor, or pursuant thereto, and will permit access to its books, records, and accounts by the State and its designated representatives and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- vi) In the event of the CONTRACTOR's noncompliance with the requirements of the provisions herein or with any Federal rules, regulations, or orders which are

referenced herein, this Agreement may be cancelled, terminated, or suspended in whole or in part and the CONTRACTOR may be declared ineligible for further Federal and state contracts in accordance with procedures authorized in Federal Executive Order No. 11246 as amended and such other sanctions may be imposed and remedies invoked as provided in Federal Executive Order No. 11246 as amended, including by Executive Order 11375, 'Amending Executive Order 11246 Relating to Equal Employment Opportunity,' and as supplemented by regulation at 41 CFR 60, "Office of the Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

- d) CONTRACTOR shall comply with all applicable Federal requirements in Section 504 of the Rehabilitation Act of 1973 (29 USC §794) Nondiscrimination under Federal grants and programs; Title 45 CFR Part 84 Nondiscrimination on the basis of handicap in programs or activities receiving Federal financial assistance; Title 28 CFR Part 36 Nondiscrimination on the basis of disability by public accommodations and in commercial facilities; Title IX of the Education Amendments of 1973 (regarding education programs and activities); Title 45 CFR Part 91 the Age Discrimination Act of 1975; and all other laws regarding privacy and confidentiality.

21. HUMAN SUBJECTS USE REQUIREMENTS

By signing this Agreement, CONTRACTOR agrees that if any performance under this Agreement, or any subcontract, that includes any tests or examination of materials derived from the human body for the purpose of providing information, diagnosis, prevention, treatment or assessment of disease, impairment, or health of a human being, all locations at which such examinations are performed shall meet the requirements of 41 U.S.C. § 263a (CLIA) and the regulations thereto.

22. DEBARMENT AND SUSPENSION CERTIFICATION

- a) By signing this Agreement, the CONTRACTOR agrees to comply with applicable Federal suspension and debarment regulations including, but not limited to 7 C.F.R. § 3017, 45 C.F.R. § 76, 40 C.F.R. § 32, or 34 C.F.R. § 85.
- b) By signing this Agreement, the CONTRACTOR certified to the best of its knowledge and belief, that it and its principals:
 - i) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
 - ii) Have not within a three-year period preceding this Agreement been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - iii) Are not presently indicted for or otherwise criminally or civilly charged by a

governmental Entity (Federal, State or local) with commission of any of the offenses enumerated in Sub-provision (b)(ii) herein;

- iv) Have not within a three-year period preceding this Agreement had one or more public transactions (Federal, State or local) terminated for cause or default;
 - v) Shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under Federal regulations (i.e., 48 C.F.R. § 9, subpart 9.4), debarred, suspended, declared ineligible, or voluntarily excluded from participation in such transaction, unless authorized by the State; and
 - vi) Will include a clause entitled, "Debarment and Suspension Certification" that essentially sets forth the provisions herein, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
- c) If the CONTRACTOR is unable to certify to any of the statements in this certification, the CONTRACTOR shall submit an explanation to the GCHP program funding this Agreement.
 - d) The terms and definitions herein have the meanings set out in the Definitions and Coverage sections of the rules implementing Federal Executive Order 12549.
 - e) If the CONTRACTOR knowingly violates this certification, in addition to other remedies available to the Federal Government, the GCHP may terminate this Agreement for cause or default.

23. SMOKE-FREE WORKPLACE CERTIFICATION

- a) Public Law 103-227, also known as the Pro-Children Act of 1994 (Act), requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, early childhood development services, education or library services to children under the age of 19, if the services are funded by Federal programs either directly or through state or local governments, by federal grant, contract, loan, or loan guarantee. The Act also applies to children's services that are provided in indoor facilities that are constructed, operated, or maintained with such federal funds. The Act does not apply to children's services provided in private residences; portions of facilities used for inpatient drug or alcohol treatment; service providers whose sole source of applicable federal funds is Medicare or Medicaid; or facilities where WIC coupons are redeemed.
- b) Failure to comply with the provisions of the Act may result in the imposition of a civil monetary penalty of up to \$1,000 for each violation and/or the imposition of an administrative compliance order on the responsible party.
- c) By signing this Agreement, CONTRACTOR certifies that it will comply with the requirements of the Act and will not allow smoking within any portion of any indoor facility used for the provision of services for children as defined by the Act. The prohibitions herein are effective December 26, 1994.

- d) CONTRACTOR further agrees that it will insert this certification into any subcontracts entered into that provide for children's services as described in the Act.

24. COVENANT AGAINST CONTINGENT FEES

The CONTRACTOR warrants that no person or selling agency has been employed or retained to solicit/secure this Agreement upon an agreement of understanding for a commission, percentage, brokerage, or contingent fee, except *bona fide* employees or *bona fide* established commercial or selling agencies retained by the CONTRACTOR for the purpose of securing business. For breach or violation of this warranty, GCHP shall have the right to annul this Agreement without liability or in its discretion to deduct from the Agreement price or consideration, or otherwise recover, the full amount of, such commission, percentage, and brokerage or contingent fee.

25. OFFICIALS NOT TO BENEFIT

No members of or delegate of Congress or the State Legislature shall be admitted to any share or part of this Agreement, or to any benefit that may arise therefrom. This Provision shall not be construed to extend to this Agreement if made with a corporation for its general benefits.

26. PROHIBITED USE OF STATE FUNDS FOR SOFTWARE

CONTRACTOR certifies that is has appropriate systems and controls in place to ensure that State funds will not be used in the performance of this Agreement for the acquisition, operation or maintenance of computer software in violation of copyright laws.

27. ALIEN INELIGIBILITY CERTIFICATION

By signing this Agreement, the CONTRACTOR certifies that he/she is not an alien that is ineligible for State and local benefits, as defined in Subtitle B of the Personal Responsibility and Work Opportunity Act. (8 U.S.C. § 1601, et seq.)

28. DATA CERTIFICATIONS

- a) CONTRACTOR shall comply with data certification requirements set forth in 42 C.F.R. § 438.604 and 42 C.F.R. § 438.606.
- b) With respect to any report, invoice, record, papers, documents, books of account, or other Agreement required data submitted, pursuant to the requirements of this Agreement, the CONTRACTOR's Representative or his/her designee will certify, under penalty of perjury, that the report, invoice, record, papers, documents, books of account or other Agreement required data is current, accurate, complete and in full compliance with legal and contractual requirements to the best of that individual's knowledge and belief.

29. TRACKING SUSPENDED PROVIDERS

- a) CONTRACTOR shall comply with Title 42 C.F.R. Section § 438.610. Additionally, CONTRACTOR is prohibited from employing, contracting or maintaining a contract

with Physicians or other health care providers that are excluded, suspended or terminated from participation in the Medicare or Medi-Cal/Medicaid programs.

- b) A list of suspended and ineligible providers is maintained in the Medi-Cal Provider Manual, which is updated monthly and available on line and in print at the GCHP Medi-Cal website (www.medi-cal.ca.gov) and by the Department of Health and Human Services, Office of Inspector General, List of Excluded individuals and Entities (<http://oig/hhs.gov>). CONTRACTOR is deemed to have knowledge of any providers on these lists.
- c) CONTRACTOR must notify the Medi-Cal Managed Care Program/Program Integrity Unit within ten (10) State working days of removing a suspended, excluded, or terminated provider from its provider network and confirm that the provider is no longer receiving payments in connection with the Medicaid program.

30. FALSE CLAIM COMPLIANCE

CONTRACTOR shall comply with 42 U.S.C. Section 1396a(a)(68), Employee Education About False Claims Recovery, as a condition of receiving payments under this Agreement. Upon request by GCHP, CONTRACTOR shall demonstrate compliance with this provision, which may include providing GCHP with copies of CONTRACTOR's applicable written policies and procedures and any relevant employee handbook excerpts.

31. DISABLED VETERAN BUSINESS ENTERPRISES (DVBE)

CONTRACTOR shall comply with applicable requirements of California law relating to Disabled Veteran Business Enterprises (DVBE) commencing at Section 10115 of the Public Contract Code.

32. DISPUTE RESOLUTION

- a) Judicial Reference. At the election of either party to this Agreement (which election shall be binding upon the other party), a dispute between CONTRACTOR and GCHP arising out of this Agreement shall be heard and decided by a referee appointed pursuant to California Code of Civil Procedure Section 638 (or any successor provision thereto, if applicable), who shall hear and determine any and all of the issues in any such action or proceeding, whether of fact or law, and to report a statement of decision, subject to judicial review and enforcement as provided by California law, and in accordance with Chapter 6 (References and Trials by Referees), of Title 8 of Part 2 of the California Code of Civil Procedure, or any successor chapter. The referee shall be a retired judge of the California superior or appellate courts determined by agreement between the parties, provided that in the absence of such agreement either party may bring a motion pursuant to the said Section 638 for appointment of a referee before the appropriate judge of the Ventura Superior Court. The parties acknowledge that they forego any right to trial by jury in any judicial reference proceeding. Any counterpart or copy of this Agreement, filed with such Court upon such motion, shall conclusively establish the agreement of the parties to such appointment. The parties agree that the only proper venue for the submission of claims to judicial reference shall be the courts of general jurisdiction of the State of California located in Ventura County. The parties reserve the right to contest the referee's decision and to appeal

from any award or order of any court. The designated non-prevailing party in any dispute shall be required to fully compensate the referee for his or his services hereunder at the referee's then respective prevailing rates of compensation.

- b) Limitations. CONTRACTOR must comply with the claim procedures set forth in the Government Claims Act (Government Code Section 900, et. seq.) prior to filing any legal proceeding, including judicial reference, against GCHP. If no such Government Code claim is submitted, no action against GCHP may be filed. Notwithstanding anything to the contrary contained in this Agreement, any suit, judicial reference or other legal proceeding must be initiated within one (1) year after the date the facts giving rise to a dispute occurred or such dispute shall be deemed waived and forever barred; provided that, if a shorter time period is prescribed under the Government Claims Act, then, the shorter time period (if any) prescribed under the Government Claims Act shall apply.
- c) Cut-Off for Disputes Against GCHP. Within one hundred twenty (120) days of the expiration or termination of this Agreement or any Service Order under this Agreement, CONTRACTOR shall provide to GCHP formal written notice of any unresolved disputes CONTRACTOR has against GCHP relating to this Agreement or to the applicable Service Order. The formal written notice shall describe any unresolved dispute and identify the amount CONTRACTOR demands in satisfaction of the dispute, and it shall include any supporting documentation. CONTRACTOR's failure to submit timely notice shall constitute a waiver of all unresolved disputes against GCHP. To the extent a dispute arises after the time for providing notice, and CONTRACTOR could not have timely discovered the dispute, CONTRACTOR shall provide formal written notice within ten (10) days of discovery. Nothing herein shall modify CONTRACTOR's duty to comply with the Government Claims Act and subsection "b" above.

33. AUTHORITY

Each corporate entity executing this Agreement represents and warrants that all necessary corporate action has been taken, including the due adoption of a resolution by its board of directors, sufficient to enable such corporation to enter into this Agreement, to be bound thereby and to perform fully as required hereunder. Each person executing this Agreement on behalf of CONTRACTOR represents and warrants that he/she has been duly authorized to enter into this Agreement on behalf of said party.

34. OWNERSHIP OF INTELLECTUAL PROPERTY AND DATA

- a) Work Product. CONTRACTOR shall own all of its systems, software, and intellectual property developed prior to, during, and after the term of this Agreement.
- b) Data. Except for CONTRACTOR's systems, software, and intellectual property, the parties agree that GCHP shall own all data and other records and deliverables specific to GCHP that are created or maintained pursuant to this Agreement. Additionally, the parties agree that CONTRACTOR shall own all of its operating records, pharmacy records and data.

35. PUBLICITY

- a) Name and Mark. CONTRACTOR shall acquire no right under this Agreement to use, and shall not use, the name, service mark or design of GCHP in any advertising, publicity, promotion or other material disseminated by CONTRACTOR, or to express or imply any endorsement of CONTRACTOR or any of CONTRACTOR's products or services in any manner or for any purpose whatsoever, unless CONTRACTOR has first obtained the written permission of GCHP, which permission may be withheld by GCHP in its sole discretion. Additionally, GCHP shall not use promotional material referencing or referring to CONTRACTOR, without CONTRACTOR's consent; provided, however, that GCHP may publicize that CONTRACTOR provides PBM services to GCHP.
- b) Survival. The provisions of this Section shall survive termination or expiration of this Agreement.

36. RECRUITMENT

GCHP agrees not to hire, or attempt to hire, "Full-Time Employees" of CONTRACTOR (the term "Full-Time Employees" refers only to personnel who are employed on an ongoing basis, and does not include personnel who are only treated as CONTRACTOR employees while on a contracted assignment), without CONTRACTOR's prior written consent, during the term of this Agreement and during the six (6)-month period after the expiration or termination of the Service Order under which a CONTRACTOR's employee was performing Services. If CONTRACTOR grants such consent, then GCHP agrees to pay the CONTRACTOR a recruitment fee at a rate to be negotiated in good faith (but, in no event greater than 35%) based on the annualized starting base salary at GCHP of such former employee of CONTRACTOR.

37. FORCE MAJEURE

Neither of the parties shall be deemed to be in default of or to have breached any provision of this Agreement as a result of any delay, failure in performance or interruption of service resulting directly or indirectly from acts of God, acts of civil or military authorities, civil disturbances, wars, fires, transportation contingencies, laws, regulations, acts or orders of any government or agency or official thereof, or any other similar occurrences beyond such party's reasonable control. In every case, the delay or failure in performance or interruption of service must be without the fault or negligence of the party claiming excusable delay, and the party claiming excusable delay must promptly notify the other party of such delay. Performance time under this Agreement shall be considered extended for a period of time equivalent to the time lost because of any delay that is excusable, provided, however, that if any such delay continues for a period of more than sixty (60) days, the party not claiming excusable delay shall have the option of terminating this Agreement immediately upon written notice to the party claiming excusable delay.

38. NOTICES

- a) Any and all notices, demands, requests or other communications required or permitted by this Agreement or by law to be served on, given to or delivered to any party hereto by any other party to this Agreement shall be in writing and shall be deemed duly

served, given or delivered upon delivery by (1) facsimile transmission or other electronic means (if duplicated by any of the alternative notice methods that follow), (2) a national overnight courier service, fee prepaid (with proof of service), (3) hand delivery or (4) certified or registered mail (return receipt requested and first-class postage prepaid) and addressed as follows (or as later changed in a manner required by this section):

Gold Coast Health Plan
711 E. Daily Drive, Suite #106
Camarillo, CA 93010-6082

Attn: Anne Freese
Title: Director of Pharmacy
Email: afreese@goldchp.org

CONTRACTOR:
[NAME OF CONTRACTOR]
STREET ADDRESS
CITY, STATE ZIP
Attn: _____
Fax: (XXX)XXX-XXXX
Email: EMAIL ADDRESS]

- b) Any notice that is address and delivered in the manner herein provided shall be conclusively presumed to have been duly given to the party to which it is addressed at the close of business, local time of the recipient: (i) upon delivery if by hand, (ii) on the third day after the day it is so placed in the mail, (iii) the next business day following delivery national overnight courier service, (iv) the next business day following delivery by facsimile transmission or other electronic means (if confirmed by any of the methods above) or (v) upon the intended recipient's refusal to accept delivery. Any party may change their address for the purposes of this Agreement by giving notice of the change, in the manner required by this section, to the other party.

39. CONSTRUCTION OF LANGUAGE OF AGREEMENT; GOVERNING LAW; MODIFICATIONS; CAPTIONS; SEVERABILITY:

- a) This Agreement, and the rights and obligations of the parties, shall be governed and interpreted in accordance with the laws of the State of California and Federal laws and regulations as applicable. The parties agree that should legal or administrative proceedings arise as a result of this Agreement and performance under this Agreement that jurisdiction for venue shall be Ventura County, California. The captions or headings in this Agreement are for convenience only and in no other way define, limit or describe the scope or intent of any provision or section of the Agreement. Except for CONTRACTOR's proposals and submitted representations for obtaining this Agreement, this Agreement supersedes any other agreements, either oral or in writing, between the parties hereto with respect to the rendering or services, and contains all of the covenants and agreements between the parties with respect to said services. Any modifications of this Agreement will be effective only if it is in writing and signed by all parties.

b) CONTRACTOR also agrees to the following:

- i) If it is necessary to interpret this Agreement, all applicable laws may be used as aids in interpreting the Agreement. However, the parties agree that any such applicable laws shall not be interpreted to create contractual obligations upon GCHP, unless such applicable laws are expressly incorporated into this Agreement in some section other than this provision, Governing Law. This Agreement is the product of mutual negotiation, and if any ambiguities should arise in the interpretation of this Agreement, both parties shall be deemed authors of this Agreement.
- ii) Any provision of this Agreement that is in conflict with Current or future applicable Federal or State laws or regulations is hereby amended to conform to the provisions of those laws and regulations. Such amendment of the Agreement shall be effective on the effective date of the statutes or regulations necessitating it, and shall be binding on the parties even though such amendment may not have been reduced to writing and formally agreed upon and executed by the parties.
- iii) All Policy and All Plan Letters issued by DHCS subsequent to the effective date of this Agreement shall provide clarification of CONTRACTOR's obligations pursuant to this Agreement, and/or inform and provide clarification to CONTRACTOR regarding mandated changes in State or Federal law or regulations, or pursuant to judicial interpretation, but shall not add new obligations to the Agreement.
- iv) Unless the context of this Agreement clearly requires otherwise, (a) the plural and singular numbers shall each be deemed to include the other; (b) the masculine, feminine, and neuter genders shall each be deemed to include the others; (c) "shall," "will," "must," or "agrees" are mandatory, and "may" is permissive; (d) "or" is not exclusive; and (e) "includes" and "including" are not limiting.
- v) The provisions of this Agreement are severable. The invalidity or unenforceability of any one provision in the Agreement shall not affect the other provisions.

In concurrence and witness whereof, this Agreement has been executed by the parties effective on the date and year first above written.

Ventura County Medi-Cal Managed Care
Commission d.b.a. Gold Coast Health Plan

[CONTRACTOR]

Date: _____

Date: _____

Signature: _____

Signature: _____

Title: Chief Executive Officer

Title: _____

Exhibit A
SERVICE ORDER

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EXHIBIT B

to PROFESSIONAL SERVICES AGREEMENT

Change Order No. ___ for Service Order ___

Between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan, a California public entity established under the laws of the State of California, and (CONTRACTOR)

This Change Order No. **XXX** hereby modifies and is made an integral part of Service Order **XXX** between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan, a California public entity established under the laws of the State of California, (“GCHP”) and **(CONTRACTOR)**, (“CONTRACTOR”), which was issued under Professional Services Agreement dated **XXXX-XXXX** (“Agreement”) between GCHP and CONTRACTOR.

CHANGE ORDER

This is Change Order No. **XXX** to a Service Order issued by GCHP to CONTRACTOR under which CONTRACTOR is to provide GCHP with a **[Insert Project Name]** Solution (“Solution”). The following item(s) is/are hereby modified as follows:

[Note: Include only the sections of the Service Order that are being changed. Do not include sections not being modified. Changes should be clearly identified as “From” (copy/paste from current Service Order section) and “To” (fully describe the change(s) to the referenced section). Here is an example, using Service Order section 1.]

This Change Order No. **XXX** is issued pursuant to and, upon execution, shall become incorporated in the Service Order which is incorporated in the Agreement. In the event of conflict of terms, the Professional Services Agreement shall supersede all other agreements and terms.

The foregoing is the complete and final expression of the agreement between the parties to modify the Service Order and cannot be modified, except by a writing signed by duly authorized representatives of both parties hereto. ALL OTHER TERMS AND CONDITIONS OF THE REFERENCED SERVICE ORDER REMAIN UNCHANGED.

By signing below, the authorized parties agree to the terms of this Change Order No. **XXX**, effective (**INSERT EFFECTIVE DATE**).

Ventura County Medi-Cal Managed Care Commission d.b.a. Gold Coast Health Plan

(CONTRACTOR)

Date: _____

Date: _____

Signature: _____

Signature: _____

EXHIBIT C

REIMBURSABLE EXPENSE GUIDELINES

These REIMBURSABLE EXPENSE GUIDELINES (“Guidelines”) shall apply to certain expenses that CONTRACTOR may incur, pursuant to the agreement entered into by and between GCHP and CONTRACTOR dated as of **DATE 01**, 2015 entitled AGREEMENT FOR PROFESSIONAL SERVICES (“Agreement”). With respect to such expenses, when incurred by CONTRACTOR specifically for purposes of the Agreement, GCHP and CONTRACTOR hereby agree as follows:

1. GENERAL

1.1 When practical to do so, CONTRACTOR shall book all travel for the sole purpose of fulfilling on-site service obligations described in the GCHP Service Order. CONTRACTOR should communicate to GCHP’s Project Manager all associated travel costs prior to finalizing any/all travel arrangements. CONTRACTOR shall provide the travel service name and telephone number and agent assigned to CONTRACTOR by GCHP. Any airline ticket, car rental and hotel charges should be paid directly by CONTRACTOR, with available discounts applied.

1.2 For purposes of reimbursement hereunder, CONTRACTOR must submit original receipts to receive reimbursement of air travel expenses.

2. AIR TRAVEL

All personnel of CONTRACTOR (“Travelers”) will fly coach class. Original airline receipts are required for reimbursement in all cases.

3. HOTELS

3.1 Requests by Travelers for specific hotels will be honored only at the discretion of GCHP’s Project Manager and only if the rates of such hotels are the same as or lower than current industry averages.

3.2 Lodging expenses shall include the cost of a Traveler’s room plus applicable taxes, but shall not include room service, recreation, or any other direct charges to the room. (See Section 5 of the Guidelines for further discussion of these charges.)

4. AUTOMOBILE EXPENSE

4.1 Rental car charges shall be billed directly to each Traveler.

4.1.1 Reimbursement will cover no more than the cost of a mid-size rental car. **Limousine service is expressly prohibited.**

4.1.2 Additional insurance coverage, as provided in the rental car agreement, will not be reimbursed.

4.2 Mileage for travel in CONTRACTOR's vehicles or in Travelers' personal vehicles shall be reimbursed at the same per-mile rate in effect from time to time for reimbursement of mileage incurred by GCHP's own employees. Toll-road charges will be reimbursed only if incurred for office-to-office travel between CONTRACTOR's offices and GCHP's. Mileage and tolls should be supported by appropriate, contemporaneous logs of such charges maintained by Travelers.

5. MISCELLANEOUS TRAVEL EXPENSES

5.1 Original receipts must be submitted for expenses including the following: meals; taxi and hotel shuttle fares; parking; and other costs for which receipts can be typically obtained. Expenses such as tips (for which receipts are usually not provided) should be reasonable for the services provided and supported by a personal log or other contemporaneous record kept by the Traveler.

5.1.1 Travelers' expense reports submitted as documentation for reimbursement are to be signed by appropriate management personnel of CONTRACTOR and are to include copies of applicable receipts as supporting documentation.

5.1.2 Documentation of each business meal should include the names of all Individuals for whom the meal was ordered, the date of the meal, the business purpose, the relationships between or among the individuals, and a summary of the business discussion.

5.2 A per diem allowance is offered for meals, tips, and incidentals, when agreed to in advance in writing by GCHP Management, shall be in lieu of any other reimbursement for such expenses and shall not exceed the maximum per traveler rates established by the U.S. General Services Administration: <http://www.gsa.gov/portal/category/100120>

6. OTHER EXPENSES

If incurred by CONTRACTOR exclusively for purposes of the Agreement, other costs (such as for document reproduction, computer time, air freight, postage telephone, and facsimile) will be reimbursed by GCHP only upon submission in advance of documentation satisfactory to GCHP. Such documentation may include office logs that identify specific costs with specific services performed by CONTRACTOR under the Agreement.

7. SUBCONTRACTORS

If CONTRACTOR contracts with a third party ("Subcontractor") for purposes of performing CONTRACTOR's obligations under the Agreement, these Guidelines shall apply to travel expenses incurred by a Subcontractor and which CONTRACTOR is obligated to reimburse to the Subcontractor. GCHP shall not be responsible to pay CONTRACTOR any amount in excess of CONTRACTOR's actual cost of reimbursing a Subcontractor, or the maximum amount permitted by these Guidelines, whichever is less. In no event shall GCHP pay CONTRACTOR any percentage, fee, administrative

charge or other mark-up.

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EXHIBIT D

BUSINESS ASSOCIATE AGREEMENT

This BUSINESS ASSOCIATE AGREEMENT ("Agreement") is entered into effective the ___ day of _____, 2016 by and between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan ("GCHP") and _____, a _____ (insert where located and type of entity corporation LLC, i.e. California corporation) ("Business Associate").

RECITALS

A. GCHP is a Covered Entity as defined under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and is therefore subject to HIPAA and its implementing regulations, including the Standards for Privacy of Individually Identifiable Health Information (the "Privacy Rule") and the Security Standards for the Protection of Electronic Protected Health Information (the "Security Rule"), and Subtitle D of the Health Information Technology for Economic and Clinical Health Act ("HITECH") enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and HITECH Omnibus Rule, 78 Fed. Reg. 5,566 (Jan. 25, 2013) (collectively, HIPAA, the Privacy Rule, Security Rule, HITECH and HITECH Omnibus Rule shall be referred to herein as the "HIPAA Rules and Regulations").

B. Protected Health Information received from GCHP or created or received by Business Associate on behalf of GCHP ("PHI") may be needed for Business Associate to perform the <TYPE OF SERVICES TO BE PROVIDED> services (the "Services") requested by GCHP and described in any underlying agreement between the parties (the "Underlying Agreement").

C. To the extent Business Associate needs to access PHI to perform the Services, it will be acting as a Business Associate of GCHP and will be subject to certain provisions of the HIPAA Rules and Regulations.

D. To the extent the Underlying Agreement is a subcontract of a California Department of Health Care Services contract ("DHCS Subcontract"), Business Associate will be subject to certain California Department of Health Care Services ("DHCS") information privacy and security requirements.

E. GCHP and Business Associate wish to set forth their understandings with regard to the use and disclosure of PHI by Business Associate so as to comply with the HIPAA Rules and Regulations and GCHP's contract with DHCS.

AGREEMENTS

For valuable consideration received and the above referenced Recitals which are incorporated herein as if set forth in full and the mutual conditions, terms and promises set forth in these Agreements below, the parties agree as follows:

1. Defined Terms. Capitalized terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in the HIPAA Rules and Regulations:

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Breach, Data Aggregation, Designated Record Set, Disclosure, Health Care Operations, Individual, Minimum Necessary, Notice of Privacy Practices, Protected Health Information, Required by Law, Secretary of Health & Human Services, Security Incident, Subcontractor, Unsecured Protected Health Information, and Use.

Specific Definitions:

- (a) Business Associate. “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 Business Associate.
- (b) Covered Entity. “Covered Entity” shall generally have the same meaning as the term “covered entity” at 45 CFR 160.103, and in reference to the party to this agreement, shall mean GCHP.
- (c) HIPAA Rules and Regulations. “HIPAA Rules and Regulations” shall mean the Privacy, Security, Breach Notification, and Enforcement Rules and Regulations at 45 CFR Part 160 and 164.
- (d) Member. “Member” shall mean an Individual who is enrolled in the Gold Coast Health Plan.

2. Business Associate’s Obligations and Permitted Activities.

Business Associate agrees to the following:

- (a) That this Agreement shall apply to all agreements between and among GCHP and Business Associate;
- (b) That Business Associate shall not use or disclose PHI other than:
 - (i) as permitted to perform the Services set forth in this Agreement or the Underlying Agreement; or
 - (ii) for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate. Business Associate may disclose PHI for Business Associate’s proper management and administration or to carry out Business Associate’s legal responsibilities only if the disclosure is required by law, or Business Associate obtains reasonable assurances from the person or organization to whom the information is disclosed that it will remain confidential and used or further disclosed only as required by law or for the purpose for which it was disclosed to the person or organization, and the person or organization notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.
- (c) That Business Associate shall use appropriate safeguards, and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI, to prevent use or disclosure of PHI other than as provided for by this Agreement and the Underlying Agreement and shall develop, implement, maintain, and use appropriate administrative procedures, and physical and technical safeguards, to preserve and protect the confidentiality, integrity and availability of electronic PHI;
- (d) Without any reasonable delay, and in any event no more than forty-eight (48) hours, Business Associate shall report to and notify GCHP of any Breach of unsecured PHI upon discovery of such Breach, as required by 45 CFR 164.410. Under 45 CFR 164.410, a Breach is deemed to be discovered by a business associate “as of the first

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day on which such breach is known to the business associate or, by exercising reasonable diligence, would have been known to the business associate”;

(e) For any Breach of Unsecured PHI, as defined in 45 CFR 164.402, following the initial notification of any such Breach, Business Associate shall provide a report to GCHP, within five (5) business days of the discovery of the Breach, that includes, to the extent possible: (1) a brief description of what happened, including the date of occurrence and the date of the discovery by Business Associate; (2) a description of the PHI affected, including the names of any Individuals whose PHI has been or is reasonably believed to have been accessed, acquired or disclosed and the types of PHI involved (such as full name, social security number, date of birth, home address, account numbers, etc.); and (3) a brief description of what Business Associate has done to investigate the Breach, to mitigate harm to Individuals, and to protect against any further Breaches. Further, Business Associate shall provide to GCHP any other available information GCHP is required to include in its notification to affected Individual(s);

(f) Business Associate will report to GCHP any Security Incident relating to electronic PHI, not more than twenty four (24) hours after Business Associate’s discovery of such security incident, including any attempted or successful (A) unauthorized access, use, disclosure, modification, or destruction of GCHP’s electronic PHI or (B) interference with Business Associate’s system operations in Business Associate’s information systems, of which Business Associate becomes aware that extend beyond routine, unsuccessful attempts. Routine, unsuccessful attempts include but are not limited to pings on Business Associate’s firewall, port scans, attempts to log on to Business Associate’s system to enter a database with an invalid password or username, denial-of-service attacks that do not result in a server being taken off-line and malware (e.g., worms, viruses). Examples of reportable security incidents include, but are not limited to: (i) the exposure of Business Associate’s information systems to malicious code, such as a virus or worm, that places electronic PHI at risk; (ii) unauthorized access granted to or obtained by servers or workstations that contain electronic PHI; (iii) Business Associate becomes aware that electronic PHI is being used, copied, or destroyed inappropriately; and (iv) Business Associate experiences a “denial of service” attack or the compromise of a server or workstation containing electronic PHI that requires the server or workstation to be taken offline;

(g) Business Associate agrees to ensure that any of its agents or subcontractors that create, receive, maintain, or transmit GCHP’s PHI of GCHP, agree to the restrictions, conditions, and requirements at least as restrictive as those that apply to Business Associate through this Agreement and the Underlying Agreement with respect to such PHI;

(h) Business Associate shall make its internal policies, procedures and records relating to the use and disclosure of PHI reasonably available to the Secretary of Health and Human Services or to GCHP if necessary or required to assess Business Associate’s, its subcontractors, or the GCHP’s compliance with the HIPAA Rules and Regulations;

(i) Business Associate shall, within ten (10) business days of a request by GCHP, make available PHI in a Designated Record Set on behalf of GCHP as necessary to satisfy GCHP’s obligations under 45 CFR 154.524;

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(j) Business Associate shall, within ten (10) business days of a request by GCHP, make any amendments to such PHI in a Designated Record Set as directed or agreed to by GCHP pursuant to 45 CFR 164.526, or take other measures as necessary to satisfy GCHP obligations under 45 CFR 164.526;

(k) Business Associate shall maintain and make available to GCHP the information required to provide an accounting of disclosures as necessary to satisfy GCHP's obligations under 45 CFR 164.528, including recording for each required accounting: (i) the disclosure date, (ii) the name and (if known) address of the person or entity to whom Business Associate made the disclosure, (iii) a brief description of the PHI disclosed, and (iv) a brief statement of the purpose of the disclosure; and Business Associate must have available for GCHP such disclosure information for the six (6) years preceding GCHP's request for the disclosure information (except Business Associate need have no disclosure information for disclosures occurring before the Effective Date of this Agreement);

(l) To the extent Business Associate is to carry one or more of GCHP's obligations under Subpart E of 45 CFR 164, Business Associate shall comply with the requirements of Subpart E that apply to the covered entity in the performance of such obligations under this Agreement or the Underlying Agreement.

3. DHCS Contract Requirements. To the extent the Underlying Agreement is a subcontract of a DCHS Contract, Business Associate agrees to the following:

(a) General Security Controls.

i. Confidentiality Statement. All Business Associate workforce members shall sign a confidentiality statement supplied by Business Associate. The statement shall include, at a minimum, general use, security and privacy safeguards, unacceptable use, and enforcement policies. The statement shall be signed by the workforce member prior to access of PHI. The statement shall be renewed annually.

ii. Background check. Before a member of the Business Associate's workforce may access PHI, Business Associate shall conduct a thorough background check of that worker and evaluate the results to assure that there is no indication that the worker may present a risk for theft of confidential data.

iii. Workstation/Laptop/Remote Access encryption. All processes that provide remote access to PHI, and all workstations and laptops that process and/or store PHI shall be encrypted in accordance with the U.S. Department of Health and Human Services (DHHS), Guidance to Render Unsecured Protected Health Information Unusable, Unreadable, or Indecipherable to Unauthorized Individuals, or any superseding guidance issued by DHHS. Such guidance may be found at: <http://www.hhs.gov/ocr/privacy/hipaa/administrative/breachnotificationrule/brguidance.html>. The internet link provided above is provided for the convenience of the parties and is subject to change. All remote access must be limited to the minimum necessary and least privilege principles.

iv. Business Associate shall download only the minimum necessary amount of PHI to a laptop or hard drive, and shall do so only when absolutely necessary for business purposes.

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v. Removable media devices. All electronic files that contain PHI must be encrypted by Business Associate when stored on any removable media type device (e.g., USB thumb drives, floppies, CD/DVD, etc.).

vi. Email security. All emails that include PHI shall be sent by Business Associate in an encrypted method using encryption processes for data in motion complying, as applicable, with National Institute of Standards and Technology (NIST) Special Publications 800-52, Guidelines for the Selection and Use of Transport Layer Security (TLS) Implementations; 800-77, Guide to IPsec VPNs; or 800-113, Guide to SSL VPNs, or other encryption processes which are Federal Information Processing Standards (FIPS) 140-2 validated.

vii. Antivirus software. Business Associate shall install a commercial third-party anti-virus software solution with a minimum daily automatic update on all workstations, laptops and other systems that process and/or store PHI.

viii. Patch Management. Business Associate shall have security patches applied and up-to-date on all workstations, laptops and other systems that process and/or store PHI.

ix. User IDs and Password Controls. All of Business Associate's users of electronic PHI must be issued a unique user name for accessing electronic PHI. Passwords shall: (1) not to be shared, (2) be at least eight characters, (3) not be stored in readable format on the computer, (4) be changed every 60 days, (5) be changed if revealed or compromised, and (6) be composed of characters from at least three of the following four groups from the standard keyboard: upper case letters, lower case letter, Arabic numerals or non-alphanumeric characters (punctuation symbols).

x. Data Destruction. Except as otherwise provided in subsection 5(c)(ii) below, all PHI shall be returned or destroyed using Department of Defense standard methods for data destruction when the PHI is no longer needed.

(b) System Security Controls.

i. System Timeout. Business Associate's workstations with access to PHI shall provide an automatic timeout after no more than 20 minutes of inactivity.

ii. Warning Banners. Business Associate systems processing or maintaining PHI shall display a warning banner stating that data is confidential, system access is logged, and system use is for business purposes only. Users shall be directed to log off the system if they do not agree with these requirements.

iii. System Logging. Business Associate systems maintaining or processing PHI shall log success and failures of user authentication at all layers. Such systems shall log all system administrator/developer access and changes, and shall log all user transactions at the database layer if such database maintains or processes PHI.

iv. Access Controls. Business Associate systems maintaining or processing PHI shall use role based access controls for all user authentication, applying the principle of least privilege.

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v. Transmission Encryption. All Business Associate transmissions of electronic PHI shall be encrypted end-to-end using encryption processes conforming with those specified in Section 3(a)(vi) of this Agreement.

vi. Host Based Intrusion Detection. All Business Associate systems maintaining or processing PHI that are accessible via the Internet shall use a comprehensive third-party real-time host based intrusion detection and prevention program.

(c) Audit Controls.

i. System Security Review. All Business Associate systems maintaining or processing PHI shall have at least an annual system security review. Reviews shall include administrative and technical vulnerability scanning tools.

ii. Log Reviews. All Business Associate systems maintaining or processing PHI shall apply a routine procedure to review system logs for unauthorized access. Log records of each access occurrence shall be maintained for six years.

iii. Change Control. All Business Associate systems maintaining or processing PHI shall have a documented change control procedure that ensures separation of duties and protects the confidentiality, integrity and availability of data.

(d) Business Continuity / Disaster Recovery Controls.

i. Emergency Mode Operation Plan. Business Associate shall establish a written plan to enable continuation of critical business processes and protection of the security of electronic PHI in the event of an emergency.

ii. Data Backup Plan. Business Associate shall have established written procedures to backup data to maintain retrievable copies electronic PHI maintained by Business Associate. The plan shall include a regular schedule for making backups, storing backups offsite, an inventory of backup media, and the amount of time to restore data should it be lost. At a minimum, the schedule must be a weekly full backup and monthly offsite storage of data.

(e) Paper Document Controls.

i. Supervision of Data. Business Associate shall have a policy that:

1) PHI in paper form shall not be left unattended at any time, unless it is locked in a file cabinet, file room, desk or office. Unattended means that information is not being observed by an employee authorized to access the information.

2) PHI in paper form shall not be left unattended at any time in vehicles or planes and shall not be checked in baggage on commercial airplanes.

ii. Escorting Visitors. Business Associate shall escort visitors in areas where PHI is contained. PHI shall be kept out of sight while visitors are in the area, unless the visitors are authorized to view the PHI.

iii. Confidential Destruction. PHI in paper form, when disposed of by Business Associate, shall be disposed of through confidential means, such as shredding and pulverizing.

iv. Removal of Data. PHI shall not be removed by Business Associate from Business Associate's premises except for necessary business purposes.

v. Faxing. Faxes containing PHI shall not be left unattended by Business Associate and fax machines shall be in secure areas. Faxes shall contain a confidentiality statement notifying persons receiving faxes in error to destroy them. Fax numbers shall be verified by Business Associate before sending faxes.

vi. Mailing. PHI shall only be mailed by Business Associate using secure methods. Large volume mailings of PHI shall be by a secure, bonded courier with signature required on receipt. Disks and other transportable media sent through the mail must be encrypted.

(f) Member Contact Information. Business Associate shall document and provide to GCHP a list of third parties to which Business Associate discloses Members' names and contact information. This list of third parties shall be provided within thirty (30) calendar days of the execution of this Agreement and annually thereafter and as otherwise requested by GCHP.

4. GCHP's Obligations.

(a) GCHP shall not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Privacy Rule or the Security Rule if done by GCHP.

(b) GCHP shall make reasonable efforts not to provide Business Associate with more PHI than that which is minimally necessary for Business Associate to provide the Services.

(c) GCHP shall notify Business Associate of any change in, or the withdrawal of, the consent or authorization of an Individual regarding the use or disclosure of PHI to the extent that such change or withdrawal may affect Business Associate's use or disclosure of PHI.

5. Term and Termination.

(a) Term. This Agreement shall be effective as of the date first written above, and shall terminate when all PHI is destroyed or returned to GCHP. If Business Associate determines, in accordance with subsection 5(c)(ii) below, that it is infeasible to return or destroy PHI, the protections of this Agreement with respect to such PHI shall remain in effect until such PHI is returned or destroyed.

(b) Termination. Upon a party's knowledge of a material breach by the other party, the non-breaching party shall either:

(i) Provide an opportunity for the breaching party to cure the breach or end the violation within a period of time specified by the non-breaching party, with the

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understanding that if the breaching party does not cure or end the violation in the specified period of time, the non-breaching party may terminate the Agreement; or

(ii) Immediately terminate this Agreement if the breaching party has breached a material term of this Agreement and cure is not possible.

(c) Effect of Termination.

(i) Except as otherwise provided in subsection 5(c)(ii) below, within 30 days of termination of this Agreement for any reason, Business Associate shall return or destroy all PHI. This provision shall also apply to PHI that is in the possession of subcontractors or agents of Business Associate.

(ii) If the parties determine upon reasonable consultation that returning or destroying any or all PHI is infeasible, the protections of this Agreement shall continue to apply to such PHI, and Business Associate shall limit further uses and disclosures of PHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such PHI. GCHP hereby acknowledges and agrees that infeasibility includes Business Associate's need to retain PHI for purposes of complying with its work product documentation standards and Business Associate shall:

- A. Retain only that PHI which is necessary for Business Associate to continue its proper management and administration or carry out its legal responsibilities;
- B. Return to GCHP the remaining PHI that Business Associate still maintains in any form;
- C. Continue to use appropriate safeguards and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI 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;
- D. Not use or disclose 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 subsection (h) and (i) of Section 2, above, which applied prior to termination; and
- E. Return to GCHP, if not destroyed, the PHI retained by Business Associate when it is no longer needed by Business Associate for its proper management and administration or to carry out its legal responsibilities.

(d) Survival. The obligations of Business Associate under this Section shall survive the termination of this Agreement.

6. Indemnification. Business Associate shall indemnify, defend, and hold harmless the GCHP and its officers, agents, contractors, and employees from any third party claims, damages, costs, losses, lawsuits, liabilities, or expenses (including but not limited to legal fees and costs in enforcing this indemnity) arising out of or resulting from the performance of this Agreement, or the breach of any provision of this Agreement by Business Associate or any of its officers, agents, contractors, or employees. In the event that any third party Claim is brought, GCHP shall tender its defense to CONTRACTOR, in which case

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CONTRACTOR will provide qualified attorneys, consultants, and other appropriate professionals to represent GCHP's interests at CONTRACTOR's expense. CONTRACTOR agrees that any settlement, compromise or resolution CONTRACTOR enters into arising as a result of the Claims will not include any admission of wrongdoing by GCHP. GCHP shall have the right to participate in the defense and settlement of the claim at GCHP's cost and expense.

7. Miscellaneous.

(a) Regulatory References. A reference in this Agreement to a section in the HIPAA Rules and Regulations means the section as in effect or as amended, and for which compliance is required.

(b) Amendment. Upon the effective date of any final regulation or amendment to the HIPAA Regulations, this Agreement shall be deemed automatically amended so that the obligations it imposes on the parties remain in compliance with such regulations. Following amendment of the Agreement in this manner, the parties shall, as necessary, work together to clarify their respective obligations with respect to any new requirements under the modified HIPAA Regulations.

(c) Notice. Any notice, report or other communication to GCHP by Business Associate required or permitted in this Agreement shall be in writing and shall be deemed to have been given on the day of service if served personally or by facsimile transmission with confirmation, or three (3) days after mailing if mailed by registered or certified mail, or two (2) days after delivery by a nationally recognized overnight courier, to the GCHP Compliance Officer at the address noted below or to such other person or address as GCHP may designate in writing from time to time:

Gold Coast Health Plan
711 E. Daily Drive, Suite #106
Camarillo, CA 93010-6082

Fax: (805) 437-5132

(d) Independent Contractors. Business Associate and GCHP are independent contractors and this Agreement will not establish any relationship of partnership, joint venture, employment, franchise or agency between Business Associate and GCHP. Neither Business Associate nor GCHP will have the power to bind the other or incur obligations on the other party's behalf without the other party's prior written consent, except as otherwise expressly provided in this Agreement.

(e) Conflicts. In the event that any terms of this Agreement are inconsistent with the terms of the Underlying Agreement, then the terms of this Agreement shall control.

(f) Entire Agreement. This Agreement shall constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, oral or written, and all other communications between the parties hereto relating to such subject matter.

(g) Governing Law and Venue. The governing law and venue for disputes arising under this Agreement shall be the same as set forth in the Underlying Agreement.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

Ventura County Medi-Cal Managed Care
Commission d.b.a. Gold Coast Health Plan

[BUSINESS ASSOCIATE]

Date: _____

Date: _____

Signature: _____

Signature: _____

Title: Chief Executive Officer

Title: _____

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EXHIBIT A

SERVICE ORDER

THIS SERVICE ORDER NO. 01 ("Service Order") is made as of _____, 2016 ("Service Order Effective Date"), by and between Ventura County Medi-Cal Managed Care Commission doing business as GCHP Health Plan, a California public entity established under the laws of the State of California (hereinafter "GCHP"), and _____, a **[type of entity]** ("CONTRACTOR"). The parties entered into Agreement For Professional Services dated as of _____, 2016 ("Agreement"). The terms and conditions of the Agreement are incorporated into this Service Order by this reference thereto. If there is a conflict between a specific term in this Service Order and the terms of the Agreement, the specific term of the Agreement shall control.

1. **DEFINITIONS**

- 1.1 "***AWP***" means the average wholesale price, as reflected on the Pricing Source, of a Prescription Drug or other pharmaceutical products or supplies based on the NDC of the Drug dispensed. Contractor will rely on the Pricing Source as updated by Contractor no less frequently than every seven (7) days to determine AWP for purposes of establishing the pricing provided to GCHP under this Service Order.
- 1.2 "***Benefit Plan***" means the Medi-Cal managed care benefit plan sponsored by GCHP that includes the prescription drug benefit for Medi-Cal Members as reflected, under which GCHP is obligated to provide Covered Prescription Services, and such other benefit plans as determined by GCHP.
- 1.3 "***Brand Drug***" means a single-source or multi-source Prescription Drug that (1) is designated as a "Brand Drug" based upon indicators included in Medi-Span with a multisource indicator of "M", "N" or "O", and (2) has received its marketing approval from the FDA under a New Drug Application (NDA) or a Biological License Application (BLA), and (3) cannot be identified as a Generic Drug under the terms of this Agreement. All three of the above factors must apply for the Prescription Drug to be considered a Brand Drug.
- 1.4 "***Clean Claim***" means a Prescription Claim prepared in accordance with the NCPDP-promulgated standard format that contains all information necessary for processing for a Prescription Claim and submitted for payment no later than thirty (30) days after the date of service, or a longer period of time if required by law.
- 1.5 "***Clinical Documentation Form***" means the document describing the clinical services elected by GCHP to be provided by Contractor as mutually agreed in writing to by the Parties.
- 1.6 "***Compound Prescription Drug***" means a Prescription Drug that is prepared by a pharmacist who mixes or adjusts one or more Prescription Drugs which are not already available in a commercially made product to customize a medication to meet a Member's individual medical needs. GCHP's payment to Contractor for providing a Compound Prescription Drug to a Member will include the Network

Pharmacy contracted rate for each Prescription Drug included in the medication and one contracted dispensing fee minus any Cost-Sharing amount.

- 1.7 “**Cost-Sharing Amount**” means the coinsurance, copay, deductible or other cost sharing amount, either a specified dollar amount or a percentage of eligible expenses, that a pharmacy may collect from a Member for Covered Prescription Services in accordance with the Member’s Benefit Plan.
- 1.8 “**Covered Prescription Services**” means Prescription Drugs or other pharmaceutical products, services or supplies dispensed by a pharmacy to a Member for which coverage is provided in accordance with the Member’s Benefit Plan.
- 1.9 “**DHCS**” means the State of California Department of Health Care Services.
- 1.10 “**Drug Manufacturer**” means an entity that manufactures, sells, markets or distributes Prescription Drugs and operates under FDA approval.
- 1.11 “**FDA**” means United States Food and Drug Administration.
- 1.12 “**Formulary**” means the list of Prescription Drugs covered by the applicable Benefit Plan as developed and adopted by GCHP for use with the Benefit Plans. The Formulary will be made available to physicians, pharmacies and other healthcare persons or entities to guide the prescribing, dispensing, sale and coverage of Covered Prescription Services.
- 1.13 “**Generic Drug**” means 1) Prescription Drugs that are approved or brought to market under an ANDA, 2) Prescription Drugs that are brought to market under an NDA but listed as “authorized generics” in the FDA NDC Directory, or 3) Prescription Drugs identified as a generic drug in the Medi-Span drug database with a multisource code “Y – considered generic multiple sources.” A Generic Drug does not need to meet all three definitions. If any of the above three definitions apply, then the Prescription Drug shall be considered a Generic Drug.
- 1.14 “**Governmental Authority**” means the Federal government, any state, county, municipal or local government or any governmental department, political subdivision, agency, bureau, commission, authority, body or instrumentality or court that regulates the applicable party’s activities or operations.
- 1.15 “**MAC**” means the maximum allowable cost of a Prescription Drug as specified on a list established by Contractor. Contractor will employ a single universal MAC list for each Network Pharmacy may have multiple MAC lists, each of which is subject to Contractor’s periodic review and modification in its sole discretion. GCHP will have access to any MAC list at all times and shall be given no less than thirty (30) days’ prior notice of any material changes to the MAC list(s).
- 1.16 “**Mail Order Pharmacy**” means a facility that is duly licensed to operate as a pharmacy at its location and to dispense Prescription Drugs via postal or

commercial courier delivery to individuals, including Members. Mail Order Pharmacy includes pharmacies that Contractor owns or operates.

- 1.17 **“Medi-Cal Agreement”** means the agreement entered into by and between GCHP and DHCS under which GCHP has agreed to arrange for or provide health benefits under the Medi-Cal Managed Care Program to Medi-Cal beneficiaries who may enroll in GCHP’s Medi-Cal Managed Care Program. The required elements of this Service Order will, among other things, conform to the Medi-Cal Agreement.
- 1.18 **“Member”** means an eligible individual legitimately enrolled in a Benefit Plan.
- 1.19 **“NCPDP”** means the National Counsel for Prescription Drug Programs.
- 1.20 **“NDC”** means the National Drug Code that is the identifying Prescription Drug number maintained by the FDA.
- 1.21 **“Network Pharmacy”** means a retail pharmacy, Mail Order Pharmacy, Specialty Pharmacy or other facility that is duly licensed to operate as a pharmacy at its location and to dispense Prescription Drugs to individuals, including Members, and for third-party pharmacies, have entered into a Network Pharmacy Agreement. Contractor, when acting solely in its capacity as a Mail Order Pharmacy or Specialty Pharmacy, is a Network Pharmacy of GCHP.
- 1.22 **“Network Pharmacy Agreement”** means the Agreement between a Network Pharmacy and Contractor or GCHP to provide Covered Prescription Services.
- 1.23 **“Paid Claim”** means a Prescription Drug claim that is approved for payment during Contractor’s semi-monthly billing cycle or is a reversal during this semi-monthly billing cycle of a Prescription Drug Claim that was approved for payment during a prior semi-monthly billing cycle. A rejected or denied claim or a claim approved for payment and reversed during the same semi-monthly billing cycle is not a Paid Claim.
- 1.24 **“Pharmacy and Therapeutics Committee”** means the committee formed by GCHP that reviews a legend drug for inclusion on the Formulary and creates criteria, policies and procedure for such inclusion including, but not limited to, clinically-appropriate quantity restrictions, step therapies and prior authorizations.
- 1.25 **“PHI”** means any information Contractor receives or provides on behalf of the Plan that is considered Protected Health Information, as defined in the privacy regulations of the Health Insurance Portability and Accountability Act of 1996.
- 1.26 **“Plan Specifications”** means GCHP’s requirements for its prescription drug benefit plan that Contractor utilizes to carry out its obligations under this Service Order as reflected in Contractor’s Plan design document and approved in writing by both parties, including written Benefit Plan descriptions, Member eligibility and identification requirements, benefit definitions, Formulary, Pharmacy Network, utilization management programs, applicable Cost-Sharing Amounts, number of days’ supply for acute and maintenance medications, dispensing and other limitations, manuals and other Benefit Plan or Member information.

- 1.27 “**Prescription Claim**” means a single request for payment for, or a bill or invoice relating to, a Covered Prescription Service that a Network Pharmacy, other health care provider or Member submits, whether the request, bill or invoice is paid or denied.
- 1.28 “**Prescription Drug**” means a Generic Drug or Brand Drug that is approved by the FDA and required under law to be dispensed only as authorized by a written or oral order to dispense a Prescription Drug by an appropriately licensed and qualified health care professional in accordance with law.
- 1.29 “**Pricing Source**” means the Medi-Span Prescription Pricing Guide (with supplements) or another nationally recognized pricing source determined by Contractor and agreed upon in writing by GCHP.
- 1.30 “**Rebate**” means any and all funds/payments/revenue received by Contractor from any and all third party sources (e.g., manufacturers (brand or generic), wholesalers, pharmacies, etc.) associated with the Prescription Drug utilization of GCHP and its Members. A Rebate does not include any discount, price concession or other direct or indirect remuneration Contractor receives for direct purchase of a Prescription Drug.
- 1.31 “**Service Fees**” means those fees and charges set forth in Schedule A-2 Service Fees and Charges, attached hereto.
- 1.32 “**Specialty Drugs**” means the Prescription Drugs including: (a) biotechnology drugs; (b) orphan drugs used to treat rare diseases; (c) typically high-cost drugs; (d) drugs administered by oral or injectable routes, including infusions in any outpatient setting; (e) drugs requiring on-going frequent patient management or monitoring; or (f) drugs that require specialized coordination, handling and distribution services for appropriate medication administration. For means of pricing, Specialty Drugs will be Prescription Drugs maintained on the Specialty Drug price list that are mutually agreed upon in writing by the parties and periodically updated throughout the life of the Service Order.
- 1.33 “**Specialty Pharmacy**” means a facility that is duly licensed to operate as a pharmacy at its location and to dispense Specialty Drugs to individuals, including Members. Specialty Pharmacy includes pharmacies that Contractor owns or operates.
- 1.34 “**Usual and Customary Charge**” or “**U&C**” means the price, including all applicable customer discounts, such as special customer, senior citizen and frequent shopper discounts, that a cash paying customer pays a pharmacy for Prescription Drugs.

2. **SCOPE OF WORK**

2.1 **Administrative Support**

- 2.1.1 Services. Contractor agrees to use reasonable care and diligence in the performance of its duties under this Service Order and will provide administrative, management, consultative, claims processing and other

general pharmacy benefit management support services to GCHP in conjunction with administration and operation of the Benefit Plans as set forth in this Service Order ("Services"). Contractor shall perform all functions necessary to administer and operate the Benefit Plan. Contractor will administer and support the Benefit Plans in accordance with the most current Plan Specifications that GCHP has provided to Contractor as required by this Service Order. Contractor will collaborate with GCHP to assist GCHP in ensuring that such Plan Specifications meet the requirements to operate the Benefit Plan in accordance with applicable law and the Medi-Cal Agreement. The parties anticipate that Contractor will commence the provision of Covered Prescription Services to Members on or about **April 1, 2017 or July 1, 2017** (the "Implementation Date").

2.1.1.1 Services will include, but are not limited to:

- Provider Network Management
- Information Processing System
- Claims Adjudication
- Clinical Services
- Decision Support and Management Reporting System
- Prior Authorizations
- Financial Management
- Fraud, Waste and Abuse
- Quality Assurance
- Dedicated Account Management
- Pharmacy Auditing Services
- Rebate Management
- Medicaid
- Pharmacy Call Center
- 340B
- Member Services
- Reporting
- Mail order Pharmacy
- Specialty Pharmacy
- Infusion Services
- Drug Utilization Management

2.1.2 Account Management. Contractor shall provide GCHP account management services, including an account manager who shall, among other things, oversee Contractor's provision of Services under this Service Order and serve as GCHP's day-to-day contact. Such account manager and all account management personnel shall be trained, experienced account service resources to serve as liaison between GCHP and Contractor for the purpose of facilitating operational activities, resolving issues, and providing consultative support. Account management support includes scheduling conference calls to monitor and discuss outstanding priorities. Account management staff will act as the primary contact to GCHP after the implementation process is completed. Contractor's account management team will be available during normal business hours in the Pacific Time Zone, 8 am to 5 pm Monday to Friday.

Contractor will assign to GCHP an account manager acceptable to GCHP, and GCHP will have prior approval of any such manager assigned to it. The parties will meet and confer should GCHP determine and request that a change in any such manager's assignment to GCHP should be made, so that Contractor may review and accommodate such request.

- 2.1.3 Member Customer Service. Member customer service provides Members with information regarding pharmacy locations, eligibility, drug coverage, Copayment, prior authorization requirements, Benefit Plan guidelines, appeals process, direct member reimbursement instructions, benefit status, claims submission and status, claims payment and general information regarding their prescription benefit plan. Member customer service is a toll-free phone line available 24 hours a day, 7 days a week, 365 days a year. Contractor's call center is and will be located in the United States during the term of this Service Order. Contractor will be able to support all Department of Health Care Services mandated threshold languages in written materials.
- 2.1.4 On-Line Member Services. Contractor will provide Members with access to a Member portal that will provide them with resources and tools to assist in understanding their pharmacy benefit, manage their medications and make informed decisions about their health. Key services available to Members through the Member portal include the following:
 - 2.1.4.1 View real-time benefits, including coverage amounts, copayments, plan and Member payment amounts, deductibles, and drug spend.
 - 2.1.4.2 Access detailed claims history.
 - 2.1.4.3 Search the drug information tool to learn about appropriate dosage guidelines, possible side effects and other general information about specific medications.
 - 2.1.4.4 Use the formulary look-up tool to confirm coverage of specific medications by Benefit Plan.
 - 2.1.4.5 Locate nearby pharmacies using the pharmacy locator tool.
 - 2.1.4.6 Access an extensive library of educational materials.
 - 2.1.4.7 Designate a head of household to view benefit information for multiple family members through a single profile.
 - 2.1.4.8 Submit requests for new, refill and transfer home delivery pharmacy prescriptions.
 - 2.1.4.9 Review customized medication reminders.

2.1.4.10 Conduct drug cost comparisons and search for alternatives through our Drug Pricing and Alternatives tool, including: drug pricing specific to the member's benefit, deductible status, and pharmacy selected, lower cost alternative drugs, plan pay and member savings amount.

2.1.5 Implementation Support. Contractor shall provide GCHP implementation services, including an implementation project manager who shall, among other things, lead Contractor's implementation team and facilitate the successful implementation of all aspects of Contractor's provision of Services under this Service Order. Such implementation project manager and all implementation support personnel shall be trained, experienced project management resources to serve as liaison between GCHP and Contractor and to manage the implementation process. A Contractor implementation project manager will act as the primary contact to GCHP during implementation. Implementation support shall include establishing a project plan; identifying necessary activities to support the implementation; and coordinating internally, within Contractor, to identify and resolve implementation issues. Contractor will assign to GCHP a project implementation manager acceptable to GCHP, and GCHP will have prior approval of any such manager assigned to it. The parties will meet and confer should GCHP determine and request that a change in any such manager's assignment to GCHP should be made, so that Contractor may review and accommodate such request.

2.1.6 On-Site Meetings. Contractor will participate in such meetings or teleconferences with GCHP as requested by GCHP at no additional cost to GCHP. It is anticipated that GCHP will require on-site management meetings with Contractor at least quarterly. Contractor's senior management will attend Commission meetings to respond to questions regarding Contractor's performance of this Service Order. In addition, Contractor will participate in meetings or teleconferences that are scheduled by the DHCS through the term of this Service Order and as necessary thereafter to provide for the exchange of information relative to the implementation and operation of the Benefit Plan.

2.1.7 Reporting.

2.1.7.1 In addition to the reporting requirements set forth in Section 15 of the Agreement, Contractor will provide GCHP with Contractor's standard reporting package and reports. GCHP will also have access to Contractor's on-line reporting system. Contractor will provide online reporting tool training to GCHP as follows: (i) training manuals will be provided to GCHP's staff members who access the system; and (ii) GCHP staff members will receive one day of extensive system training. Contractor will conduct one day of training on-site at the location of GCHP's choice. Contractor's on-line reporting system's minimum functionality will include: drill-down capabilities; date, group, physician, member, and drug classification parameter manipulation capabilities; and user scheduled customized batch

reporting capabilities. Ad hoc reporting services that can be generated from queries available in the online reporting system are provided at no additional charge. If GCHP requests custom reports that require system programming, complex customized report programming, or plan-specific templates, then additional fees may apply as set forth in Schedule A-2 Service Fees and Charges. Notwithstanding the foregoing, any report requested or required by DHCS or the Medi-Cal Agreement will be provided by Contractor within the required timelines or as soon as reasonably practical upon request by GCHP at no charge to GCHP.

2.1.7.2 Contractor will provide GCHP, its administrative service organization (ASO), medical management teams and/or its consultant with monthly detailed claims data at no additional fees and in the format necessary for each entity. Contractor shall ensure that adequate information is captured during the claim payment process to allow GCHP to evaluate individual and overall health care utilization in the Benefit Plan. The claims database shall contain for each claim all applicable claim information, as identified in the National Council for Prescription Drug Program (“NCPDP”) standards, which at a minimum must include an identification number; claim number; dates of service; date of claim submission; NDC; generic product indicator (“GPI”); brand name; generic name; brand/generic indicators; prescribing provider name, National Provider identification (“NPI”) number, and Drug Enforcement Agency (“DEA”) number; pharmacy name, National Association of Boards of Pharmacy (“NABP”) number, and NPI number; amount billed; amount allowed; amount paid; AWP; U&C; other health coverage costs (coordination of benefits) including amount paid and member cost share; and Member responsibility. The database shall have the capability of producing a variety of reports concerning utilization of Covered Prescription Services as directed by GCHP. In all respects, claims and utilization data shall be maintained, and available for reporting to and analysis by GCHP or any designee, in a manner consistent with industry standards for comparable pharmacy benefit managers.

2.1.7.3 Contractor will provide quarterly ongoing reporting on compliance with the pricing and performance guarantees set forth in the Performance Guarantee Schedule, attached to this Service Order as Schedule A-1, including yearly reconciliations and true-up reports.

2.1.7.4 Contractor will submit all DHCS required encounter data related to Covered Prescription Services claims on behalf of GCHP to DHCS in the manner and frequency necessary to meet or exceed all quality measures contained within the DHCS reference materials as set forth in Attachment 9 of the RFP. This shall include file development, testing, submission,

resubmission, file loads, file tracking, remediation, and reporting of all pharmacy encounter data. This also includes the submission, resubmission and passing of pharmacy encounter files and response files generated by a delegate(s) of GCHP and DHCS to DHCS, GCHP and the delegate(s).

2.1.8 GCHP Administrative Responsibility. GCHP has full and final authority concerning for the Benefit Plan and its operation, including the disposition of disputed claims. Contractor shall have no power to act on behalf of GCHP in connection with the Benefit Plan, except as expressly stated in this Service Order or as otherwise directed by GCHP. GCHP has authority over the administration and management of the Benefit Plan as provided by and in accordance with the Medi-Cal Agreement, and applicable federal and state laws.

2.1.9 Benefit Plan Eligibility Data. GCHP will provide Contractor with electronic eligibility data in NCPDP format, or another format agreed to by the parties, as well as Member personal address, phone number and email and work email, if available, for all Members who are entitled to Covered Prescription Services under the Benefit Plans. Contractor will load correctly formatted Member eligibility data no later than one (1) business day after receipt from GCHP. Contractor will be entitled to rely on the accuracy and completeness of the Member eligibility data. GCHP will be solely responsible for any errors in Member eligibility data that GCHP furnishes to Contractor. If requested by GCHP, Contractor will transfer complete and accurate electronic claim history, eligibility data, open prior authorizations and open fill mail order and/or specialty pharmacy files to GCHP or its authorized representatives at no additional cost monthly and before and after termination of this Service Order, including run-out claims. GCHP will have access to eligibility and claims information through Contractor's web-based Internet Direct Access system, which allows GCHP to view claims transactions in real time allowing GCHP to: (i) view, update and add Member eligibility; (ii) view pharmacy information; (iii) access Member benefit maximums and deductible information; (iv) enter overrides and prior authorizations; and (v) verify GCHP-specific plan designs. Contractor will not sell GCHP's claim data to any third party vendor.

2.1.10 Member Notification. GCHP will make available to Members information regarding the type, scope, restrictions, limitations and duration of Covered Prescription Services to which Members are entitled under an applicable Benefit Plan. GCHP will provide and distribute, as appropriate, ID cards, a list of Network Pharmacies, mail service brochures, the Formulary and other pharmacy benefit related materials to Members.

2.1.11 Covered Prescription Services Information. Contractor will:

2.1.11.1 Provide information to physicians, pharmacists, other health care professionals, and Members about the factors that affect formulary system decisions, including, but not limited to: cost containment measures, such as step therapy; the procedures for

obtaining non-formulary drugs; and the importance of formulary compliance to improving quality of care and restraining health care costs; and

2.1.11.2 Provide educational materials or information to Members that explain how formulary decisions are made, how Members can efficiently and effectively utilize Covered Prescription Services, the process and procedures to obtain medically necessary pharmaceuticals under the Benefit Plan, and the roles and responsibilities of the Member relating to Covered Prescription Services.

2.1.12 Plan Specifications. GCHP will provide Contractor with the Benefit Plan technical assistance and information Contractor reasonably needs to perform the Services, including information regarding Members, Benefit Plans and Plan Specifications. GCHP will provide Contractor with the Plan Specifications no later than forty-five (45) days before the Implementation Date unless the parties otherwise agree. GCHP may amend the Plan Specifications upon two (2) business day notice to Contractor if a standard amendment and upon a time period mutually agreed upon in writing by the parties for a complex amendment, unless a Governmental Authority requires that the amendment occur in a shorter time period. GCHP may terminate the Plan Specifications upon forty-five (45) days' prior notice to Contractor, unless a Governmental Authority requires that the termination occur in a shorter time period. GCHP's failure to provide the Plan Specifications within the time periods stated in this section may delay Contractor's implementation of the Services and performance guarantees. GCHP is responsible for the accuracy, completeness and timeliness of all Plan Specifications, and acknowledges Contractor's reliance on, the Plan Specifications.

2.2 Pharmacy Network Administration

2.2.1 Pharmacy Network. Contractor will establish and maintain a network of pharmacies to provide the Services to GCHP ("Pharmacy Network"). Contractor will maintain a Pharmacy Network reasonably necessary to provide services under the Benefit Plan. Contractor will meet and maintain the GCHP pharmacy access standards to ensure that Members have adequate access to Covered Prescription Services. Contractor will provide to GCHP a current list of Network Pharmacies in the Pharmacy Network with all necessary data to meet DHCS required provider network data standards for monthly DHCS submissions and weekly website postings. Contractor may add or remove Network Pharmacies located in the California Counties of Ventura, Los Angeles, Kern, and Santa Barbara from the Pharmacy Network only upon written approval from GCHP. Contractor will allow GCHP to include or exclude certain pharmacies or chains from the Pharmacy Network. Should material changes in the Pharmacy Network impact the pricing guarantees set forth in Schedule A-2 Service Fees and Charges, Contractor will provide GCHP of any such proposed pricing impact upon GCHP's request and within five (5) days of

GCHP's notification to Contractor of a change in the Pharmacy Network should the parties agree that such change is material.

- 2.2.2 Network Pharmacy Credentialing. Contractor will establish and maintain a reasonable process for credentialing Network Pharmacies in accordance with URAC PBM credentialing standards. Contractor will conduct annual audits of all pharmacy credentialing policies, documents, and activities to ensure compliance with these standards.
- 2.2.3 Desk and On-Site Audits. Contractor will, in accordance with its standard audit program and as required by law, conduct real-time and retrospective desk audits and selected on-site audits of the Network Pharmacies to determine whether the Network Pharmacies are submitting appropriate billings for payment by GCHP or Members. Contractor will report the results of the audits to GCHP. Subject to the fee set forth in Exhibit A-2, Contractor will pay GCHP, or apply as a credit to invoices payable by GCHP to Contractor, the 100% of the amounts Contractor recovers from these audits. The costs associated with real-time and retrospective desk audits will be the responsibility of Contractor. The cost of selected on-site audits will be the responsibility of Contractor for up to twelve (12) on site audits each year.
- 2.2.4 Confirmation of Member Eligibility. Prior to providing Covered Prescription Services to Members, Contractor and Network Pharmacies shall confirm the Members' eligibility status
- 2.2.5 Notifications. Unless an Exiting Pharmacy (as hereinafter defined) is removed from the Pharmacy Network in a shorter period of time for fraud, waste, abuse, or other reasons deemed by Contractor as potentially harmful to GCHP or its Members, Contractor will provide advance notification of Network Pharmacies that will no longer participate in the Pharmacy Network ("Exiting Pharmacy") at least forty-five (45) days prior to the date of any such Exiting Pharmacy's termination and in accordance with the Network Pharmacy Agreement. Contractor will provide All Members who have utilized that Exiting Pharmacy for fulfillment of Covered Prescription Services shall be notified in writing of the date of the termination and closest available Network Pharmacies. The Member notification shall be made at least thirty (30) days prior to the Exiting Pharmacy's termination date to the extent possible and in accordance with this Service Order and the Network Pharmacy Agreement.

2.3 **Claims Process**

- 2.3.1 Claims Adjudication. Contractor will adjudicate, process or pay Prescription Claims for Covered Prescription Services in accordance with the Plan Specifications. Contractor will pay in accordance with Plan Specifications, on GCHP's behalf, only Clean Claims (a) submitted by the Network Pharmacies in a timely manner through Contractor's point-of-service system in accordance with NCPDP guidelines and (b) properly submitted by Members as requests for reimbursement for Covered Prescription Services. For each Clean Claim submitted by a Network

Pharmacy, Contractor will reimburse the Network Pharmacy the amount specified in the Network Pharmacy Agreement for the dispensed Prescription Drug less any Cost-Sharing Amounts. Contractor's claim adjudication will have, at a minimum, the following capabilities: (i) prior authorizations; (ii) multi-step (3+) step therapies; (iii) age restrictions (both above and below); (iv) benefit exclusions; (v) quantity limits based on all of the following: (a) metric decimal quantities; (b) morphine equivalent dosing (MED); and (c) total accumulated acetaminophen dosing; (vi) administrative prior authorizations; (vii) maximum dollar or quantity edits per script with abilities to provide customized drug-specific exception lists; and (viii) point of sale DUR edits employment soft and hard edits.

2.3.2 Delays. Contractor will not be responsible for any loss, omission or delay of any Prescription Claim by a Network Pharmacy (other than Contractor's Mail Order Pharmacy or Specialty Pharmacy) or other health care professional.

2.3.3 Coordination of Benefits. GCHP is the payer of last resort and recognizes other health coverage as the primary carrier. Contractor and Network Pharmacies shall bill the primary carrier before billing GCHP for reimbursement for Covered Prescription Services to Members. Contractor and Network Pharmacies shall not bill Members for Covered Prescription Services, except for those Members with an authorized Cost Sharing Amounts. Contractor and Network Pharmacies may look to Members for payment of prescription drug services not part of the Benefit Plan. The coordination of benefits shall be made in accordance with GCHP's policies and procedures, which are outlined more specifically in Section 2.3.3.1, below. Contractor shall notify GCHP of the discovery of third party insurance coverage for a Member within ten (10) business days of discovery.

2.3.3.1 Claims processed for GCHP where GCHP is the secondary payer will follow the following guidelines with respect to other payers:

2.3.3.1.1 Medicare Part D: any claims for which the claim is eligible for coverage under Medicare Part D, regardless if the Member has active coverage under Medicare Part D, may not be paid in any part by GCHP;

2.3.3.1.2 Medicare Part B: any prescription claim for which the claim is eligible for coverage under Medicare Part B, GCHP is only to pay the portion of the Member cost share that, when summed with coverage by Medicare Part B, would equate to the total amount that GCHP would have paid if GCHP had been the primary payer. This coordination of benefits may result in GCHP not paying any portion of the claim and the Member shall have no remaining cost share.

2.3.3.1.3 Commercial Health Coverage: any claims for which the claim is eligible to for coverage under commercial coverage, GCHP shall be responsible for the Member's cost sharing. If the commercial coverage will not cover any portion of the claim, GCHP shall pay the entire portion of the claim only after all appeals processes through the other commercial coverage have been fully exhausted.

2.3.4 Third Party Liability. In the event that Contractor or Network Pharmacies render Covered Prescription Services to Members for injuries or other conditions resulting from the acts of third parties, the State has the right to recover from any settlement, award, or recovery from any responsible third party the value of all Covered Prescription Services which have been rendered by Contractor or Network Pharmacies pursuant to the terms of this Agreement. Contractor will report to GCHP the discovery of any third party tort action or potential tort action for a Member within ten (10) days of discovery. Contractor and Network Pharmacies will cooperate with DHCS and GCHP in their efforts to obtain information and collect sums due the State as a result of third party tort liability, including but not limited to workers compensation claims for Covered Prescription Services.

2.3.5 Administrative Grievances and Appeals. At GCHP's request, Contractor will process initial Benefit Plan coverage determinations and exception requests and support GCHP in connection with Benefit Plan appeals and grievances in accordance with Plan Specifications and this Section 2.3.5 and to the extent required by law.

2.3.6 Prior Authorization Appeals. GCHP staff (including licensed pharmacist and physicians) will conduct and make determinations of all appeals. Contractor shall be responsible for the maintenance of appeal documentation and provision of approved Member, prescriber, and pharmacy notifications. All appeals will be conducted in accordance with GCHP policies and procedures.

2.4 **Benefits Administration and Support**

2.4.1 Utilization Management Program

2.4.1.1 Development and Support. GCHP may implement, upon written agreement, Contractor's custom utilization management programs for the Benefit Plans designed to promote cost-effective drug utilization management and to discourage Prescription Drug over and under-utilization. Contractor may, on behalf of GCHP, (a) communicate with Members to describe health-related products or services (or payment for the products or services) provided by or included in the Benefit Plan through the Services, including communications about Network Pharmacies, replacement or enhancement to the Plan, and health-related products or services available only to Members that add value to and are not part of the Benefit Plan;

(b) conduct population-based activities relating to improving the health of Members and reducing their healthcare costs; and (c) contact Members with health education information and information about Prescription Drugs, treatment alternatives, and related functions. Upon GCHP's request and at an additional charge to GCHP in accordance with the Clinical Documentation Form, Contractor, in consultation with GCHP, will develop non-standard utilization management policies, procedures, guidelines or programs for the Benefit Plans. Upon GCHP's request, Contractor will communicate GCHP's utilization program requirements to Members through GCHP-approved information and outreach materials.

2.4.1.2 Contractor's Prior Authorization Services. Contractor will respond to properly submitted prior authorization requests from providers, Members and pharmacies using utilization management standards and guidelines established by GCHP. GCHP retains complete and exclusive discretionary authority over approval of prior authorization requests, including Benefit Plan override.

2.4.2 GCHP Prior Authorization, Overrides, and Appeals. If GCHP chooses to perform prior authorizations, benefit overrides, and/or appeals, then Contractor will provide GCHP access to the information in Contractor's computer systems that GCHP needs to perform these functions.

2.4.3 Quality Assurance Program. Contractor will implement its standard quality assurance program for the Benefit Plans that includes quality measures and reporting systems targeted at reducing medical errors and adverse drug interactions. In addition, Contractor will develop and implement systems or require Network Pharmacies to implement systems to: (a) offer Member counseling, when appropriate; (b) identify and reduce internal medication errors; and (c) maintain up-to-date Member quality assurance and patient safety program information.

2.4.4 Targeted Disease Intervention Program. Upon GCHP's request and for an additional charge to GCHP as referenced in the Clinical Documentation Form, Contractor will help GCHP develop and operate a targeted disease intervention program for the Benefit Plans that is designed to promote appropriate use of medications and improve therapeutic outcomes for targeted Members. Contractor, on GCHP's behalf, will coordinate and implement the targeted disease intervention program. Also, upon GCHP's request and at an additional cost to GCHP, Contractor will communicate with Members about the targeted disease intervention program through GCHP-approved information and outreach materials.

2.4.5 Other Clinical Services. Upon GCHP's request and for an additional charge to GCHP, Contractor will help GCHP develop and implement additional quality initiatives, intervention programs or other clinical services.

2.5 Formulary

- 2.5.1 Formulary. GCHP maintains its own custom Formulary and Pharmacy and Therapeutics Committee.
- 2.5.2 Formulary Management Support. Contractor will support the development and maintenance of GCHP's Formulary, including Pharmacy and Therapeutics Committee support, drug monograph development, communication and publication through Contractor's formulary management tool. Contractor will provide GCHP with documentation of formulary updates and testing documents.
- 2.5.3 Formulary Changes. Contractor will include in the Formulary new FDA-approved medications as specified in the Plan Specifications according to the following schedule: (a) if an open formulary, all new covered FDA-approved medications (formulary and non-formulary) will be included in the Formulary upon publication in the Medi-Span pricing index and loading into Contractor's systems or (b) if a closed formulary, all new covered FDA-approved medications (formulary only) will be included in the Formulary after review and addition to the Formulary by Pharmacy and Therapeutics Committee. Following changes to the Formulary, Contractor, at GCHP's request, will provide or make available appropriate notifications of Formulary changes to GCHP, Members, prescribing physicians, Network Pharmacies and state pharmaceutical assistance programs as required by law and agreed to by the parties.

2.6 Rebate Management

- 2.6.1 Rebate Eligibility. Contractor will remit Rebates to GCHP if: (a) GCHP satisfies the minimum Rebate contract criteria and has included the Drug Manufacturer's Prescription Drug on its Formulary; (b) Contractor has received Rebates resulting directly from GCHP's satisfaction of the foregoing clause (a); and (c) GCHP has agreed in writing that Contractor will act on its behalf to obtain rebates. GCHP, in its sole and absolute discretion, may enter into agreements for rebates concerning Prescription Drugs on its Formulary. In addition, Contractor, in its sole and absolute discretion, may enter into agreements for Rebates concerning Prescription Drugs on Contractor's or any of its customers' formularies, including GCHP; provided, however, that Contractor's rebates agreements do not interfere with GCHP's rebate agreements. Claims that will not be eligible to receive Rebates include Prescription Claims: (a) with invalid service provider identification or prescription numbers; (b) where, after meeting the deductible, the Member's Cost-Sharing Amount under the applicable Benefit Plan requires the Member to pay more than 50% of the Prescription Claim; (c) for devices without a Prescription Drug component; (d) that are re-packaged NDCs; (e) or portion thereof, that includes utilization for which a price concession is payable by a Drug Manufacturer under section 340B of the Public Health Service Act; (f) from entities eligible for federal supply schedule prices (e.g., Department of Veterans Affairs, U.S. Public Health Service, Department of Defense); (g) Claims eligible to receive Rebates from

Medicaid, Medicare or other state or federal health care programs; or (h) that are not for Prescription Drugs (except for insulin or diabetic supplies).

2.6.2 Collection. Contractor will use commercially reasonable efforts to collect Rebates. Contractor will not be responsible for any non-payments or partial payments of amounts owing under an agreement for Rebates. To the extent of any undisputed overpayment or erroneous payment to GCHP by Contractor, GCHP will refund the payment or Contractor may recoup the payment from other sums due GCHP within thirty (30) days after prior written notice from Contractor to GCHP requesting reimbursement of the overpayment or erroneous payment and information documenting such overpayment or erroneous payment.

2.6.3 Disbursement. Provided GCHP is in compliance with the terms of this Service Order, Contractor will disburse GCHP's Rebate payments as follows. Rebate payments will be due to GCHP one hundred eighty (180) days after the close of a given calendar quarter. Contractor will remit Rebate payments to GCHP no later than thirty (30) days after the close of such one hundred eighty (180) day period. By way of example, Rebates earned during the first quarter of a given calendar quarter would be paid to GCHP by October 31 of such contract year. Rebate reconciliation and payment of any necessary true-up will be performed within ten (10) months after the close of a given calendar quarter.

2.6.4 Eligible Rebate Data. GCHP shall use its reasonable best efforts to clearly identify to Contractor all Members it has knowledge of whose drug utilization or claims have been otherwise submitted to pharmaceutical manufacturers or whose claims have been or will be filed for reimbursement with other government plans, as well as the affected claims. GCHP shall have no responsibility for providing information to Contractor with regard to any rebates submitted by or received by the state of California. If GCHP fails to identify such known Members or Claims and any pharmaceutical manufacturer's audit of its rebate program reveals improperly calculated Rebates involving such Members or Claims, then GCHP shall be responsible for the reimbursement of any Rebates improperly made or calculated and any corresponding costs or penalties associated with the audit to the extent the right to reimbursement results from GCHP's gross negligence or willful misconduct.

2.7 **E-Prescribing**. Upon GCHP's request and as set forth in Exhibit A-2 Service Fees and Charges, Contractor will provide prescribers with electronic access to Member Benefit Plan information, including: (a) Member eligibility status; (b) Member medication history; (c) Formulary status of the Prescription Drug being prescribed; (d) listing of Generic Drug or Brand Name Formulary alternative medications; (e) Member coverage information where applicable; (f) applicable Cost-Sharing Amount; and (g) drug classification information

required by the Centers for Medicare & Medicaid Services or successor Governmental Authority.

2.8 Mail Order Pharmacy Services

2.8.1 Mail Order Services. Contractor, in its capacity as a Mail Order Pharmacy, will provide GCHP with Mail Order Pharmacy Covered Prescription Services to Members in accordance with the Plan Specifications. Once a prescription for a Covered Prescription Service has been transmitted to Contractor in accordance with law, in its capacity as Mail Order Pharmacy, Contractor will promptly prepare, package and ship the applicable Covered Prescription Service to the Member or other authorized person or entity. Contractor will provide customer service support for Members who use Mail Order Pharmacy Services. Upon request, Contractor will make available to GCHP mail service brochures for distribution to Members.

2.8.2 Control by Contractor. Contractor will solely and exclusively control and supervise the operation and maintenance of Contractor's Mail Order Pharmacies and their respective facilities and equipment and provision of Mail Order Covered Prescription Services. All decisions respecting the provision of Mail Order Covered Prescription Services by Contractor's Mail Order Pharmacies will be made solely by Contractor and its duly authorized personnel, and not by GCHP. The relationship between a Member and a Mail Order Pharmacy will be subject to the rules, limitations and privileges incident to the pharmacist-patient relationship. Contractor may exclude from coverage by a Mail Order Pharmacy under this Service Order a Prescription Drug that cannot be dispensed under Contractor's mail order pharmacy dispensing protocols or requires special record-keeping procedures.

2.8.3 Mail Order Postage Rates. If GCHP requests or requires expedited or alternative shipping methods other than Contractor's standard method, GCHP will be solely responsible for those costs.

2.9 Specialty Pharmacy Services

2.9.1 Specialty Services. Contractor will provide GCHP with Specialty Drug Covered Prescription Services to Members as follows:

2.9.2 Specialty Pharmacy Program. If GCHP is part of Contractor's Specialty Pharmacy Program, GCHP will receive Specialty Drugs as a Covered Prescription Service from Contractor's Specialty Pharmacy as specified in Schedule A-2 Service Fees and Charges.

2.9.3 Open Specialty Pharmacy Program. If GCHP is part of Contractor's Open Specialty Pharmacy Program, Contractor will provider Specialty Drug Covered Prescription Services from a Network Pharmacy, including Contractor's Specialty Pharmacy. Limited Distribution Drugs not dispensed by Contractor's Specialty Pharmacy are excluded from the Specialty Services or excluded from any Specialty Drug pricing

guarantees. For purposes of this Section, Limited Distribution Drugs are medications that are distributed to either one or a very limited number of pharmacies and wholesalers.

2.9.4 Addition or Removal of Newly Acquired or Approved Specialty Drugs

2.9.4.1 From the date a newly acquired or approved Specialty Drug ("New Specialty Drug") becomes available until GCHP rejects the New Specialty Drug as specified in Section 2.9.4.2 of this Service Order, GCHP authorizes and directs Contractor to make the New Specialty Drug available to Members as part of the Specialty Drug Covered Prescription Services in accordance with Formulary and utilization management policies. Contractor will be required to make available to GCHP or Members in accordance with Formulary and utilization management policies a new limited distribution or market access, such as a New Specialty Drug with one distributor or manufacturer but the cost of the such drug will be excluded from the Specialty Services or any Specialty Drug pricing guarantee.

2.9.4.2 On a periodic basis, Contractor will review the Specialty Drugs covered under this Service Order and provide GCHP with the name and price of any New Specialty Drugs to be added to this list of Specialty Drugs. From the date of GCHP's receipt of this notice, GCHP will have thirty (30) days to provide Contractor with notice of rejection of additions to the Specialty Drugs covered under this Service Order. Alternatively, on a periodic basis, GCHP will review the Specialty Drugs covered under this Service Order and provide notice to Contractor with the name of any specialty drugs that need to be removed from the list of Specialty Drugs.

2.9.4.3 No later than forty-five (45) days after Contractor's receipt of GCHP's notice of rejection of New Specialty Drugs, Contractor shall remove the New Specialty Drugs covered under this Service Order and cease dispensing the New Specialty Drugs to Members at the pricing specified in Contractor's notice. If GCHP does not notify Contractor of its rejection of the New Specialty Drugs, Contractor will continue to include the New Specialty Drugs as a Specialty Drug made available to Members.

2.9.4.4 No later than thirty (30) days after Contractor's receipt of GCHP's notice of Specialty Drug removals, Contractor will remove the identified specialty drugs from the list of Specialty Drugs and remove any other access restrictions made on such drugs.

2.9.5 Contractor Control. Contractor will solely and exclusively control and supervise the operation and maintenance of Contractor's Specialty Pharmacies and their respective facilities and equipment and provision of Covered Prescription Services. All decisions respecting the provision of Covered Prescription Services by Contractor's Specialty Pharmacies will

be made solely by Contractor and its duly authorized personnel, and not by GCHP. The relationship between a Member and a Specialty Pharmacy will be subject to the rules, limitations and privileges incident to the pharmacist-patient relationship.

2.10 **Audit.** In addition to the audit requirements set forth in Section 14 of the Agreement, GCHP may conduct such audits as necessary to verify Contractor's compliance with the terms of this Service Order and Agreement. Such audit rights shall include auditing 100% of claims, Rebates, prior authorizations, pharmacy credentialing, documents, and Formulary changes, down to the individual claim level. Any audit conducted pursuant to this Section will be in compliance with the terms of Section 14 of the Agreement.

3. TERM

3.1 The initial term of this Service Order shall be from **[January 1, 2017]**, until **[December 31, 2019]** ("Initial Term"). Upon the expiration of the Initial Term, GCHP shall have the unilateral right to renew this Service Order for consecutive renewal terms (each a "Renewal Term") of twelve (12) months each, not to exceed a maximum of two (2) Renewal Terms, by giving CONTRACTOR written notice of renewal at least ninety (90) days prior to the expiration of the then-current term.

3.2 After the first anniversary of the Effective Date of this Service Order, GCHP may terminate this Service Order without cause upon ninety (90) days prior written notice of termination to Contractor.

3.3 Upon the expiration or termination of this Service Order for any reason, GCHP shall have the unilateral right to renew this Service Order for three (3) consecutive Renewal Terms of three (3) months each by giving Contractor written notice of renewal at least sixty (60) days prior to the expiration of the then-current term.

4. PERFORMANCE GUARANTEE

Contractor shall be subject to the Performance Guarantees outlined in Performance Guarantee Schedule A-1, attached hereto. The liquidated damage payments specified in the Performance Guarantees Schedule A-1, shall be in addition to all other remedies available to GCHP in accordance with law for Contractor's breach of its obligations under any term of this Service Order. GCHP may pursue such Performance Guarantees and liquidated damages for Contractor's failure to meet such Performance Guarantees or may pursue such other remedies available and appropriate for Contractor's breach of any other term of this Service Order. The Parties agree that GCHP may collect the liquidated damages set forth in Schedule A-2 by deducting such payment from the Service Fee due Contractor or by any other legal means.

5. PAYMENT FOR SERVICES.

GCHP will pay Contractor for Contractor's provision of Services the Service Fees.

6. MARKET CHECK.

Commencing one (1) year after the Effective Date and every year thereafter during the term of the Service Order, GCHP may review the financial terms of this Service Order to comparable financial offerings available in the marketplace. GCHP may conduct a market check analysis to confirm its pricing is competitive with that of substantially similar customers and for substantially similar PBM services, plan design, financial assumptions, lines of business and other terms and conditions (“comparables”). GCHP may submit to Contractor a market check report providing information that allows Contractor to evaluate in sufficient detail the comparable customers and the other financial offers (summarized or names redacted) to substantiate the market check conclusion. Contractor will review GCHP’s market check request and respond to GCHP within thirty (30) days of receipt of the market check report. If the market check report validates an aggregate annualized savings of greater than three percent (3%), the parties will discuss, in good faith, revisions to the Service Fees. Any revisions to the Service Fees resulting from the parties’ negotiations will be effective as of the next anniversary of the Effective Date unless otherwise agreed to by the parties, but no sooner than thirty (30) days after completion of the market check report and upon execution of an Amendment to this Service Order. If the parties do not agree on any resulting revisions to Service Fees after good faith negotiations, GCHP may terminate this Service Order upon ninety (90) days’ prior notice of termination to Contractor.

7. NOTICES TO GCHP.

Contractor shall notify GCHP as follows:

- 7.1 In writing at least forty-five (45) days prior to the occurrence of any of the following, or if under the circumstances such notice is not reasonably possible, then as much notice as is reasonably possible under the circumstances of any of the following:
 - 7.1.1 Any change in Contractor's business address, business phone number, office hours, or tax identification number; or
 - 7.1.2 Any material change in Contractor's management or ownership. For purposes of this Section, a material change is a transfer of twenty percent (20%) or more of share ownership or the right to control the selection of the board of directors of Contractor or the sale of substantially all of the assets of Contractor.
- 7.2 Orally, immediately but not later than three (3) calendar days followed by written notice within ten (10) calendar days, of the occurrence of any of the following:
 - 7.2.1 Any formal action taken (and the reasons therefore) to restrict, suspend or revoke any of Contractor's licenses, permits, accreditations or ability to conduct its business; or
 - 7.2.2 Any finding of wrongdoing by any federal or state regulator; or
 - 7.2.3 Contractor's knowledge, with due inquiry, of any action taken (and the reasons therefore) which results in restrictions or exclusion of Contractor

from participation in the any federal or state health care program, including but not limited Medicare or Medicaid, in accordance with the standards of participation for such program; or

7.2.4 Any changes in Contractor's Key Staff; or

7.2.5 Any material change in Contractor's business organization that may impact Contractor's performance of its obligations under this Service Order.

7.2.6 Any event under which Contractor is no longer capable of providing Services on a timely basis; or

7.2.7 Any other event which would materially affect Contractor's ability to carry out its duties and obligations under this Service Order.

7.3 Contractor shall promptly provide GCHP with such additional information as GCHP may request. The notices required under this Section are in addition to any other notices provided for in this Agreement.

8. **RUNOUT SERVICES**

8.1 **Runout Services.** The Runout Services Period shall be six (6) months long and shall begin the day after the expiration or termination of the Service Order ("Runout Services Period"). Effective the first day of the Runout Services Period, Contractor and its subcontractors shall have no further obligation to provide or maintain a Pharmacy Network to provide Members with access to Network Pharmacies or to otherwise provide, or arrange for the provision of, Covered Prescription Services to Members under the Benefit Plan. As of the first day of the Runout Services Period, Network Pharmacies shall no longer provide Covered Prescription Services to Members under the Benefit Plan (unless pursuant to an arrangement other than this Service Order). Throughout the Runout Services Period, Contractor shall provide such Runout Services as reasonably necessary to administer the provision of Covered Prescription Services furnished to Members during the term of this Service Order and otherwise to ensure an orderly wind down of the arrangement contemplated by this Service Order ("Runout Services"). Such Runout Services, shall include, but not be limited to:

8.1.1 Claims Processing and Payment. Subject to GCHP's providing Contractor with the required funds to pay such claims, Contractor agrees to process claims for Covered Prescription Services furnished during the term of this Service Order in accordance with the terms and conditions of this Service Order.

8.1.2 Member Health Care Appeals. Contractor shall perform its obligations relating to Member appeals with respect to Covered Prescription Services furnished to Members during the term of this Service Order, in accordance with the terms and conditions of this Service Order.

- 8.1.3 Customer Service for Members. Contractor shall provide customer service functions and customer service call center accessibility as outlined in Section 2.1.3.
- 8.1.4 Limited Network Pharmacy and Provider Technical Support. Contractor shall provide limited Network Pharmacy and provider technical support functions including the provision of limited provider service call center accessibility, as reasonably necessary to administer payment for Covered Prescription Services furnished to Members during the term of this Service Order and otherwise as mutually agreed by the parties.
- 8.1.5 Limited Network Pharmacy Dispute Resolution. Contractor shall provide limited Network Pharmacy dispute resolution functions, as reasonably necessary to resolve disputes regarding payment for Covered Prescription Services furnished to Members during the term of this Service Order and otherwise as mutually agreed by the parties.
- 8.1.6 Audits, Reporting and Reconciliation. Contractor shall provide reports and participate in audits and reconciliations pursuant to the terms of this Service Order and Agreement.
- 8.1.7 Mutual Agreement. Contractor shall provide such additional services as mutually agreed by the parties.
- 8.2 **Payment for Covered Prescription Services.** The parties agree that notwithstanding any termination of this Service Order, GCHP shall remain obligated, in accordance with the terms of the Service Order, to pay Contractor for claims for Covered Prescription Services furnished during the term of this Service Order under the terms of this Service Order and in accordance with the time periods prescribed in the Benefit Plan and GCHP policies and procedures for payment of claims for Covered Prescription Services.

9. LETTER OF CREDIT

- 9.1 **Terms of Letter of Credit.** Contractor will obtain and maintain for the term of the Agreement an irrevocable standby letter of credit naming GCHP as the beneficiary to secure or guaranty the successful bidder's performance under the terms of the Agreement ("Letter of Credit"). The face amount of the Letter of Credit would be a minimum of one million dollars (\$1,000,000) and shall be in form and substance satisfactory to GCHP. The Letter of Credit shall permit GCHP to draw against the Letter of Credit and use the proceeds of any draw should Contractor not perform all of its obligations under the Agreement and this Service Order.
- 9.2 **Issuing Banking Institution.** The Letter of Credit shall be issued by a national banking institution or other comparable financial institution acceptable to GCHP, and preferably through a branch office located in Ventura County but, if needed, Los Angeles County.
- 9.3 **Replacement Letter of Credit.** Contractor may not replace the Letter of Credit without the prior written approval of GCHP. Any replacement or substitute Letter

of Credit shall meet all of the requirements applicable to the Letter of Credit being replaced unless otherwise approved by GCHP in writing and shall be effective and delivered or transmitted to GCHP at least thirty (30) days before the date of expiration of the Letter of Credit being replaced. Upon GCHP's request, Contractor shall within thirty (30) days obtain and deliver to GCHP a replacement or substitute Letter of Credit meeting all of the requirements applicable to the Letter of Credit pursuant to this Section.

- 9.4 **Process for GCHP's Approval.** Within thirty (30) days prior to the Effective Date, Contractor shall have provided GCHP with the Letter of Credit described in this Section to be effective on the Effective Date, and all related documents and agreements in draft form for GCHP's review and approval. Any such Letter of Credit issued without the prior review and approval of GCHP shall be deemed to be noncompliant with the terms of this Service Order. Contractor shall obtain GCHP's prior written approval of the draft of such Letter of Credit and related documents and agreements prior to issuance of the Letter of Credit. Such Letter of Credit shall be issued on or before the Effective Date.

10. FRAUD AND ABUSE

- 10.1 **Operating Procedures.** Contractor shall develop operating procedures to prevent, detect and recover (when applicable and allowable) and immediately report to GCHP incidences of waste, fraud and abuse as well as potential abusers, including Network Pharmacies, providers and Members, of the Benefit Plan. Potential abusers may be identified through review of claims suspended for manual review or through referrals, complaints or inquiries received by Contractor. Contractor shall use commercially reasonable efforts to recover all expenditures from third parties, including providers and Members, for Covered Prescription Services provided to persons in the case of fraudulent activities. Contractor shall cooperate with GCHP and state and federal law enforcement authorities in cases involving waste, fraud and abuse. Contractor shall implement industry standard fraud prevention and detection strategies.
- 10.2 **Prevention and Detection Program.** Contractor shall conduct a program to assess its vulnerability to fraud and abuse and shall operate a system designed to detect and eliminate internal fraud and abuse by Contractor employees and subcontractors, providers providing goods or services to Members. The Contractor shall:
- 10.2.1 Include provisions for cost avoidance as well as fraud detection, along with criteria for follow-up actions;
 - 10.2.2 Include mandatory anti-fraud and abuse training for Contractor staff, and claims processing edits to identify cases and pharmacy claims costs, with a high potential to be fraud, waste, or abuse;
 - 10.2.3 Monitor claims for under- and over-utilization and indications of potential fraud; and

10.2.4 Have or develop the capability to identify providers with whom to intervene based on identified patterns of health service claims and utilization that may be indications of potential fraud, waste and abuse.

10.3 **Documentation of Fraud Prevention Program and Quality Assurance Procedures.** Contractor shall keep complete records of its fraud prevention program and quality assurance procedures and the results of program implementation. Contractor shall make such records available to GCHP as required by GCHP.

10.4 **Reporting.** Contractor shall submit to GCHP an annual analysis of the costs and benefits of its fraud and abuse program. Contractor shall submit quarterly reports to GCHP consistent with industry standards, addressing the following:

10.4.1 Cases opened;

10.4.2 Dollars identified as lost and recovered on active cases;

10.4.3 Actual and projected savings on active cases;

10.4.4 Active cases referred to law enforcement (other than GCHP);

10.4.5 Active cases referred to GCHP;

10.4.6 Active cases resolved administratively;

10.4.7 Percentage of active cases where the Benefit Plan is the only or primary line of business affected;

10.4.8 Number of GCHP network providers who are in payment suspension; and

10.4.9 Number of active cases that have been referred to law enforcement and/or other regulatory authorities.

Contractor shall demonstrate that a statistically valid sampling technique is routinely used prior to or after processing randomly sampled claims against Contractor for quality assurance/fraud and abuse prevention standards.

10.5 **Member Complaints Regarding Fraud or Abuse.** Contractor shall establish and maintain procedures to respond to a Member's written complaint regarding fraud or abuse within twenty (20) days from date of receipt.

10.6 **Correction of Deficiencies.** In response to a GCHP order for a correction of deficiency in Contractor's quality assurance program, fraud prevention program, or anti-dumping efforts, Contractor shall take prompt, necessary action to implement GCHP's order.

APPROVALS

GOLD COAST HEALTH PLAN

[CONTRACTOR]

BY: _____

BY: _____

NAME: Dale Villani

NAME: _____

TITLE: Chief Executive Officer

TITLE: _____

OptumRA

OptumRx

**AGREEMENT FOR PROFESSIONAL SERVICES
BETWEEN VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION
DOING BUSINESS AS GOLD COAST HEALTH PLAN
AND
MAGELLAN RX MANAGEMENT, LLC**

THIS AGREEMENT, is made as of [REDACTED], 2016, by and between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan, a California public entity established under the laws of the State of California, (hereinafter "GCHP") and Magellan Rx Management LLC, a limited liability company (hereinafter "**CONTRACTOR**").

WHEREAS, GCHP is a County Organized Health System ("COHS") established pursuant to Welfare & Institutions Code §14087.54;

WHEREAS, GCHP has entered into and maintains contracts with the State of California, Department of Health Care Services (the "Medi-Cal Agreements"), under which Ventura County Medi-Cal beneficiaries, assigned to GCHP as members ("Members"), receive certain health care services hereinafter defined as "Covered Services";

WHEREAS, the Covered Services provided to Members includes benefits for prescription drugs and certain devices and supplies dispensed by pharmacists;

WHEREAS, GCHP has released a Request for Proposal ("RFP") entitled Request for Proposal Number GCHP060316, to which CONTRACTOR has responded;

WHEREAS, CONTRACTOR provides pharmacy benefit management ("PBM") services, including services in connection with the payment of pharmacy claims on behalf of clients, and CONTRACTOR has submitted a response to the RFP in the form of a proposal dated [REDACTED], and entitled "[REDACTED]" ("Proposal");

NOW THEREFORE in consideration of the above-referenced recitals, the mutual covenants, promises, terms and provisions herein set forth, GCHP and CONTRACTOR agree as follows:

1. DESCRIPTION OF SERVICES

- a) CONTRACTOR shall provide PBM services, including but not limited to administrative, management, consultative, claims processing and other general pharmacy benefit management support services to GCHP in conjunction with administration and operation of GCHP's Medi-Cal managed care benefit plan that includes a prescription drug benefit for Medi-Cal Members ("Services"). The scope of the Services shall be more fully set forth in one or more project authorizations duly executed by GCHP and CONTRACTOR, which shall be incorporated into this Agreement by this reference (hereinafter, "Service Order" or "Service Orders"). The initial Service Order shall be substantially in the form attached hereto as Exhibit A and shall become effective only upon the issuance of an implementing purchase order by an authorized member of GCHP's Procurement Services organization (the "Authorized Procurement Representative"). Each Service Order is subject to all terms and conditions contained

in this Agreement unless expressly stated otherwise in the Service Order. CONTRACTOR shall be the exclusive provider of the Services identified in the initial Service Order attached hereto as Exhibit A, pertaining to the Medi-Cal managed care benefit plan; GCHP reserves the right to procure another contractor for PBM services that are not identified in the initial Service Order pertaining to the Medi-Cal managed care benefit plan or pertaining to a new product or benefit plan offered by GCHP.

- b) Precedence. Any inconsistency in this Agreement shall be resolved by giving precedence in the following order: (1) this Agreement; (2) An applicable Service Order, including any attachments, exhibits or other component parts of the Service Order; (3) the Business Associate Agreement; (4) the RFP; and (5) CONTRACTOR's Proposal. Each document identified in this section is a part of this Agreement and is incorporated herein by this reference. Any requirement or obligation of CONTRACTOR set forth in the RFP shall be deemed a part of the general terms and conditions of this Agreement unless the Parties expressly agree to exclude any such requirement from this Agreement.

2. QUALIFICATIONS

- a) CONTRACTOR hereby represents and warrants to GCHP that: (a) it has the experience and skill to perform the Services hereunder; (b) it shall comply with all applicable federal, state and local laws in effect at the time Services are performed, including all professional licensing and registration requirements; (c) it shall perform the Services in accordance with generally accepted professional standards and in an expeditious and economical manner, consistent with sound professional practices; (d) it is adequately financed to meet any financial obligation it may be required to incur hereunder; and (e) it maintains, and shall continue to maintain for the term of this Agreement, an active, unrestricted PBM URAC accreditation.
- b) Each of CONTRACTOR's professional workforce members, including but not limited to independent contractors hired by CONTRACTOR to perform work under this Agreement, who render professional services pursuant to this Agreement ("Professionals") shall: (a) hold applicable, current and unrestricted professional licenses or certifications from, or licenses or certifications recognized by, the licensing authorities of the State of California; and (b) meet such other credentialing requirements and conditions as GCHP may from time to time establish. During the term of this Agreement, CONTRACTOR shall notify GCHP immediately but not later than twenty-four (24) hours, followed by written notice within ten (10) calendar days, upon (i) any action which results in suspension or limitation of CONTRACTOR's, or a Professional's, license, permit, accreditations, or ability to conduct the applicable business or profession, (ii) any action which results in restriction, limitation, suspension or termination of a Professional's privileges, if any, at a licensed facility; (iii) any malpractice or professional liability action against a Professional that is adversely concluded by settlement or judgment; (iv) any action which results in the loss or restriction of a Professional's DEA permit; (v) any action against a Professional to exclude or suspend its participation in any federal or state health care program, including but not limited to the Medicare or Medicaid programs, or any other payor programs; or (vi) any lapse in a Professional's professional liability insurance or reduction below the limits required herein; (vii) any other occurrence as set forth in any applicable Service Order.

- c) CONTRACTOR acknowledges that CONTRACTOR was selected by GCHP, in part, on the basis of qualifications of particular staff identified in CONTRACTOR's response to GCHP's solicitation, hereinafter referred to as "Key Staff." CONTRACTOR shall ensure that Key Staff are available for Services as long as said Key Staff are in CONTRACTOR's employ. With the exception of voluntary resignation, promotion, involuntary termination for cause, illness, disability, or death, CONTRACTOR will obtain prior written acceptance of GCHP to change Key Staff. CONTRACTOR shall provide GCHP with such information as necessary to determine the suitability of proposed new Key Staff. GCHP will act reasonably in evaluating Key Staff qualifications.

3. GCHP POLICIES AND PROCEDURES

CONTRACTOR agrees to comply with GCHP'S rules, policies and procedures that have been established as of the effective date of this Agreement, or will be established and have been provided to CONTRACTOR with at least thirty (30) days in advance of implementation, including rules, policies and procedures regarding: quality improvement/management; utilization management, including but not limited to, precertification procedures, referral process or protocols, and reporting of clinical data; member grievances; provider credentialing.

4. COMPENSATION AND PAYMENT

- a) Compensation. The total compensation payable to CONTRACTOR for Services under any Service Order shall not exceed the services fees, allowable expenses, and other compensation expressly set forth within the Service Order. No compensation shall be allowed unless expressly set forth in a Service Order.
- b) Payment. Unless otherwise provided by the issuing Service Order or otherwise requested by GCHP's Authorized Person in writing, CONTRACTOR shall submit invoices to GCHP on or about the first day of each calendar month for services rendered and expenses incurred under each outstanding Service Order during the preceding calendar month. GCHP shall pay each invoice as follows:
 - i) For administrative services, within forty-five (45) days after receipt thereof from CONTRACTOR, subject to Sections 4(c) and 4(d) and any other applicable conditions and limitations hereof.
 - ii) For payment of network pharmacy claims, within seven (7) days after notification of the amount due from CONTRACTOR, subject to Sections 4(c) and 4(d) and any other applicable conditions and limitations hereof. In lieu of submitting monthly invoices, CONTRACTOR may submit two (2) invoices per month for network pharmacy claims on the first and fifteenth of each month.
- c) Availability of Funds. Payment to CONTRACTOR is subject to GCHP's corresponding receipt of funding from DHCS, CMS or any other governmental agency providing revenue to GCHP, as applicable. In the event funding to GCHP is terminated or delayed or is otherwise insufficient, GCHP's payment to CONTRACTOR may be terminated or delayed. GCHP shall have the option to provide written notification to CONTRACTOR of the lack of funding or of the insufficiency of funding, and after providing such notification, GCHP shall have no obligation to pay or otherwise compensate CONTRACTOR for future performance unless GCHP provides a

subsequent written notification that adequate funding is established. If the lack of sufficient funding is the result of a delay in GCHP's payment from DHCS, then GCHP's payment obligation will automatically suspend and will only resume within fifteen (15) days following GCHP's receipt of its payment from DHCS for the applicable time period. Notwithstanding the foregoing, CONTRACTOR shall receive payment for services already rendered and obligations already incurred and may suspend performance of services during any continuous period of non-payment lasting at least thirty (30) days beyond the date that the payment was initially due.

- d) Expense Reimbursement. GCHP shall not be responsible for reimbursement of CONTRACTOR's expenses incurred in the performance of Services pursuant to this Agreement unless the issuing Service Order so provides. If, and to the extent, that the Service Order provides that GCHP shall reimburse any such expenses of CONTRACTOR, such reimbursement shall be subject to the GCHP's Reimbursable Expense Guidelines, attached hereto as Exhibit C and incorporated herein by reference as set forth in full. Under no circumstances will reimbursement for expenses exceed the "Maximum Amount" specified in the Service Order, unless the Service Order is modified to increase such maximum.
- e) Invoice Detail. Each invoice shall show: (a) the Service Order number to which the invoice relates; (b) the Purchase Order Number of the GCHP Purchase Order relating to the Service Order; (c) the GCHP billing information identified on the applicable Service Order; and (d) the specific items billed, including hours billed for each CONTRACTOR personnel performing under each Service Order. Sales and use taxes, if applicable, shall be listed as separate items on each invoice. GCHP, at its sole discretion, may refuse to pay any invoice not containing the required detail and, instead, return the invoice to CONTRACTOR within thirty (30) days of receipt. In such event, GCHP shall not be obligated to pay any sums billed by such returned invoice until thirty (30) days after GCHP receives a properly corrected invoice therefor.
- f) Mailing of Invoices. Each invoice shall be mailed, in duplicate, to GCHP at the following address:

**GOLD COAST HEALTH PLAN
711 E DAILY DRIVE
CAMARILLO, CA 90310
Attention: Accounts Payable**
- g) E-mail Invoices. Invoices may also be submitted to GCHP using the following e-mail address: Accountspayable@goldchp.org
- h) Time Limit for Invoice Submission. CONTRACTOR must submit, and GCHP must actually receive, an invoice for any Service or part thereof not later than ninety (90) days after the end of the month in which such Service or part thereof has been performed or GCHP shall have no obligation or liability to pay CONTRACTOR for such Service or part thereof, unless GCHP has otherwise specifically agreed in writing.
- i) Sales and Use Taxes. GCHP shall be solely responsible for the payment of any and all sales and use taxes assessed by any governmental authority with respect to the Services performed under this Agreement.

5. ADJUSTMENTS TO PAYMENT

GCHP may review and audit any and all claims for payment prior to or subsequent to payment to ensure that such payment is in accordance with this Agreement. If any claim or payment is not in accordance with this Agreement, GCHP reserves the right to deny, reduce or otherwise adjust such claim or payment, as applicable to the extent necessary to make such claim or payment conform to this Agreement. If an audit conducted by GCHP shows that CONTRACTOR for any reason owes monies to GCHP, then GCHP will notify CONTRACTOR and CONTRACTOR shall refund such overpayment to GCHP within thirty (30) business days after receipt of such notice. If CONTRACTOR does not within such period either refund such overpayment or notify GCHP that CONTRACTOR contests such overpayment, then GCHP is hereby authorized to offset the amount of the overpayment against any amounts owed to CONTRACTOR to the maximum extent permitted by applicable law. If this Agreement is terminated for any reason prior to GCHP's full recovery of such an overpayment, the remaining amount shall become due and owing immediately upon the effective date of the termination. This Section shall survive Termination of this Agreement.

6. EXTRA SERVICES

- a) Additional Services. CONTRACTOR shall not be entitled to compensation for any services other than or in addition to the Services specified in any Service Order issued pursuant hereto, unless an implementing change order in the form of Exhibit B hereto for such other or additional services is issued and signed by GCHP's and CONTRACTOR's respective Project Managers and an implementing purchase order change order is issued to CONTRACTOR by GCHP's Authorized Procurement Representative prior to commencement of any such additional Services.
- b) Increase in Scope. If directed by GCHP to change or increase the scope of any Services, and if CONTRACTOR determines that such change or increase in scope will result in an increase in the total of charges to GCHP under the applicable Service Order, CONTRACTOR shall provide to GCHP a written proposal for such change or increase in scope. If such proposal is accepted and authorized by an implementing change order in accordance this Agreement, CONTRACTOR shall be compensated at the rates set forth in the Service Order and/or at such other fixed price mutually agreed upon in writing.

7. SUBCONTRACTORS

All subcontracts pertaining to the provision of the Services shall be in writing, and will be entered into in accordance with the requirements of this Agreement, the Medi-Cal Agreements, and applicable federal and State laws and regulations. All such subcontracts and their amendments shall become effective only upon written approval by GCHP, which approval shall not be unreasonably withheld. The following Services shall not be subcontracted: prescription claim adjudication, prior authorization/coverage determinations, network contracting, and member call center/pharmacy help desk. The Services identified in this section shall be performed in the United States.

8. NO ASSIGNMENT

This Agreement is not assignable by CONTRACTOR without the GCHP's prior consent in writing.

9. CONFIDENTIALITY

- a) To the extent the services to be performed by the CONTRACTOR are of a confidential nature, all services performed by CONTRACTOR under this Agreement shall be in strict conformance with all applicable Federal, State of California and/or local laws and regulations relating to confidentiality, including but not limited to, California Civil Code section 56 et seq., California Welfare and Institutions Code sections 5328, 10850 and 14100.2, Health and Safety Code sections 11977 and 11812, 22 California Code of Regulations section 51009, and 42 Code of Federal Regulations § 2.1 et seq. CONTRACTOR shall submit to GCHP's monitoring of said compliance with all State of California and Federal statutes and regulations regarding confidentiality. The parties shall execute and comply with GCHP's Business Associate Agreement, which is attached as Exhibit D and incorporated herein.
- b) Information that GCHP receives from CONTRACTOR, including any formula, pattern, compilation, program, device, method, technique, or process, that derives economic value to CONTRACTOR from not being generally known to the public, that CONTRACTOR has taken reasonable efforts to maintain secret from the public, and that CONTRACTOR has marked as proprietary or confidential, shall be maintained as confidential by GCHP, except to the extent that GCHP is required to disclose the information under the California Public Records Act (Gov. Code §§ 6250, et seq.) or other applicable law or by court order. Nothing herein shall limit in any way GCHP's right to use any information, documents, or data which are prepared for GCHP or are the property of GCHP under this Agreement.

10. INDEMNITY AND INSURANCE

- a) Indemnification. CONTRACTOR shall indemnify, hold harmless and defend GCHP, its directors, officers, employees, agents and affiliates from and against all third party claims, actions, suits, demands, damages, liabilities, obligations, settlements or judgments, (including without limitation reasonable attorneys' fees and costs) ("Claims") suffered or incurred by GCHP arising out of or in connection with any breach of any representation or warranty of CONTRACTOR contained in this Agreement, or any breach of any covenant or other obligation or duty of CONTRACTOR under this Agreement or under applicable law, excluding Claims to the extent resulting from the negligence or wrongful acts of GCHP. GCHP shall promptly notify CONTRACTOR of any Claim for which indemnification is sought, following actual knowledge of such Claim, provided however that the failure to give such notice shall not relieve CONTRACTOR of its obligations hereunder except to the extent that CONTRACTOR is materially prejudiced by such failure. In the event that any third party Claim is brought, GCHP may tender its defense to CONTRACTOR. In which case CONTRACTOR will provide qualified attorneys, consultants, and other appropriate professionals to represent GCHP's interests at CONTRACTOR's expense. If CONTRACTOR provides GCHP's defense, GCHP shall have the right to participate in the selection of counsel, defense, settlement, compromise, or other resolution of any and all claims, causes of action, liabilities, or damages against it, at CONTRACTOR's expense, notwithstanding that GCHP may have tendered its defense to CONTRACTOR. Any such resolution will not relieve CONTRACTOR of its obligation to indemnify GCHP. The indemnification requirements set forth herein shall survive

the termination of this Agreement.

- b) Insurance. CONTRACTOR shall, at CONTRACTOR's sole cost and expense and throughout the term of this Agreement and any extensions thereof, carry adequate insurance to protect CONTRACTOR from claims under workers compensation acts that meets statutory requirements and the following insurance:
 - i) Commercial General Liability with a minimum limit of \$1 million per occurrence/claim and a \$2 million annual aggregate.
 - ii) Comprehensive automobile liability insurance with limits for bodily injury of not less than \$500,000 per person and \$1 million per occurrence. Coverage shall include owned and non-owned vehicles used in connect with this Agreement.
 - iii) Professional error and omission insurance, with a minimum limit of \$3 million per occurrence/claim and a \$5 million annual aggregate.
 - iv) GCHP and its officers, directors, employees and agents shall be named as additional insured on all insurance except for Worker's Compensation and Professional Liability insurance.

In all situations arising out of this Agreement, the parties shall attempt to avoid and minimize the damages resulting from the conduct of the other party.

11. RELATIONSHIP OF THE PARTIES

The relationship of the parties to this Agreement shall be that of independent contractors and in no event shall CONTRACTOR be considered an officer, agent, servant or employee of GCHP. GCHP has no right to control or supervise or direct the manner or method by which CONTRACTOR performs the services. The CONTRACTOR shall be solely responsible for any and all workers compensation insurance, withholding taxes, unemployment insurance and any other employer obligations or benefits associated with the described work/services.

12. CORRECTIONS

In addition to the above indemnification obligations, the CONTRACTOR shall correct, at its expense, all errors in the work which may be disclosed during the GCHP's review of the CONTRACTOR's report/plans/work deliverables. Should CONTRACTOR fail to make such correction in a reasonably timely manner, such correction shall be made by GCHP, and the cost thereof shall be charged to CONTRACTOR. Claims will not be paid for ineligible persons. Notwithstanding the foregoing, CONTRACTOR shall not be liable for any prescriptions filled or processed for any person ineligible for GCHP coverage due to incorrect eligibility date provided by GCHP to CONTRACTOR.

13. FINANCIAL AND ACCOUNTING RECORDS

- a) CONTRACTOR shall maintain, in accordance with standard and accepted accounting practices, all financial, accounting, claims and payment records relating to services provided or paid for hereunder as is necessary and appropriate for the proper administration of this Agreement, the Services to be rendered, and payments to be made hereunder or in connection herewith.

Upon GCHP's written request, CONTRACTOR will furnish to GCHP an annual Balance Sheet and Profit and Loss Statement prepared in accordance with generally accepted accounting principles consistently applied and, if available, the annual audit report of an independent certified public accountant.

- b) The records maintained in accordance with this section shall be maintained for a period of not less than five (5) years from the date when the applicable claim, payment or other transaction was made. The records maintenance requirements set forth herein shall survive the termination of this Agreement.

14. AUDITS AND INSPECTIONS

CONTRACTOR shall make available for examination all of its records and data with respect to the matters covered by this Agreement, at any time during normal business hours, and as often as deemed necessary by GCHP, to GCHP, the California Department of Health Care Services, the U.S. Department of Health and Human Services, the Comptroller General of the United States, the California Department of Justice, Bureau of Medi-Cal Fraud, the Department of Managed Health Care, and other authorized California state agencies, or their duly authorized representatives. The foregoing obligation of CONTRACTOR shall survive the termination of this Agreement.

15. REPORTS

Upon GCHP's written request, and at no additional charge, CONTRACTOR shall provide regular prescription claims data, any reports required by an applicable Service Order, and periodic or ad hoc reports and information pertaining to the Services, with such content and in such format(s) as reasonably requested by GCHP. For purposes of clarity, ad hoc reporting services that can be generated from queries available in CONTRACTOR's online reporting system are provided at no additional charge. If GCHP needs custom reports that require system programming, needs complex customized report programming, or needs plan-specific templates, then additional fees will apply as set forth in the applicable Service Order. At no additional charge, CONTRACTOR shall provide any reports required by DHCS or the Medi-Cal Agreements as soon as reasonably practical upon GCHP's request or within any timeframes required by an applicable Service Order.

16. TERMINATION

- a) Mutual Termination. This Agreement may be terminated by mutual consent of the Parties.
- b) Termination by GCHP Without Cause after Notice. After the first anniversary of the Effective Date, GCHP may terminate this Agreement without cause by giving written notice of termination to CONTRACTOR not less than ninety (90) calendar days prior to the effective date of the termination. Termination shall be effective on the ninety-first (91st) day after such notice. In the event GCHP terminates this Agreement without cause pursuant to this provision, it is understood that GCHP shall pay CONTRACTOR for services rendered in compliance with the terms of this Agreement prior to the effective date of termination, but not in excess of the amount payable pursuant to the terms of this Agreement.

- c) Immediate Termination by GCHP Without Cause. GCHP may terminate this Agreement without cause by giving written notice in the event that:
- i) Any provision of this Agreement is reasonably determined to place either party in probable violation of any criminal statute, and the parties are not able to promptly amend the Agreement as necessary to alleviate such violation.
 - ii) GCHP's Medi-Cal Agreement terminates or expires.
 - iii) Governmental appropriated funding to GCHP is suspended, terminated, withdrawn or otherwise fails or there is a lack of sufficient funding for any activities or functions contained within the scope of this Agreement.
- d) Termination by GCHP For Cause After Notice. GCHP may terminate this Agreement for cause after GCHP provides CONTRACTOR with prior written notice of any failure by CONTRACTOR to perform any requirement of this Agreement and CONTRACTOR shall have no less than twenty-one (21) calendar days to cure such failure prior to termination by GCHP.
- e) Immediate Termination by GCHP for Cause. GCHP may terminate this Agreement immediately for cause in the event that:
- i) CONTRACTOR fails to perform any requirement of this Agreement and CONTRACTOR's failure cannot be cured.
 - ii) CONTRACTOR admits in writing its inability to pay its debts generally as they become due; applies for or consents to the appointment of a receiver, trustee or liquidator of all or a substantial part of its assets; files a voluntary petition in bankruptcy; makes a general assignment for the benefit of creditors; files a petition or answer seeking reorganization or arrangement with creditors; or if any order, judgment, or decree shall be entered by any court of competent jurisdiction on the application of a creditor or otherwise adjudicating such party bankrupt or approving a petition seeking reorganization of such party or appointment of a receiver, trustee, or liquidator of such party, or of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for sixty (60) calendar days after its entry.
 - iii) CONTRACTOR fails to adhere to laws, rules, ordinances or orders of any public authority having jurisdiction over CONTRACTOR and/or this Agreement and such violation prevents or substantially impairs performance of CONTRACTOR's duties under this Agreement.
 - iv) GCHP discovers that there has been a material error, material misstatement or material omission by CONTRACTOR in the information provided to GCHP.
 - v) CONTRACTOR breaches any provision of HIPAA, the HIPAA Regulations, the HITECH Act, or other applicable laws concerning confidentiality with respect to the Services, or breaches the Business Associate Agreement.
- f) Termination By CONTRACTOR Without Cause. CONTRACTOR may terminate this Agreement without Cause only after the initial term. CONTRACTOR shall give not less

than 180 days' notice of termination and such termination shall be effective as of the last day of GCHP's fiscal year following expiration of the 180-day notice period. The last day of the fiscal year shall be June 30, unless GCHP gives notice of a change to its fiscal year.

- g) Termination by CONTRACTOR For Cause. CONTRACTOR may terminate this Agreement for cause after CONTRACTOR provides GCHP with prior written notice of any failure by GCHP to perform any material obligation of this Agreement and GCHP shall have no less than ninety (90) calendar days to cure such failure prior to termination by CONTRACTOR.
- h) Transition Period. Upon the expiration or termination of this Agreement for any reason, GCHP shall have the unilateral right to renew this Agreement for three (3) consecutive Renewal Terms of three (3) months each by giving CONTRACTOR written notice of renewal at least sixty (60) days prior to the expiration of the then-current term.
- i) Service Orders. All termination provisions contained in this Section shall apply to the full Agreement as well as to any Service Orders. Any right to terminate held by either Party shall be construed as a right to terminate either a particular Service Order or this full Agreement.

17. POST-TERMINATION

The parties agree that, upon termination or expiration of this Agreement or of any applicable Service Order under this Agreement, the following shall occur:

- a) CONTRACTOR shall have no further obligation to provide Services, except that CONTRACTOR shall continue to provide such Services as are reasonably necessary to ensure an orderly wind down of the arrangement contemplated by this Agreement or any applicable Service Order and to ensure that Services furnished to GCHP Members during the applicable term are fully and completely administered ("Runout Services"). CONTRACTOR's duties related to Runout Services may be more specifically defined by Service Order.
- b) CONTRACTOR shall use its best efforts to facilitate a complete and efficient transfer of all Services to GCHP or its designated agents to ensure the smooth and continued operation of Services. CONTRACTOR shall cooperate fully and completely with GCHP and any of its contractors and agents both during and after the termination and transfer process.
- c) CONTRACTOR shall ensure continued insurance coverage in the same minimum amounts specified in this Agreement or otherwise ensure continued insurance coverage of its liabilities arising out of this Agreement, including CONTRACTOR's obligations to process claims after termination of this Agreement.
- d) CONTRACTOR shall provide to GCHP promptly upon GCHP's written request and at no cost to GCHP, electronic copies of the records pertaining to CONTRACTOR's provision of Services. In the event the copies cannot be provided electronically, they may be provided in hard copy. CONTRACTOR shall grant to GCHP for the purpose of preparing for any actual or anticipated legal proceeding or for any other reasonable purpose, access to any other pertinent information regarding CONTRACTOR's

performance of its duties under this Agreement during the term of this Agreement.

- e) The terms of this Agreement relating to confidentiality of Member confidential information and access to records shall survive termination or expiration of this Agreement in accordance with applicable law. The terms of this Agreement relating to indemnity provisional remedies and representations and warranties shall survive termination or expiration of this Agreement.
- f) The provisions of this Agreement which by their sense and context are intended to survive completion of performance, expiration or termination of this Agreement, or provisions that otherwise require or contemplate performance or applicability after such completion of performance, expiration or termination shall be enforceable notwithstanding the termination. Without limiting the foregoing, the provisions that are intended to survive and remain enforceable after termination of this Agreement include, but are not limited to the following: the terms of this Agreement relating to confidentiality of Member confidential information (including but not limited to the Business Associate Agreement and related obligations), access to records, indemnity, provisional remedies and representations and warranties.
- g) In the event of termination of this Agreement, a final accounting and settlement shall be made taking into account the charges set forth in any Service Order and any other costs and expenses reimbursable by one party to the other under this Agreement. Final settlement may be deferred at the option of GCHP for no longer than one hundred eighty (180) days following the later of (1) termination of this Agreement or (2) completion by CONTRACTOR of any post-termination or runout services provided by CONTRACTOR.
- h) Immediately following the termination or expiration of this Agreement, CONTRACTOR shall deliver to GCHP at no charge an electronic copy, in a format mutually agreed by the parties, of all records required under this Agreement, including but not limited to billing amount and reports to verify the provision of claims for Services, documentation concerning eligibility and claims data information.

18. WAIVER; REMEDIES CUMULATIVE

Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, irrespective of the length of time for which such failure continues, shall not constitute a waiver of such party's right to demand strict compliance by such other party in the future. No waiver by a party of a default or breach of the other party shall be effective or binding upon such party unless made in writing by such party, and no such waiver shall be implied from any omissions by a party to take any action with respect to such default or breach. No express written waiver of a specified default or breach shall affect any other default or breach, or cover any other period of time, other than any default or breach and/or period of time specified. All of the remedies permitted or available to a party under this Agreement, or at law or in equity, shall be cumulative and alternative, and invocation of any such right or remedy shall not constitute a waiver or election of remedies with respect to any other permitted or available right of remedy.

19. NO CONFLICT OF INTEREST

CONTRACTOR represents and warrants that no person participating in CONTRACTOR's proposal, or his or her spouse or registered domestic partner, is an employee or official of GCHP or that any such relationship has been fully disclosed to GCHP prior to the effective date of this Agreement. CONTRACTOR further represents and warrants that CONTRACTOR has not provided or promised any income or gifts to any GCHP official or employee. CONTRACTOR further represents and warrants that CONTRACTOR's certifications in response to section 1.10 of the RFP remain unchanged, or any changes have been fully disclosed in writing to GCHP prior to the effective date of this Agreement.

20. NONDISCRIMINATION AND EQUAL OPPORTUNITY

- a) CONTRACTOR shall not differentiate nor discriminate on the basis of race, color, National origin, ancestry, religion, sex, marital status, Medical condition, mental or physical disability, sexual orientation, age, or any other basis protected by federal or California law.
- b) CONTRACTOR shall ensure compliance with Title VI of the Civil Rights Act of 1964 and other implementing regulations (42 USC Section 2000d and 45 CFR Part 80) that prohibit recipients of federal financial assistance from discriminating against persons based on race, color, religion, or national origin.
- c) Equal Opportunity Requirements
 - i) The CONTRACTOR will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era. The CONTRACTOR will take affirmative action to ensure that qualified applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sexual orientation, national origin, physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era. Such action shall include, but not be limited to the following; employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and career development opportunities and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Federal Government California Department of Health Care Services setting forth the provisions of the Equal Opportunity clause, Section 503 of the Rehabilitation Act of 1973 and the affirmative action clause required by the Vietnam Era Veterans' Readjustment Assistance Act of 1974 *38 USC 4212). Such notices shall state the CONTRACTOR's obligation under the law to take affirmative action to employ and advance in employment qualified applicants without discrimination based on their race, color, religion, sexual orientation, national origin physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era and the rights of applicants and employees.
 - ii) The CONTRACTOR will, in all solicitations or advancements for employees placed by or on behalf of the CONTRACTOR, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sexual

orientation, national origin physical or mental handicap, disability, age or status as a disabled veteran or veteran of the Vietnam era.

- iii) The CONTRACTOR will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding a notice, to be provided by the Federal Government or the State of California, advising the labor union or workers' representative of the CONTRACTOR's commitments under the provisions herein and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
 - iv) The CONTRACTOR will comply with all provisions of and furnish all information and reports required by Section 503 of the Rehabilitation Act of 1973, as amended, the Vietnam Era Veterans' Readjustment Assistance Act of 1974 (38 USC 4212) and of the Federal Executive Order No. 11246 as amended, including by Executive Order 11375, 'Amending Executive Order 11246 Relating to Equal Employment Opportunity,' and as supplemented by regulation at 41 CFR 60, "Office of the Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," and of the rules, regulations, and relevant orders of the Secretary of Labor.
 - v) The CONTRACTOR will furnish all information and reports required by Federal Executive Order No. 11246 as amended, including by Executive Order 11375, 'Amending Executive Order 11246 Relating to Equal Employment Opportunity,' and as supplemented by regulation at 41 CFR 60, "Office of the Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," and the Rehabilitation Act of 1973, and by the rules, regulations, and orders of the Secretary of labor, or pursuant thereto, and will permit access to its books, records, and accounts by the State and its designated representatives and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
 - vi) In the event of the CONTRACTOR's noncompliance with the requirements of the provisions herein or with any Federal rules, regulations, or orders which are referenced herein, this Agreement may be cancelled, terminated, or suspended in whole or in part and the CONTRACTOR may be declared ineligible for further Federal and state contracts in accordance with procedures authorized in Federal Executive Order No. 11246 as amended and such other sanctions may be imposed and remedies invoked as provided in Federal Executive Order No. 11246 as amended, including by Executive Order 11375, 'Amending Executive Order 11246 Relating to Equal Employment Opportunity,' and as supplemented by regulation at 41 CFR 60, "Office of the Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- d) CONTRACTOR shall comply with all applicable Federal requirements in Section 504 of the Rehabilitation Act of 1973 (29 USC §794) Nondiscrimination under Federal grants and programs; Title 45 CFR Part 84 Nondiscrimination on the basis of handicap in programs or activities receiving Federal financial assistance; Title 28 CFR Part 36 Nondiscrimination on the basis of disability by public accommodations and in commercial facilities; Title IX of the Education Amendments of 1973 (regarding education programs and activities); Title 45 CFR Part 91 the Age Discrimination Act of

1975; and all other laws regarding privacy and confidentiality.

21. HUMAN SUBJECTS USE REQUIREMENTS

By signing this Agreement, CONTRACTOR agrees that if any performance under this Agreement, or any subcontract, that includes any tests or examination of materials derived from the human body for the purpose of providing information, diagnosis, prevention, treatment or assessment of disease, impairment, or health of a human being, all locations at which such examinations are performed shall meet the requirements of 41 U.S.C. § 263a (CLIA) and the regulations thereto.

22. DEBARMENT AND SUSPENSION CERTIFICATION

- a) By signing this Agreement, the CONTRACTOR agrees to comply with applicable Federal suspension and debarment regulations including, but not limited to 7 C.F.R. § 3017, 45 C.F.R. § 76, 40 C.F.R. § 32, or 34 C.F.R. § 85.
- b) By signing this Agreement, the CONTRACTOR certified to the best of its knowledge and belief, that it and its principals:
 - i) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
 - ii) Have not within a three-year period preceding this Agreement been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - iii) Are not presently indicted for or otherwise criminally or civilly charged by a governmental Entity (Federal, State or local) with commission of any of the offenses enumerated in Sub-provision (b)(ii) herein;
 - iv) Have not within a three-year period preceding this Agreement had one or more public transactions (Federal, State or local) terminated for cause or default;
 - v) Shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under Federal regulations (i.e., 48 C.F.R. § 9, subpart 9.4), debarred, suspended, declared ineligible, or voluntarily excluded from participation in such transaction, unless authorized by the State; and
 - vi) Will include a clause entitled, "Debarment and Suspension Certification" that essentially sets forth the provisions herein, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
- c) If the CONTRACTOR is unable to certify to any of the statements in this certification, the CONTRACTOR shall submit an explanation to the GCHP program funding this Agreement.

- d) The terms and definitions herein have the meanings set out in the Definitions and Coverage sections of the rules implementing Federal Executive Order 12549.
- e) If the CONTRACTOR knowingly violates this certification, in addition to other remedies available to the Federal Government, the GCHP may terminate this Agreement for cause or default.

23. SMOKE-FREE WORKPLACE CERTIFICATION

- a) Public Law 103-227, also known as the Pro-Children Act of 1994 (Act), requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, early childhood development services, education or library services to children under the age of 19, if the services are funded by Federal programs either directly or through state or local governments, by federal grant, contract, loan, or loan guarantee. The Act also applies to children's services that are provided in indoor facilities that are constructed, operated, or maintained with such federal funds. The Act does not apply to children's services provided in private residences; portions of facilities used for inpatient drug or alcohol treatment; service providers whose sole source of applicable federal funds is Medicare or Medicaid; or facilities where WIC coupons are redeemed.
- b) Failure to comply with the provisions of the Act may result in the imposition of a civil monetary penalty of up to \$1,000 for each violation and/or the imposition of an administrative compliance order on the responsible party.
- c) By signing this Agreement, CONTRACTOR certifies that it will comply with the requirements of the Act and will not allow smoking within any portion of any indoor facility used for the provision of services for children as defined by the Act. The prohibitions herein are effective December 26, 1994.
- d) CONTRACTOR further agrees that it will insert this certification into any subcontracts entered into that provide for children's services as described in the Act.

24. COVENANT AGAINST CONTINGENT FEES

The CONTRACTOR warrants that no person or selling agency has been employed or retained to solicit/secure this Agreement upon an agreement of understanding for a commission, percentage, brokerage, or contingent fee, except *bona fide* employees or *bona fide* established commercial or selling agencies retained by the CONTRACTOR for the purpose of securing business. For breach or violation of this warranty, GCHP shall have the right to annul this Agreement without liability or in its discretion to deduct from the Agreement price or consideration, or otherwise recover, the full amount of, such commission, percentage, and brokerage or contingent fee.

25. OFFICIALS NOT TO BENEFIT

No members of or delegate of Congress or the State Legislature shall be admitted to any share or part of this Agreement, or to any benefit that may arise therefrom. This Provision shall not be construed to extend to this Agreement if made with a corporation for its general benefits.

26. PROHIBITED USE OF STATE FUNDS FOR SOFTWARE

CONTRACTOR certifies that is has appropriate systems and controls in place to ensure that State funds will not be used in the performance of this Agreement for the acquisition, operation or maintenance of computer software in violation of copyright laws.

27. ALIEN INELIGIBILITY CERTIFICATION

By signing this Agreement, the CONTRACTOR certifies that he/she is not an alien that is ineligible for State and local benefits, as defined in Subtitle B of the Personal Responsibility and Work Opportunity Act. (8 U.S.C. § 1601, et seq.)

28. DATA CERTIFICATIONS

- a) CONTRACTOR shall comply with data certification requirements set forth in 42 C.F.R. § 438.604 and 42 C.F.R. § 438.606.
- b) With respect to any report, invoice, record, papers, documents, books of account, or other Agreement required data submitted, pursuant to the requirements of this Agreement, the CONTRACTOR's Representative or his/her designee will certify, under penalty of perjury, that the report, invoice, record, papers, documents, books of account or other Agreement required data is current, accurate, complete and in full compliance with legal and contractual requirements to the best of that individual's knowledge and belief.

29. TRACKING SUSPENDED PROVIDERS

- a) CONTRACTOR shall comply with Title 42 C.F.R. Section § 438.610. Additionally, CONTRACTOR is prohibited from employing, contracting or maintaining a contract with Physicians or other health care providers that are excluded, suspended or terminated from participation in the Medicare or Medi-Cal/Medicaid programs.
- b) A list of suspended and ineligible providers is maintained in the Medi-Cal Provider Manual, which is updated monthly and available on line and in print at the GCHP Medi-Cal website (www.medi-cal.ca.gov) and by the Department of Health and Human Services, Office of Inspector General, List of Excluded individuals and Entities (<http://oig/hhs.gov>). CONTRACTOR is deemed to have knowledge of any providers on these lists.
- c) CONTRACTOR must notify the Medi-Cal Managed Care Program/Program Integrity Unit within ten (10) State working days of removing a suspended, excluded, or terminated provider from its provider network and confirm that the provider is no longer receiving payments in connection with the Medicaid program.

30. FALSE CLAIM COMPLIANCE

CONTRACTOR shall comply with 42 U.S.C. Section 1396a(a)(68), Employee Education About False Claims Recovery, as a condition of receiving payments under this Agreement. Upon request by GCHP, CONTRACTOR shall demonstrate compliance with this provision, which may include providing GCHP with copies of CONTRACTOR's applicable written policies and

procedures and any relevant employee handbook excerpts.

31. DISABLED VETERAN BUSINESS ENTERPRISES (DVBE)

CONTRACTOR shall comply with applicable requirements of California law relating to Disabled Veteran Business Enterprises (DVBE) commencing at Section 10115 of the Public Contract Code.

32. DISPUTE RESOLUTION

- a) Judicial Reference. At the election of either party to this Agreement (which election shall be binding upon the other party), a dispute between CONTRACTOR and GCHP arising out of this Agreement shall be heard and decided by a referee appointed pursuant to California Code of Civil Procedure Section 638 (or any successor provision thereto, if applicable), who shall hear and determine any and all of the issues in any such action or proceeding, whether of fact or law, and to report a statement of decision, subject to judicial review and enforcement as provided by California law, and in accordance with Chapter 6 (References and Trials by Referees), of Title 8 of Part 2 of the California Code of Civil Procedure, or any successor chapter. The referee shall be a retired judge of the California superior or appellate courts determined by agreement between the parties, provided that in the absence of such agreement either party may bring a motion pursuant to the said Section 638 for appointment of a referee before the appropriate judge of the Ventura Superior Court. The parties acknowledge that they forego any right to trial by jury in any judicial reference proceeding. Any counterpart or copy of this Agreement, filed with such Court upon such motion, shall conclusively establish the agreement of the parties to such appointment. The parties agree that the only proper venue for the submission of claims to judicial reference shall be the courts of general jurisdiction of the State of California located in Ventura County. The parties reserve the right to contest the referee's decision and to appeal from any award or order of any court. The designated non-prevailing party in any dispute shall be required to fully compensate the referee for his or his services hereunder at the referee's then respective prevailing rates of compensation.
- b) Limitations. CONTRACTOR must comply with the claim procedures set forth in the Government Claims Act (Government Code Section 900, et. seq.) prior to filing any legal proceeding, including judicial reference, against GCHP. If no such Government Code claim is submitted, no action against GCHP may be filed. Notwithstanding anything to the contrary contained in this Agreement, any suit, judicial reference or other legal proceeding must be initiated within one (1) year after the date the facts giving rise to a dispute occurred or such dispute shall be deemed waived and forever barred; provided that, if a shorter time period is prescribed under the Government Claims Act, then, the shorter time period (if any) prescribed under the Government Claims Act shall apply.
- c) Cut-Off for Disputes Against GCHP. Within ninety (90) days of the expiration or termination of this Agreement or any Service Order under this Agreement, CONTRACTOR shall provide to GCHP formal written notice of any unresolved disputes CONTRACTOR has against GCHP relating to this Agreement or to the applicable Service Order. The formal written notice shall describe any unresolved dispute and identify the amount CONTRACTOR demands in satisfaction of the dispute, and it shall include any supporting documentation. CONTRACTOR's failure to submit

timely notice shall constitute a waiver of all unresolved disputes against GCHP. To the extent a dispute arises after the time for providing notice, and CONTRACTOR could not have timely discovered the dispute, CONTRACTOR shall provide formal written notice within ten (10) days of discovery. Nothing herein shall modify CONTRACTOR's duty to comply with the Government Claims Act and subsection "b" above.

33. AUTHORITY

Each corporate entity executing this Agreement represents and warrants that all necessary corporate action has been taken, including the due adoption of a resolution by its board of directors, sufficient to enable such corporation to enter into this Agreement, to be bound thereby and to perform fully as required hereunder. Each person executing this Agreement on behalf of CONTRACTOR represents and warrants that he/she has been duly authorized to enter into this Agreement on behalf of said party.

34. OWNERSHIP OF WORK PRODUCTS

- a) Works. All work products created for and/or delivered to GCHP hereunder, or which arise out of or result from the Services performed during the term of this Agreement, and any inventions, ideas or original works of authorship in whole or in part conceived or made by CONTRACTOR, which arise out of or result from the work performed by CONTRACTOR for GCHP hereunder, shall belong exclusively to GCHP, whether or not embodied or fixed in a tangible form or medium of expression. Any such work products or original works (collectively, "Works") shall be deemed "works made for hire," provided that, if and to the extent that such Works are determined not to constitute "works made for hire" as a matter of law, CONTRACTOR hereby irrevocably assigns and transfers such Works and all right, title and interest therein, worldwide and without limitation, including patents, trademarks, servicemarks, copyrights and other proprietary rights or interest, to GCHP and its successors and assigns. Without limiting the generality of the foregoing, title to all plans, drawings, designs, specifications, calculations, renderings, computer programs, source codes, documentation, ideas, concepts, models, prototypes, reports or other tangible work products produced by CONTRACTOR pursuant to this Agreement shall become the property of GCHP when produced.
- b) Delivery. CONTRACTOR shall deliver all Works to GCHP promptly upon their completion or, if sooner, the termination of the Services hereunder. CONTRACTOR agrees to execute any and all documents as requested by GCHP to evidence any transfers or assignments provided for herein.

35. PUBLICITY

- a) Name and Mark. CONTRACTOR shall acquire no right under this Agreement to use, and shall not use, the name, service mark or design of GCHP in any advertising, publicity, promotion or other material disseminated by CONTRACTOR, or to express or imply any endorsement of CONTRACTOR or any of CONTRACTOR's products or services in any manner or for any purpose whatsoever, unless CONTRACTOR has first obtained the written permission of GCHP, which permission may be withheld by GCHP in its sole discretion. Additionally, GCHP shall not use promotional material referencing or referring to CONTRACTOR, without CONTRACTOR's consent; provided, however, that GCHP may publicize that CONTRACTOR provides PBM

services to GCHP.

- b) Survival. The provisions of this Section shall survive termination or expiration of this Agreement.

36. RECRUITMENT

GCHP agrees not to hire, or attempt to hire, "Full-Time Employees" of CONTRACTOR (the term "Full-Time Employees" refers only to personnel who are employed on an ongoing basis, and does not include personnel who are only treated as CONTRACTOR employees while on a contracted assignment), without CONTRACTOR's prior written consent, during the term of this Agreement and during the six (6)-month period after the expiration or termination of the Service Order under which a CONTRACTOR's employee was performing Services. If CONTRACTOR grants such consent, then GCHP agrees to pay the CONTRACTOR a recruitment fee at a rate to be negotiated in good faith (but, in no event greater than 35%) based on the annualized starting base salary at GCHP of such former employee of CONTRACTOR.

37. FORCE MAJEURE

Neither of the parties shall be deemed to be in default of or to have breached any provision of this Agreement as a result of any delay, failure in performance or interruption of service resulting directly or indirectly from acts of God, acts of civil or military authorities, civil disturbances, wars, fires, transportation contingencies, laws, regulations, acts or orders of any government or agency or official thereof, or any other similar occurrences beyond such party's reasonable control. In every case, the delay or failure in performance or interruption of service must be without the fault or negligence of the party claiming excusable delay, and the party claiming excusable delay must promptly notify the other party of such delay. Performance time under this Agreement shall be considered extended for a period of time equivalent to the time lost because of any delay that is excusable, provided, however, that if any such delay continues for a period of more than sixty (60) days, the party not claiming excusable delay shall have the option of terminating this Agreement immediately upon written notice to the party claiming excusable delay.

38. NOTICES

- a) Any and all notices, demands, requests or other communications required or permitted by this Agreement or by law to be served on, given to or delivered to any party hereto by any other party to this Agreement shall be in writing and shall be deemed duly served, given or delivered upon delivery by (1) facsimile transmission or other electronic means (if duplicated by any of the alternative notice methods that follow), (2) a national overnight courier service, fee prepaid (with proof of service), (3) hand delivery or (4) certified or registered mail (return receipt requested and first-class postage prepaid) and addressed as follows (or as later changed in a manner required by this section):

Gold Coast Health Plan
711 E. Daily Drive, Suite #106
Camarillo, CA 93010-6082

Attn: Anne Freese
Title: Director of Pharmacy
Email: afreese@goldchp.org

CONTRACTOR:
[NAME OF CONTRACTOR]
STREET ADDRESS
CITY, STATE ZIP
Attn: _____
Fax: (XXX)XXX-XXXX
Email: EMAIL ADDRESS]

- b) Any notice that is address and delivered in the manner herein provided shall be conclusively presumed to have been duly given to the party to which it is addressed at the close of business, local time of the recipient: (i) upon delivery if by hand, (ii) on the third day after the day it is so placed in the mail, (iii) the next business day following delivery national overnight courier service, (iv) the next business day following delivery by facsimile transmission or other electronic means (if confirmed by any of the methods above) or (v) upon the intended recipient's refusal to accept delivery. Any party may change their address for the purposes of this Agreement by giving notice of the change, in the manner required by this section, to the other party.

39. CONSTRUCTION OF LANGUAGE OF AGREEMENT; GOVERNING LAW; MODIFICATIONS; CAPTIONS; SEVERABILITY:

- a) This Agreement, and the rights and obligations of the parties, shall be governed and interpreted in accordance with the laws of the State of California and Federal laws and regulations as applicable. The parties agree that should legal or administrative proceedings arise as a result of this Agreement and performance under this Agreement that jurisdiction for venue shall be Ventura County, California. The captions or headings in this Agreement are for convenience only and in no other way define, limit or describe the scope or intent of any provision or section of the Agreement. Except for CONTRACTOR's proposals and submitted representations for obtaining this Agreement, this Agreement supersedes any other agreements, either oral or in writing, between the parties hereto with respect to the rendering or services, and contains all of the covenants and agreements between the parties with respect to said services. Any modifications of this Agreement will be effective only if it is in writing and signed by all parties.
- b) CONTRACTOR also agrees to the following:
 - i) If it is necessary to interpret this Agreement, all applicable laws may be used as aids in interpreting the Agreement. However, the parties agree that any such applicable laws shall not be interpreted to create contractual obligations upon GCHP, unless such applicable laws are expressly incorporated into this Agreement in some section other than this provision, Governing Law. This Agreement is the product of mutual negotiation, and if any ambiguities should arise in the

interpretation of this Agreement, both parties shall be deemed authors of this Agreement.

- ii) Any provision of this Agreement that is in conflict with Current or future applicable Federal or State laws or regulations is hereby amended to conform to the provisions of those laws and regulations. Such amendment of the Agreement shall be effective on the effective date of the statutes or regulations necessitating it, and shall be binding on the parties even though such amendment may not have been reduced to writing and formally agreed upon and executed by the parties.
- iii) All Policy and All Plan Letters issued by DHCS subsequent to the effective date of this Agreement shall provide clarification of CONTRACTOR's obligations pursuant to this Agreement, and/or inform and provide clarification to CONTRACTOR regarding mandated changes in State or Federal law or regulations, or pursuant to judicial interpretation, but shall not add new obligations to the Agreement.
- iv) Unless the context of this Agreement clearly requires otherwise, (a) the plural and singular numbers shall each be deemed to include the other; (b) the masculine, feminine, and neuter genders shall each be deemed to include the others; (c) "shall," "will," "must," or "agrees" are mandatory, and "may" is permissive; (d) "or" is not exclusive; and (e) "includes" and "including" are not limiting.
- v) The provisions of this Agreement are severable. The invalidity or unenforceability of any one provision in the Agreement shall not affect the other provisions.

In concurrence and witness whereof, this Agreement has been executed by the parties effective on the date and year first above written.

Ventura County Medi-Cal Managed Care
Commission d.b.a. Gold Coast Health Plan

[CONTRACTOR]

Date: _____

Date: _____

Signature: _____

Signature: _____

Title: Chief Executive Officer

Title: _____

Exhibit A
SERVICE ORDER

MRX

EXHIBIT B

to PROFESSIONAL SERVICES AGREEMENT

Change Order No. ___ for Service Order ___

Between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan, a California public entity established under the laws of the State of California, and (CONTRACTOR)

This Change Order No. **XXX** hereby modifies and is made an integral part of Service Order **XXX** between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan, a California public entity established under the laws of the State of California, (“GCHP”) and **(CONTRACTOR)**, (“CONTRACTOR”), which was issued under Professional Services Agreement dated **XXXX-XXXX** (“Agreement”) between GCHP and CONTRACTOR.

CHANGE ORDER

This is Change Order No. **XXX** to a Service Order issued by GCHP to CONTRACTOR under which CONTRACTOR is to provide GCHP with a **[Insert Project Name]** Solution (“Solution”). The following item(s) is/are hereby modified as follows:

[Note: Include only the sections of the Service Order that are being changed. Do not include sections not being modified. Changes should be clearly identified as “From” (copy/paste from current Service Order section) and “To” (fully describe the change(s) to the referenced section). Here is an example, using Service Order section 1.]

This Change Order No. **XXX** is issued pursuant to and, upon execution, shall become incorporated in the Service Order which is incorporated in the Agreement. In the event of conflict of terms, the Professional Services Agreement shall supersede all other agreements and terms.

The foregoing is the complete and final expression of the agreement between the parties to modify the Service Order and cannot be modified, except by a writing signed by duly authorized representatives of both parties hereto. ALL OTHER TERMS AND CONDITIONS OF THE REFERENCED SERVICE ORDER REMAIN UNCHANGED.

By signing below, the authorized parties agree to the terms of this Change Order No. **XXX**, effective (**INSERT EFFECTIVE DATE**).

Ventura County Medi-Cal Managed Care Commission d.b.a. Gold Coast Health Plan

(CONTRACTOR)

Date: _____

Date: _____

Signature: _____

Signature: _____

EXHIBIT C

REIMBURSABLE EXPENSE GUIDELINES

These REIMBURSABLE EXPENSE GUIDELINES (“Guidelines”) shall apply to certain expenses that CONTRACTOR may incur, pursuant to the agreement entered into by and between GCHP and CONTRACTOR dated as of **DATE 01**, 2015 entitled AGREEMENT FOR PROFESSIONAL SERVICES (“Agreement”). With respect to such expenses, when incurred by CONTRACTOR specifically for purposes of the Agreement, GCHP and CONTRACTOR hereby agree as follows:

1. GENERAL

1.1 When practical to do so, CONTRACTOR shall book all travel for the sole purpose of fulfilling on-site service obligations described in the GCHP Service Order. CONTRACTOR should communicate to GCHP’s Project Manager all associated travel costs prior to finalizing any/all travel arrangements. CONTRACTOR shall provide the travel service name and telephone number and agent assigned to CONTRACTOR by GCHP. Any airline ticket, car rental and hotel charges should be paid directly by CONTRACTOR, with available discounts applied.

1.2 For purposes of reimbursement hereunder, CONTRACTOR must submit original receipts to receive reimbursement of air travel expenses.

2. AIR TRAVEL

All personnel of CONTRACTOR (“Travelers”) will fly coach class. Original airline receipts are required for reimbursement in all cases.

3. HOTELS

3.1 Requests by Travelers for specific hotels will be honored only at the discretion of GCHP’s Project Manager and only if the rates of such hotels are the same as or lower than current industry averages.

3.2 Lodging expenses shall include the cost of a Traveler’s room plus applicable taxes, but shall not include room service, recreation, or any other direct charges to the room. (See Section 5 of the Guidelines for further discussion of these charges.)

4. AUTOMOBILE EXPENSE

4.1 Rental car charges shall be billed directly to each Traveler.

4.1.1 Reimbursement will cover no more than the cost of a mid-size rental car. **Limousine service is expressly prohibited.**

4.1.2 Additional insurance coverage, as provided in the rental car agreement, will not be reimbursed.

4.2 Mileage for travel in CONTRACTOR’s vehicles or in Travelers’ personal vehicles shall be reimbursed at the same per-mile rate in effect from time to time for

reimbursement of mileage incurred by GCHP's own employees. Toll-road charges will be reimbursed only if incurred for office-to-office travel between CONTRACTOR's offices and GCHP's. Mileage and tolls should be supported by appropriate, contemporaneous logs of such charges maintained by Travelers.

5. MISCELLANEOUS TRAVEL EXPENSES

5.1 Original receipts must be submitted for expenses including the following: meals; taxi and hotel shuttle fares; parking; and other costs for which receipts can be typically obtained. Expenses such as tips (for which receipts are usually not provided) should be reasonable for the services provided and supported by a personal log or other contemporaneous record kept by the Traveler.

5.1.1 Travelers' expense reports submitted as documentation for reimbursement are to be signed by appropriate management personnel of CONTRACTOR and are to include copies of applicable receipts as supporting documentation.

5.1.2 Documentation of each business meal should include the names of all Individuals for whom the meal was ordered, the date of the meal, the business purpose, the relationships between or among the individuals, and a summary of the business discussion.

5.2 A per diem allowance is offered for meals, tips, and incidentals, when agreed to in advance in writing by GCHP Management, shall be in lieu of any other reimbursement for such expenses and shall not exceed the maximum per traveler rates established by the U.S. General Services Administration: <http://www.gsa.gov/portal/category/100120>

6. OTHER EXPENSES

If incurred by CONTRACTOR exclusively for purposes of the Agreement, other costs (such as for document reproduction, computer time, air freight, postage telephone, and facsimile) will be reimbursed by GCHP only upon submission in advance of documentation satisfactory to GCHP. Such documentation may include office logs that identify specific costs with specific services performed by CONTRACTOR under the Agreement.

7. SUBCONTRACTORS

If CONTRACTOR contracts with a third party ("Subcontractor") for purposes of performing CONTRACTOR's obligations under the Agreement, these Guidelines shall apply to travel expenses incurred by a Subcontractor and which CONTRACTOR is obligated to reimburse to the Subcontractor. GCHP shall not be responsible to pay CONTRACTOR any amount in excess of CONTRACTOR's actual cost of reimbursing a Subcontractor, or the maximum amount permitted by these Guidelines, whichever is less. In no event shall GCHP pay CONTRACTOR any percentage, fee, administrative charge or other mark-up.

EXHIBIT D

BUSINESS ASSOCIATE AGREEMENT

This BUSINESS ASSOCIATE AGREEMENT ("Agreement") is entered into effective the ___ day of _____, 2016 by and between Ventura County Medi-Cal Managed Care Commission doing business as Gold Coast Health Plan ("GCHP") and _____, a _____ (insert where located and type of entity corporation LLC, i.e. California corporation) ("Business Associate").

RECITALS

A. GCHP is a Covered Entity as defined under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and is therefore subject to HIPAA and its implementing regulations, including the Standards for Privacy of Individually Identifiable Health Information (the "Privacy Rule") and the Security Standards for the Protection of Electronic Protected Health Information (the "Security Rule"), and Subtitle D of the Health Information Technology for Economic and Clinical Health Act ("HITECH") enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and HITECH Omnibus Rule, 78 Fed. Reg. 5,566 (Jan. 25, 2013) (collectively, HIPAA, the Privacy Rule, Security Rule, HITECH and HITECH Omnibus Rule shall be referred to herein as the "HIPAA Rules and Regulations").

B. Protected Health Information received from GCHP or created or received by Business Associate on behalf of GCHP ("PHI") may be needed for Business Associate to perform the <TYPE OF SERVICES TO BE PROVIDED> services (the "Services") requested by GCHP and described in any underlying agreement between the parties (the "Underlying Agreement").

C. To the extent Business Associate needs to access PHI to perform the Services, it will be acting as a Business Associate of GCHP and will be subject to certain provisions of the HIPAA Rules and Regulations.

D. To the extent the Underlying Agreement is a subcontract of a California Department of Health Care Services contract ("DHCS Subcontract"), Business Associate will be subject to certain California Department of Health Care Services ("DHCS") information privacy and security requirements.

E. GCHP and Business Associate wish to set forth their understandings with regard to the use and disclosure of PHI by Business Associate so as to comply with the HIPAA Rules and Regulations and GCHP's contract with DHCS.

AGREEMENTS

For valuable consideration received and the above referenced Recitals which are incorporated herein as if set forth in full and the mutual conditions, terms and promises set forth in these Agreements below, the parties agree as follows:

1. Defined Terms. Capitalized terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in the HIPAA Rules and Regulations:

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Breach, Data Aggregation, Designated Record Set, Disclosure, Health Care Operations, Individual, Minimum Necessary, Notice of Privacy Practices, Protected Health Information, Required by Law, Secretary of Health & Human Services, Security Incident, Subcontractor, Unsecured Protected Health Information, and Use.

Specific Definitions:

- (a) Business Associate. “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 Business Associate.
- (b) Covered Entity. “Covered Entity” shall generally have the same meaning as the term “covered entity” at 45 CFR 160.103, and in reference to the party to this agreement, shall mean GCHP.
- (c) HIPAA Rules and Regulations. “HIPAA Rules and Regulations” shall mean the Privacy, Security, Breach Notification, and Enforcement Rules and Regulations at 45 CFR Part 160 and 164.
- (d) Member. “Member” shall mean an Individual who is enrolled in the Gold Coast Health Plan.

2. Business Associate’s Obligations and Permitted Activities.

Business Associate agrees to the following:

(a) That this Agreement shall apply to all agreements between and among GCHP and Business Associate;

(b) That Business Associate shall not use or disclose PHI other than:
(i) as permitted to perform the Services set forth in this Agreement or the Underlying Agreement; or

(ii) for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate. Business Associate may disclose PHI for Business Associate’s proper management and administration or to carry out Business Associate’s legal responsibilities only if the disclosure is required by law, or Business Associate obtains reasonable assurances from the person or organization to whom the information is disclosed that it will remain confidential and used or further disclosed only as required by law or for the purpose for which it was disclosed to the person or organization, and the person or organization notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

(c) That Business Associate shall use appropriate safeguards, and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI, to prevent use or disclosure of PHI other than as provided for by this Agreement and the Underlying Agreement and shall develop, implement, maintain, and use appropriate administrative procedures, and physical and technical safeguards, to preserve and protect the confidentiality, integrity and availability of electronic PHI;

(d) Without any reasonable delay, and in any event no more than forty-eight (48) hours, Business Associate shall report to and notify GCHP of any Breach of unsecured PHI upon discovery of such Breach, as required by 45 CFR 164.410. Under 45 CFR 164.410, a Breach is deemed to be discovered by a business associate “as of the first

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day on which such breach is known to the business associate or, by exercising reasonable diligence, would have been known to the business associate”;

(e) For any Breach of Unsecured PHI, as defined in 45 CFR 164.402, following the initial notification of any such Breach, Business Associate shall provide a report to GCHP, within five (5) business days of the discovery of the Breach, that includes, to the extent possible: (1) a brief description of what happened, including the date of occurrence and the date of the discovery by Business Associate; (2) a description of the PHI affected, including the names of any Individuals whose PHI has been or is reasonably believed to have been accessed, acquired or disclosed and the types of PHI involved (such as full name, social security number, date of birth, home address, account numbers, etc.); and (3) a brief description of what Business Associate has done to investigate the Breach, to mitigate harm to Individuals, and to protect against any further Breaches. Further, Business Associate shall provide to GCHP any other available information GCHP is required to include in its notification to affected Individual(s);

(f) Business Associate will report to GCHP any Security Incident relating to electronic PHI, not more than twenty-four (24) hours after Business Associate’s discovery of such security incident, including any attempted or successful (A) unauthorized access, use, disclosure, modification, or destruction of GCHP’s electronic PHI or (B) interference with Business Associate’s system operations in Business Associate’s information systems, of which Business Associate becomes aware that extend beyond routine, unsuccessful attempts. Routine, unsuccessful attempts include but are not limited to pings on Business Associate’s firewall, port scans, attempts to log on to Business Associate’s system to enter a database with an invalid password or username, denial-of-service attacks that do not result in a server being taken off-line and malware (e.g., worms, viruses). Examples of reportable security incidents include, but are not limited to: (i) the exposure of Business Associate’s information systems to malicious code, such as a virus or worm, that places electronic PHI at risk; (ii) unauthorized access granted to or obtained by servers or workstations that contain electronic PHI; (iii) Business Associate becomes aware that electronic PHI is being used, copied, or destroyed inappropriately; and (iv) Business Associate experiences a “denial of service” attack or the compromise of a server or workstation containing electronic PHI that requires the server or workstation to be taken offline;

(g) Business Associate agrees to ensure that any of its agents or subcontractors that create, receive, maintain, or transmit GCHP’s PHI of GCHP, agree to the restrictions, conditions, and requirements at least as restrictive as those that apply to Business Associate through this Agreement and the Underlying Agreement with respect to such PHI;

(h) Business Associate shall make its internal policies, procedures and records relating to the use and disclosure of PHI reasonably available to the Secretary of Health and Human Services or to GCHP if necessary or required to assess Business Associate’s, its subcontractors, or the GCHP’s compliance with the HIPAA Rules and Regulations;

(i) Business Associate shall, within ten (10) business days of a request by GCHP, make available PHI in a Designated Record Set on behalf of GCHP as necessary to satisfy GCHP’s obligations under 45 CFR 154.524;

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(j) Business Associate shall, within ten (10) business days of a request by GCHP, make any amendments to such PHI in a Designated Record Set as directed or agreed to by GCHP pursuant to 45 CFR 164.526, or take other measures as necessary to satisfy GCHP obligations under 45 CFR 164.526;

(k) Business Associate shall maintain and make available to GCHP the information required to provide an accounting of disclosures as necessary to satisfy GCHP's obligations under 45 CFR 164.528, including recording for each required accounting: (i) the disclosure date, (ii) the name and (if known) address of the person or entity to whom Business Associate made the disclosure, (iii) a brief description of the PHI disclosed, and (iv) a brief statement of the purpose of the disclosure; and Business Associate must have available for GCHP such disclosure information for the six (6) years preceding GCHP's request for the disclosure information (except Business Associate need have no disclosure information for disclosures occurring before the Effective Date of this Agreement);

(l) To the extent Business Associate is to carry one or more of GCHP's obligations under Subpart E of 45 CFR 164, Business Associate shall comply with the requirements of Subpart E that apply to the covered entity in the performance of such obligations under this Agreement or the Underlying Agreement.

3. DHCS Contract Requirements. To the extent the Underlying Agreement is a subcontract of a DCHS Contract, Business Associate agrees to the following:

(a) General Security Controls.

i. Confidentiality Statement. All Business Associate workforce members shall sign a confidentiality statement supplied by Business Associate. The statement shall include, at a minimum, general use, security and privacy safeguards, unacceptable use, and enforcement policies. The statement shall be signed by the workforce member prior to access of PHI. The statement shall be renewed annually.

ii. Background check. Before a member of the Business Associate's workforce may access PHI, Business Associate shall conduct a thorough background check of that worker and evaluate the results to assure that there is no indication that the worker may present a risk for theft of confidential data.

iii. Workstation/Laptop/Remote Access encryption. All processes that provide remote access to PHI, and all workstations and laptops that process and/or store PHI shall be encrypted in accordance with the U.S. Department of Health and Human Services (DHHS), Guidance to Render Unsecured Protected Health Information Unusable, Unreadable, or Indecipherable to Unauthorized Individuals, or any superseding guidance issued by DHHS. Such guidance may be found at: <http://www.hhs.gov/ocr/privacy/hipaa/administrative/breachnotificationrule/brguidance.html>. The internet link provided above is provided for the convenience of the parties and is subject to change. All remote access must be limited to the minimum necessary and least privilege principles.

iv. Business Associate shall download only the minimum necessary amount of PHI to a laptop or hard drive, and shall do so only when absolutely necessary for business purposes.

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v. Removable media devices. All electronic files that contain PHI must be encrypted by Business Associate when stored on any removable media type device (e.g., USB thumb drives, floppies, CD/DVD, etc.).

vi. Email security. All emails that include PHI shall be sent by Business Associate in an encrypted method using encryption processes for data in motion complying, as applicable, with National Institute of Standards and Technology (NIST) Special Publications 800-52, Guidelines for the Selection and Use of Transport Layer Security (TLS) Implementations; 800-77, Guide to IPsec VPNs; or 800-113, Guide to SSL VPNs, or other encryption processes which are Federal Information Processing Standards (FIPS) 140-2 validated.

vii. Antivirus software. Business Associate shall install a commercial third-party anti-virus software solution with a minimum daily automatic update on all workstations, laptops and other systems that process and/or store PHI.

viii. Patch Management. Business Associate shall have security patches applied and up-to-date on all workstations, laptops and other systems that process and/or store PHI.

ix. User IDs and Password Controls. All of Business Associate's users of electronic PHI must be issued a unique user name for accessing electronic PHI. Passwords shall: (1) not to be shared, (2) be at least eight characters, (3) not be stored in readable format on the computer, (4) be changed every 60 days, (5) be changed if revealed or compromised, and (6) be composed of characters from at least three of the following four groups from the standard keyboard: upper case letters, lower case letter, Arabic numerals or non-alphanumeric characters (punctuation symbols).

x. Data Destruction. Except as otherwise provided in subsection 5(c)(ii) below, all PHI shall be returned or destroyed using Department of Defense standard methods for data destruction when the PHI is no longer needed.

(b) System Security Controls.

i. System Timeout. Business Associate's workstations with access to PHI shall provide an automatic timeout after no more than 20 minutes of inactivity.

ii. Warning Banners. Business Associate systems processing or maintaining PHI shall display a warning banner stating that data is confidential, system access is logged, and system use is for business purposes only. Users shall be directed to log off the system if they do not agree with these requirements.

iii. System Logging. Business Associate systems maintaining or processing PHI shall log success and failures of user authentication at all layers. Such systems shall log all system administrator/developer access and changes, and shall log all user transactions at the database layer if such database maintains or processes PHI.

iv. Access Controls. Business Associate systems maintaining or processing PHI shall use role based access controls for all user authentication, applying the principle of least privilege.

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v. Transmission Encryption. All Business Associate transmissions of electronic PHI shall be encrypted end-to-end using encryption processes conforming with those specified in Section 3(a)(vi) of this Agreement.

vi. Host Based Intrusion Detection. All Business Associate systems maintaining or processing PHI that are accessible via the Internet shall use a comprehensive third-party real-time host based intrusion detection and prevention program.

(c) Audit Controls.

i. System Security Review. All Business Associate systems maintaining or processing PHI shall have at least an annual system security review. Reviews shall include administrative and technical vulnerability scanning tools.

ii. Log Reviews. All Business Associate systems maintaining or processing PHI shall apply a routine procedure to review system logs for unauthorized access. Log records of each access occurrence shall be maintained for six years.

iii. Change Control. All Business Associate systems maintaining or processing PHI shall have a documented change control procedure that ensures separation of duties and protects the confidentiality, integrity and availability of data.

(d) Business Continuity / Disaster Recovery Controls.

i. Emergency Mode Operation Plan. Business Associate shall establish a written plan to enable continuation of critical business processes and protection of the security of electronic PHI in the event of an emergency.

ii. Data Backup Plan. Business Associate shall have established written procedures to backup data to maintain retrievable copies electronic PHI maintained by Business Associate. The plan shall include a regular schedule for making backups, storing backups offsite, an inventory of backup media, and the amount of time to restore data should it be lost. At a minimum, the schedule must be a weekly full backup and monthly offsite storage of data.

(e) Paper Document Controls.

i. Supervision of Data. Business Associate shall have a policy that:

1) PHI in paper form shall not be left unattended at any time, unless it is locked in a file cabinet, file room, desk or office. Unattended means that information is not being observed by an employee authorized to access the information.

2) PHI in paper form shall not be left unattended at any time in vehicles or planes and shall not be checked in baggage on commercial airplanes.

ii. Escorting Visitors. Business Associate shall escort visitors in areas where PHI is contained. PHI shall be kept out of sight while visitors are in the area, unless the visitors are authorized to view the PHI.

iii. Confidential Destruction. PHI in paper form, when disposed of by Business Associate, shall be disposed of through confidential means, such as shredding and pulverizing.

iv. Removal of Data. PHI shall not be removed by Business Associate from Business Associate's premises except for necessary business purposes.

v. Faxing. Faxes containing PHI shall not be left unattended by Business Associate and fax machines shall be in secure areas. Faxes shall contain a confidentiality statement notifying persons receiving faxes in error to destroy them. Fax numbers shall be verified by Business Associate before sending faxes.

vi. Mailing. PHI shall only be mailed by Business Associate using secure methods. Large volume mailings of PHI shall be by a secure, bonded courier with signature required on receipt. Disks and other transportable media sent through the mail must be encrypted.

(f) Member Contact Information. Business Associate shall document and provide to GCHP a list of third parties to which Business Associate discloses Members' names and contact information. This list of third parties shall be provided within thirty (30) calendar days of the execution of this Agreement and annually thereafter and as otherwise requested by GCHP.

4. GCHP's Obligations.

(a) GCHP shall not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Privacy Rule or the Security Rule if done by GCHP.

(b) GCHP shall make reasonable efforts not to provide Business Associate with more PHI than that which is minimally necessary for Business Associate to provide the Services.

(c) GCHP shall notify Business Associate of any change in, or the withdrawal of, the consent or authorization of an Individual regarding the use or disclosure of PHI to the extent that such change or withdrawal may affect Business Associate's use or disclosure of PHI.

5. Term and Termination.

(a) Term. This Agreement shall be effective as of the date first written above, and shall terminate when all PHI is destroyed or returned to GCHP. If Business Associate determines, in accordance with subsection 5(c)(ii) below, that it is infeasible to return or destroy PHI, the protections of this Agreement with respect to such PHI shall remain in effect until such PHI is returned or destroyed.

(b) Termination. Upon a party's knowledge of a material breach by the other party, the non-breaching party shall either:

(i) Provide an opportunity for the breaching party to cure the breach or end the violation within a period of time specified by the non-breaching party, with the

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understanding that if the breaching party does not cure or end the violation in the specified period of time, the non-breaching party may terminate the Agreement; or

(ii) Immediately terminate this Agreement if the breaching party has breached a material term of this Agreement and cure is not possible.

(c) Effect of Termination.

(i) Except as otherwise provided in subsection 5(c)(ii) below, within 30 days of termination of this Agreement for any reason, Business Associate shall return or destroy all PHI. This provision shall also apply to PHI that is in the possession of subcontractors or agents of Business Associate.

(ii) If the parties determine upon reasonable consultation that returning or destroying any or all PHI is infeasible, the protections of this Agreement shall continue to apply to such PHI, and Business Associate shall limit further uses and disclosures of PHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such PHI. GCHP hereby acknowledges and agrees that infeasibility includes Business Associate's need to retain PHI for purposes of complying with its work product documentation standards and Business Associate shall:

- A. Retain only that PHI which is necessary for Business Associate to continue its proper management and administration or carry out its legal responsibilities;
- B. Return to GCHP the remaining PHI that Business Associate still maintains in any form;
- C. Continue to use appropriate safeguards and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI 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;
- D. Not use or disclose 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 subsection (h) and (i) of Section 2, above, which applied prior to termination; and
- E. Return to GCHP, if not destroyed, the PHI retained by Business Associate when it is no longer needed by Business Associate for its proper management and administration or to carry out its legal responsibilities.

(d) Survival. The obligations of Business Associate under this Section shall survive the termination of this Agreement.

6. Indemnification. Business Associate shall indemnify, defend, and hold harmless the GCHP and its officers, agents, contractors, and employees from any third party claims, damages, costs, losses, lawsuits, liabilities, or expenses (including but not limited to legal fees and costs in enforcing this indemnity) arising out of or resulting from the performance of this Agreement, or the breach of any provision of this Agreement by Business Associate or any of its officers, agents, contractors, or employees. If GCHP is named a party in any judicial, administrative, or other proceeding arising out of or in connection with a breach

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of this Agreement or a violation of the HIPAA Rules and Regulations, or other applicable information security or privacy laws by Business Associate or any subcontractor or agent under Business Associate's control, GCHP will have the option at any time to either (i) tender its defense to Business Associate, in which case Business Associate will provide qualified attorneys, consultants, and other appropriate professionals to represent GCHP's interests at Business Associate's expense, or (ii) undertake its own defense, choosing the attorneys, consultants, and other appropriate professionals to represent its interests, in which case Business Associate will be responsible for and shall pay reasonable fees and expenses of such attorneys, consultants, and other appropriate professionals. GCHP shall have the sole right and discretion to settle, compromise, or otherwise resolve any and all claims, causes of action, liabilities, or damages against it, notwithstanding that GCHP may have tendered its defense to Business Associate. Any such resolution will not relieve Business Associate of its obligation to indemnify GCHP.

7. Miscellaneous.

(a) Regulatory References. A reference in this Agreement to a section in the HIPAA Rules and Regulations means the section as in effect or as amended, and for which compliance is required.

(b) Amendment. Upon the effective date of any final regulation or amendment to the HIPAA Regulations, this Agreement shall be deemed automatically amended so that the obligations it imposes on the parties remain in compliance with such regulations. Following amendment of the Agreement in this manner, the parties shall, as necessary, work together to clarify their respective obligations with respect to any new requirements under the modified HIPAA Regulations.

(c) Notice. Any notice, report or other communication to GCHP by Business Associate required or permitted in this Agreement shall be in writing and shall be deemed to have been given on the day of service if served personally or by facsimile transmission with confirmation, or three (3) days after mailing if mailed by registered or certified mail, or two (2) days after delivery by a nationally recognized overnight courier, to the GCHP Compliance Officer at the address noted below or to such other person or address as GCHP may designate in writing from time to time:

Gold Coast Health Plan
711 E. Daily Drive, Suite #106
Camarillo, CA 93010-6082

Fax: (805) 437-5132

(d) Independent Contractors. Business Associate and GCHP are independent contractors and this Agreement will not establish any relationship of partnership, joint venture, employment, franchise or agency between Business Associate and GCHP. Neither Business Associate nor GCHP will have the power to bind the other or incur obligations on the other party's behalf without the other party's prior written consent, except as otherwise expressly provided in this Agreement.

(e) Conflicts. In the event that any terms of this Agreement are inconsistent with the terms of the Underlying Agreement, then the terms of this Agreement shall control.

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(f) Entire Agreement. This Agreement shall constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, oral or written, and all other communications between the parties hereto relating to such subject matter.

(g) Governing Law and Venue. The governing law and venue for disputes arising under this Agreement shall be the same as set forth in the Underlying Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

Ventura County Medi-Cal Managed Care
Commission d.b.a. Gold Coast Health Plan

[BUSINESS ASSOCIATE]

Date: _____

Date: _____

Signature: _____

Signature: _____

Title: Chief Executive Officer

Title: _____

EXHIBIT A

SERVICE ORDER

THIS SERVICE ORDER NO. 01 ("Service Order") is made as of _____, 2016 ("Service Order Effective Date"), by and between Ventura County Medi-Cal Managed Care Commission doing business as GCHP Health Plan, a California public entity established under the laws of the State of California (hereinafter "GCHP"), and _____, a **[type of entity]** ("CONTRACTOR"). The parties entered into Agreement For Professional Services dated as of _____, 2016 ("Agreement"). The terms and conditions of the Agreement are incorporated into this Service Order by this reference thereto. If there is a conflict between a specific term in this Service Order and the terms of the Agreement, the specific term of the Agreement shall control.

1. **DEFINITIONS**

- 1.1 "***AWP***" means the average wholesale price, as reflected on the Pricing Source, of a Prescription Drug or other pharmaceutical products or supplies based on the NDC of the Drug dispensed. Contractor will rely on the Pricing Source as updated by Contractor no less frequently than every seven (7) days to determine AWP for purposes of establishing the pricing provided to GCHP under this Service Order.
- 1.2 "***Benefit Plan***" means the Medi-Cal managed care benefit plan sponsored by GCHP that includes the prescription drug benefit for Medi-Cal Members as reflected, under which GCHP is obligated to provide Covered Prescription Services, and such other benefit plans as determined by GCHP.
- 1.3 "***Brand Drug***" means a single-source or multi-source Prescription Drug that received its marketing approval from the FDA under a New Drug Application (NDA) or a Biological License Application (BLA) and cannot be identified as a Generic Drug.
- 1.4 "***Clean Claim***" means a Prescription Claim prepared in accordance with the NCPDP-promulgated standard format that contains all information necessary for processing for a Prescription Claim and submitted for payment no later than thirty (30) days after the date of service, or a longer period of time if required by law.
- 1.5 "***Clinical Documentation Form***" means the document describing the clinical services elected by GCHP to be provided by Contractor as mutually agreed in writing to by the Parties.
- 1.6 "***Compound Prescription Drug***" means a Prescription Drug that is prepared by a pharmacist who mixes or adjusts one or more Prescription Drugs which are not already available in a commercially made product to customize a medication to meet a Member's individual medical needs. GCHP's payment to Contractor for providing a Compound Prescription Drug to a Member will include the Network Pharmacy contracted rate for each Prescription Drug included in the medication and one contracted dispensing fee minus any Cost-Sharing amount.

- 1.7 **“Cost-Sharing Amount”** means the coinsurance, copay, deductible or other cost sharing amount, either a specified dollar amount or a percentage of eligible expenses, that a pharmacy may collect from a Member for Covered Prescription Services in accordance with the Member’s Benefit Plan.
- 1.8 **“Covered Prescription Services”** means Prescription Drugs or other pharmaceutical products, services or supplies dispensed by a pharmacy to a Member for which coverage is provided in accordance with the Member’s Benefit Plan.
- 1.9 **“DHCS”** means the State of California Department of Health Care Services.
- 1.10 **“Drug Manufacturer”** means an entity that manufactures, sells, markets or distributes Prescription Drugs and operates under FDA approval.
- 1.11 **“FDA”** means United States Food and Drug Administration.
- 1.12 **“Formulary”** means the list of Prescription Drugs covered by the applicable Benefit Plan as developed and adopted by GCHP for use with the Benefit Plans. The Formulary will be made available to physicians, pharmacies and other healthcare persons or entities to guide the prescribing, dispensing, sale and coverage of Covered Prescription Services.
- 1.13 **“Generic Drug”** means 1) Prescription Drugs that are approved or brought to market under an ANDA, 2) Prescription Drugs that are brought to market under an NDA but listed as “authorized generics” in the FDA NDC Directory, or 3) Prescription Drugs identified as a generic drug in the Medi-Span drug database with a multisource code “Y – considered generic multiple sources.” A Generic Drug does not need to meet all three definitions. If any of the above three definitions apply, then the Prescription Drug shall be considered a Generic Drug.
- 1.14 **“Governmental Authority”** means the Federal government, any state, county, municipal or local government or any governmental department, political subdivision, agency, bureau, commission, authority, body or instrumentality or court that regulates the applicable party’s activities or operations.
- 1.15 **“MAC”** means the maximum allowable cost of a Prescription Drug as specified on a list established by Contractor. Contractor will employ a single universal MAC list for each Network Pharmacy, which is subject to Contractor’s periodic review and modification in its sole discretion. GCHP will have access to any MAC list at all times and shall be given no less than thirty (30) days’ prior notice of any material changes to the MAC list(s).
- 1.16 **“Mail Order Pharmacy”** means a facility that is duly licensed to operate as a pharmacy at its location and to dispense Prescription Drugs via postal or commercial courier delivery to individuals, including Members. Mail Order Pharmacy includes pharmacies that Contractor owns or operates.
- 1.17 **“Medi-Cal Agreement”** means the agreement entered into by and between GCHP and DHCS under which GCHP has agreed to arrange for or provide

health benefits under the Medi-Cal Managed Care Program to Medi-Cal beneficiaries who may enroll in GCHP's Medi-Cal Managed Care Program. The required elements of this Service Order will, among other things, conform to the Medi-Cal Agreement.

- 1.18 “**Member**” means an eligible individual legitimately enrolled in a Benefit Plan.
- 1.19 “**NCPDP**” means the National Counsel for Prescription Drug Programs.
- 1.20 “**NDC**” means the National Drug Code that is the identifying Prescription Drug number maintained by the FDA.
- 1.21 “**Network Pharmacy**” means a retail pharmacy, Mail Order Pharmacy, Specialty Pharmacy or other facility that is duly licensed to operate as a pharmacy at its location and to dispense Prescription Drugs to individuals, including Members, and for third-party pharmacies, have entered into a Network Pharmacy Agreement. Contractor, when acting solely in its capacity as a Mail Order Pharmacy or Specialty Pharmacy, is a Network Pharmacy of GCHP.
- 1.22 “**Network Pharmacy Agreement**” means the Agreement between a Network Pharmacy and Contractor or GCHP to provide Covered Prescription Services.
- 1.23 “**Paid Claim**” means a Prescription Drug claim that is approved for payment during Contractor’s semi-monthly billing cycle or is a reversal during this semi-monthly billing cycle of a Prescription Drug Claim that was approved for payment during a prior semi-monthly billing cycle. A rejected or denied claim or a claim approved for payment and reversed during the same semi-monthly billing cycle is not a Paid Claim.
- 1.24 “**Pharmacy and Therapeutics Committee**” means the committee formed by GCHP that reviews a legend drug for inclusion on the Formulary and creates criteria, policies and procedure for such inclusion including, but not limited to, clinically-appropriate quantity restrictions, step therapies and prior authorizations.
- 1.25 “**PHI**” means any information Contractor receives or provides on behalf of the Plan that is considered Protected Health Information, as defined in the privacy regulations of the Health Insurance Portability and Accountability Act of 1996.
- 1.26 “**Plan Specifications**” means GCHP’s requirements for its prescription drug benefit plan that Contractor utilizes to carry out its obligations under this Service Order as reflected in Contractor’s Plan design document and approved in writing by both parties, including written Benefit Plan descriptions, Member eligibility and identification requirements, benefit definitions, Formulary, Pharmacy Network, utilization management programs, applicable Cost-Sharing Amounts, number of days’ supply for acute and maintenance medications, dispensing and other limitations, manuals and other Benefit Plan or Member information.
- 1.27 “**Prescription Claim**” means a single request for payment for, or a bill or invoice relating to, a Covered Prescription Service that a Network Pharmacy, other health care provider or Member submits, whether the request, bill or invoice is paid or denied.

- 1.28 **“Prescription Drug”** means a Generic Drug or Brand Drug that is approved by the FDA and required under law to be dispensed only as authorized by a written or oral order to dispense a Prescription Drug by an appropriately licensed and qualified health care professional in accordance with law.
- 1.29 **“Pricing Source”** means the Medi-Span Prescription Pricing Guide (with supplements) or another nationally recognized pricing source determined by Contractor and agreed upon in writing by GCHP.
- 1.30 **“Rebate”** means any and all funds/payments/revenue received by Contractor from any and all third party sources (e.g., manufacturers (brand or generic), wholesalers, pharmacies, etc.) associated with the Prescription Drug utilization of GCHP and its Members.
- 1.31 **“Service Fees”** means those fees and charges set forth in Schedule A-2 Service Fees and Charges, attached hereto.
- 1.32 **“Specialty Drugs”** means the Prescription Drugs including: (a) biotechnology drugs; (b) orphan drugs used to treat rare diseases; (c) typically high-cost drugs; (d) drugs administered by oral or injectable routes, including infusions in any outpatient setting; (e) drugs requiring on-going frequent patient management or monitoring; or (f) drugs that require specialized coordination, handling and distribution services for appropriate medication administration. For means of pricing, Specialty Drugs will be Prescription Drugs maintained on the Specialty Drug price list that are mutually agreed upon in writing by the parties and periodically updated throughout the life of the Service Order.
- 1.33 **“Specialty Pharmacy”** means a facility that is duly licensed to operate as a pharmacy at its location and to dispense Specialty Drugs to individuals, including Members. Specialty Pharmacy includes pharmacies that Contractor owns or operates.
- 1.34 **“Usual and Customary Charge”** or **“U&C”** means the price, including all applicable customer discounts, such as special customer, senior citizen and frequent shopper discounts, that a cash paying customer pays a pharmacy for Prescription Drugs.

2. **SCOPE OF WORK**

2.1 **Administrative Support**

- 2.1.1 **Services.** Contractor agrees to use reasonable care and diligence in the performance of its duties under this Service Order and will provide administrative, management, consultative, claims processing and other general pharmacy benefit management support services to GCHP in conjunction with administration and operation of the Benefit Plans as set forth in this Service Order (**“Services”**). Contractor shall perform all functions necessary to administer and operate the Benefit Plan. Contractor will administer and support the Benefit Plans in accordance with the most current Plan Specifications that GCHP has provided to Contractor as required by this Service Order, and will ensure that such

Plan Specifications meet the requirements to operate the Benefit Plan in accordance with applicable law and the Medi-Cal Agreement. The parties anticipate that Contractor will commence the provision of Covered Prescription Services to Members on or about **[April 1, 2017 or July 1, 2017]** (the “Implementation Date”).

2.1.1.1 Services will include, but are not limited to:

- Provider Network Management
- Information Processing System
- Claims Adjudication
- Clinical Services
- Decision Support and Management Reporting System
- Prior Authorizations
- Financial Management
- Fraud, Waste and Abuse
- Quality Assurance
- Dedicated Account Management
- Pharmacy Auditing Services
- Rebate Management
- Medicaid
- Pharmacy Call Center
- 340B
- Member Services
- Reporting
- Mail order Pharmacy
- Specialty Pharmacy
- Infusion Services
- Drug Utilization Management

2.1.2 Account Management. Contractor shall provide GCHP account management services, including an account manager who shall, among other things, oversee Contractor’s provision of Services under this Service Order and serve as GCHP’s day-to-day contact. Such account manager and all account management personnel shall be trained, experienced account service resources to serve as liaison between GCHP and Contractor for the purpose of facilitating operational activities, resolving issues, and providing consultative support. Account management support includes scheduling conference calls to monitor and discuss outstanding priorities. Account management staff will act as the primary contact to GCHP after the implementation process is completed. Contractor’s account management team will be available during normal business hours in the Pacific Time Zone, 8 am to 5 pm Monday to Friday. Contractor will assign to GCHP an account manager acceptable to GCHP, and GCHP will have prior approval of any such manager assigned to it. The parties will meet and confer should GCHP determine and request that a change in any such manager’s assignment to GCHP should be made, so that Contractor may review and accommodate such request.

- 2.1.3 Member Customer Service. Member customer service provides Members with information regarding pharmacy locations, eligibility, drug coverage, Copayment, prior authorization requirements, Benefit Plan guidelines, appeals process, direct member reimbursement instructions, benefit status, claims submission and status, claims payment and general information regarding their prescription benefit plan. Member customer service is a toll-free phone line available 24 hours a day, 7 days a week, 365 days a year. Contractor's call center is and will be located in the United States during the term of this Service Order. Contractor will be able to support all Department of Health Care Services mandated threshold languages in written materials.
- 2.1.4 On-Line Member Services. Contractor will provide Members with access to a Member portal that will provide them with resources and tools to assist in understanding their pharmacy benefit, manage their medications and make informed decisions about their health. Key services available to Members through the Member portal include the following:
- 2.1.4.1 View real-time benefits, including coverage amounts, copayments, plan and Member payment amounts, deductibles, and drug spend.
 - 2.1.4.2 Access detailed claims history.
 - 2.1.4.3 Search the drug information tool to learn about appropriate dosage guidelines, possible side effects and other general information about specific medications.
 - 2.1.4.4 Use the formulary look-up tool to confirm coverage of specific medications by Benefit Plan.
 - 2.1.4.5 Locate nearby pharmacies using the pharmacy locator tool.
 - 2.1.4.6 Access an extensive library of educational materials.
 - 2.1.4.7 Designate a head of household to view benefit information for multiple family members through a single profile.
 - 2.1.4.8 Submit requests for new, refill and transfer home delivery pharmacy prescriptions.
 - 2.1.4.9 Review customized medication reminders.
 - 2.1.4.10 Conduct drug cost comparisons and search for alternatives through our Drug Pricing and Alternatives tool, including: drug pricing specific to the member's benefit, deductible status, and pharmacy selected, lower cost alternative drugs, plan pay and member savings amount.
- 2.1.5 Implementation Support. Contractor shall provide GCHP implementation services, including an implementation project manager who shall, among

other things, lead Contractor's implementation team and facilitate the successful implementation of all aspects of Contractor's provision of Services under this Service Order. Such implementation project manager and all implementation support personnel shall be trained, experienced project management resources to serve as liaison between GCHP and Contractor and to manage the implementation process. A Contractor implementation project manager will act as the primary contact to GCHP during implementation. Implementation support shall include establishing a project plan; identifying necessary activities to support the implementation; and coordinating internally, within Contractor, to identify and resolve implementation issues. Contractor will assign to GCHP a project implementation manager acceptable to GCHP, and GCHP will have prior approval of any such manager assigned to it. The parties will meet and confer should GCHP determine and request that a change in any such manager's assignment to GCHP should be made, so that Contractor may review and accommodate such request.

2.1.6 On-Site Meetings. Contractor will participate in such meetings or teleconferences with GCHP as requested by GCHP at no additional cost to GCHP. It is anticipated that GCHP will require on-site management meetings with Contractor at least quarterly. Contractor's senior management will attend Commission meetings to respond to questions regarding Contractor's performance of this Service Order. In addition, Contractor will participate in meetings or teleconferences that are scheduled by the DHCS through the term of this Service Order and as necessary thereafter to provide for the exchange of information relative to the implementation and operation of the Benefit Plan.

2.1.7 Reporting.

2.1.7.1 In addition to the reporting requirements set forth in Section 15 of the Agreement, Contractor will provide GCHP with Contractor's standard reporting package and reports. GCHP will also have access to Contractor's on-line reporting system. Contractor will provide online reporting tool training to GCHP as follows: (i) training manuals will be provided to GCHP's staff members who access the system; and (ii) GCHP staff members will receive one day of extensive system training. Contractor will conduct one day of training on-site at the location of GCHP's choice. Contractor's on-line reporting system's minimum functionality will include: drill-down capabilities; date, group, physician, member, and drug classification parameter manipulation capabilities; and user scheduled customized batch reporting capabilities. Ad hoc reporting services that can be generated from queries available in the online reporting system are provided at no additional charge. If GCHP requests custom reports that require system programming, complex customized report programming, or plan-specific templates, then additional fees may apply as set forth in Schedule A-2 Service Fees and Charges. Notwithstanding the foregoing, any report requested or required by DHCS or the Medi-Cal Agreement will be

provided by Contractor within the required timelines or as soon as reasonably practical upon request by GCHP at no charge to GCHP.

2.1.7.2 Contractor will provide GCHP, its administrative service organization (ASO), medical management teams and/or its consultant with monthly detailed claims data at no additional fees and in the format necessary for each entity. Contractor shall ensure that adequate information is captured during the claim payment process to allow GCHP to evaluate individual and overall health care utilization in the Benefit Plan. The claims database shall contain for each claim all applicable claim information, as identified in the National Council for Prescription Drug Program (“NCPDP”) standards, which at a minimum must include an identification number; claim number; dates of service; date of claim submission; NDC; generic product indicator (“GPI”); brand name; generic name; brand/generic indicators; prescribing provider name, National Provider identification (“NPI”) number, and Drug Enforcement Agency (“DEA”) number; pharmacy name, National Association of Boards of Pharmacy (“NABP”) number, and NPI number; amount billed; amount allowed; amount paid; AWP; U&C; other health coverage costs (coordination of benefits) including amount paid and member cost share; and Member responsibility. The database shall have the capability of producing a variety of reports concerning utilization of Covered Prescription Services as directed by GCHP. In all respects, claims and utilization data shall be maintained, and available for reporting to and analysis by GCHP or any designee, in a manner consistent with industry standards for comparable pharmacy benefit managers.

2.1.7.3 Contractor will provide quarterly ongoing reporting on compliance with the pricing and performance guarantees set forth in the Performance Guarantee Schedule, attached to this Service Order as Schedule A-1, including yearly reconciliations and true-up reports.

2.1.7.4 Contractor will submit all DHCS required encounter data related to Covered Prescription Services claims on behalf of GCHP to DHCS in the manner and frequency necessary to meet or exceed all quality measures contained within the DHCS reference materials as set forth in Attachment 9 of the RFP. This shall include file development, testing, submission, resubmission, file loads, file tracking, remediation, and reporting of all pharmacy encounter data. This also includes the submission, resubmission and passing of pharmacy encounter files and response files generated by a delegate(s) of GCHP and DHCS to DHCS, GCHP and the delegate(s).

2.1.8 GCHP Administrative Responsibility. GCHP has full and final authority concerning for the Benefit Plan and its operation, including the disposition

of disputed claims. Contractor shall have no power to act on behalf of GCHP in connection with the Benefit Plan, except as expressly stated in this Service Order or as otherwise directed by GCHP. GCHP has authority over the administration and management of the Benefit Plan as provided by and in accordance with the Medi-Cal Agreement, and applicable federal and state laws.

2.1.9 Benefit Plan Eligibility Data. GCHP will provide Contractor with electronic eligibility data in NCPDP format, or another format agreed to by the parties, as well as Member personal address, phone number and email and work email, if available, for all Members who are entitled to Covered Prescription Services under the Benefit Plans. Contractor will load correctly formatted Member eligibility data no later than one (1) business day after receipt from GCHP. Contractor will be entitled to rely on the accuracy and completeness of the Member eligibility data. GCHP will be solely responsible for any errors in Member eligibility data that GCHP furnishes to Contractor. If requested by GCHP, Contractor will transfer complete and accurate electronic claim history, eligibility data, open prior authorizations and open fill mail order and/or specialty pharmacy files to GCHP or its authorized representatives at no additional cost monthly and before and after termination of this Service Order, including run-out claims. GCHP will have access to eligibility and claims information through Contractor's web-based Internet Direct Access system, which allows GCHP to view claims transactions in real time allowing GCHP to: (i) view, update and add Member eligibility; (ii) view pharmacy information; (iii) access Member benefit maximums and deductible information; (iv) enter overrides and prior authorizations; and (v) verify GCHP-specific plan designs. Contractor will not sell GCHP's claim data to any third party vendor.

2.1.10 Member Notification. GCHP will make available to Members information regarding the type, scope, restrictions, limitations and duration of Covered Prescription Services to which Members are entitled under an applicable Benefit Plan. GCHP will provide and distribute, as appropriate, ID cards, a list of Network Pharmacies, mail service brochures, the Formulary and other pharmacy benefit related materials to Members.

2.1.11 Covered Prescription Services Information. Contractor will:

2.1.11.1 Provide information to physicians, pharmacists, other health care professionals, and Members about the factors that affect formulary system decisions, including, but not limited to: cost containment measures, such as step therapy; the procedures for obtaining non-formulary drugs; and the importance of formulary compliance to improving quality of care and restraining health care costs; and

2.1.11.2 Provide educational materials or information to Members that explain how formulary decisions are made, how Members can efficiently and effectively utilize Covered Prescription Services, the process and procedures to obtain medically necessary

pharmaceuticals under the Benefit Plan, and the roles and responsibilities of the Member relating to Covered Prescription Services.

2.1.12 Plan Specifications. GCHP will provide Contractor with the Benefit Plan technical assistance and information Contractor reasonably needs to perform the Services, including information regarding Members, Benefit Plans and Plan Specifications. GCHP will provide Contractor with the Plan Specifications no later than forty-five (45) days before the Implementation Date unless the parties otherwise agree. GCHP may amend the Plan Specifications upon forty-eight (48)-hour notice to Contractor if a standard amendment and upon a time period mutually agreed upon in writing by the parties for a complex amendment, unless a Governmental Authority requires that the amendment occur in a shorter time period. GCHP may terminate the Plan Specifications upon forty-five (45) days' prior notice to Contractor, unless a Governmental Authority requires that the termination occur in a shorter time period. GCHP's failure to provide the Plan Specifications within the time periods stated in this section may delay Contractor's implementation of the Services and performance guarantees. GCHP is responsible for the accuracy, completeness and timeliness of all Plan Specifications, and acknowledges Contractor's reliance on, the Plan Specifications.

2.2 Pharmacy Network Administration

2.2.1 Pharmacy Network. Contractor will establish and maintain a network of pharmacies to provide the Services to GCHP ("Pharmacy Network"). Contractor will maintain a Pharmacy Network reasonably necessary to provide services under the Benefit Plan. Contractor will meet and maintain the GCHP pharmacy access standards to ensure that Members have adequate access to Covered Prescription Services. Contractor will provide to GCHP a current list of Network Pharmacies in the Pharmacy Network with all necessary data to meet DHCS required provider network data standards for monthly DHCS submissions and weekly website postings. Contractor may add or remove Network Pharmacies from the Pharmacy Network upon written approval from GCHP. Contractor will allow GCHP to include or exclude certain pharmacies or chains from the Pharmacy Network. Should material changes in the Pharmacy Network impact the pricing guarantees set forth in Schedule A-2 Service Fees and Charges, Contractor will provide GCHP of any such proposed pricing impact upon GCHP's request and within five (5) days of GCHP's notification to Contractor of a change in the Pharmacy Network should the parties agree that such change is material.

2.2.2 Network Pharmacy Credentialing. Contractor will establish and maintain a reasonable process for credentialing Network Pharmacies in accordance with URAC PBM credentialing standards. Contractor will conduct annual audits of all pharmacy credentialing policies, documents, and activities to ensure compliance with these standards.

- 2.2.3 Desk and On-Site Audits. Contractor will, in accordance with its standard audit program and as required by law, conduct real-time and retrospective desk audits and selected on-site audits of the Network Pharmacies to determine whether the Network Pharmacies are submitting appropriate billings for payment by GCHP or Members. Contractor will report the results of the audits to GCHP. Contractor will pay GCHP, or apply as a credit to invoices payable by GCHP to Contractor, the 100% of the amounts Contractor recovers from these audits. The costs associated with real-time and retrospective desk audits will be the responsibility of Contractor. The cost of selected on-site audits will be the responsibility of Contractor for up to twenty (20) on site audits each year.
- 2.2.4 Confirmation of Member Eligibility. Prior to providing Covered Prescription Services to Members, Contractor and Network Pharmacies shall confirm the Members' eligibility status
- 2.2.5 Notifications. Contractor will provide advance notification of any Network Pharmacies that will no longer participate in the Pharmacy Network ("Exiting Pharmacy") at least forty-five (45) days prior to the date of any such Exiting Pharmacy's termination and in accordance with the Network Pharmacy Agreement. All Members who have utilized that Exiting Pharmacy for fulfillment of Covered Prescription Services shall be notified in writing of the date of the termination and closest available Network Pharmacies. The Member notification shall be made at least thirty (30) days prior to the Exiting Pharmacy's termination date to the extent possible and in accordance with this Service Order and the Network Pharmacy Agreement.

2.3 **Claims Process**

- 2.3.1 Claims Adjudication. Contractor will adjudicate, process or pay Prescription Claims for Covered Prescription Services in accordance with the Plan Specifications. Contractor will pay in accordance with Plan Specifications, on GCHP's behalf, only Clean Claims (a) submitted by the Network Pharmacies in a timely manner through Contractor's point-of-service system in accordance with NCPDP guidelines and (b) properly submitted by Members as requests for reimbursement for Covered Prescription Services. For each Clean Claim submitted by a Network Pharmacy, Contractor will reimburse the Network Pharmacy the amount specified in the Network Pharmacy Agreement for the dispensed Prescription Drug less any Cost-Sharing Amounts. Contractor's claim adjudication will have, at a minimum, the following capabilities: (i) prior authorizations; (ii) multi-step (3+) step therapies; (iii) age restrictions (both above and below); (iv) benefit exclusions; (v) quantity limits based on all of the following: (a) metric decimal quantities; (b) morphine equivalent dosing (MED); and (c) total accumulated acetaminophen dosing; (vi) administrative prior authorizations; (vii) maximum dollar or quantity edits per script with abilities to provide customized drug-specific exception lists; and (viii) point of sale DUR edits employment soft and hard edits.

2.3.2 Delays. Contractor will not be responsible for any loss, omission or delay of any Prescription Claim by a Network Pharmacy (other than Contractor's Mail Order Pharmacy or Specialty Pharmacy) or other health care professional.

2.3.3 Coordination of Benefits. GCHP is the payer of last resort and recognizes other health coverage as the primary carrier. Contractor and Network Pharmacies shall bill and recover directly from the primary carrier before billing GCHP for reimbursement for Covered Prescription Services to Members. Contractor and Network Pharmacies shall not bill Members for Covered Prescription Services, except for those Members with an authorized Cost Sharing Amounts. Contractor and Network Pharmacies may look to Members for payment of prescription drug services not part of the Benefit Plan. The coordination of benefits shall be made in accordance with GCHP's policies and procedures. Contractor shall notify GCHP of the discovery of third party insurance coverage for a Member within ten (10) business days of discovery.

2.3.3.1 Claims processed for GCHP where GCHP is the secondary payer will follow the following guidelines with respect to other payers:

2.3.3.1.1 Medicare Part D: any claims for which the claim is eligible for coverage under Medicare Part D, regardless if the Member has active coverage under Medicare Part D, may not be paid in any part by GCHP;

2.3.3.1.2 Medicare Part B: any prescription claim for which the claim is eligible for coverage under Medicare Part B, GCHP is only to pay the portion of the Member cost share that, when summed with coverage by Medicare Part B, would equate to the total amount that GCHP would have paid if GCHP had been the primary payer. This coordination of benefits may result in GCHP not paying any portion of the claim and the Member shall have no remaining cost share.

2.3.3.1.3 Commercial Health Coverage: any claims for which the claim is eligible to for coverage under commercial coverage, GCHP shall be responsible for the Member's cost sharing. If the commercial coverage will not cover any portion of the claim, GCHP shall pay the entire portion of the claim only after all appeals processes through the other commercial coverage have been fully exhausted.

2.3.4 Third Party Liability. In the event that Contractor or Network Pharmacies render Covered Prescription Services to Members for injuries or other conditions resulting from the acts of third parties, the State has the right to

recover from any settlement, award, or recovery from any responsible third party the value of all Covered Prescription Services which have been rendered by Contractor or Network Pharmacies pursuant to the terms of this Agreement. Contractor will report to GCHP the discovery of any third party tort action or potential tort action for a Member within ten (10) days of discovery. Contractor and Network Pharmacies will cooperate with DHCS and GCHP in their efforts to obtain information and collect sums due the State as a result of third party tort liability, including but not limited to workers compensation claims for Covered Prescription Services.

2.3.5 Administrative Grievances and Appeals. At GCHP's request, Contractor will process initial Benefit Plan coverage determinations and exception requests and support GCHP in connection with Benefit Plan appeals and grievances in accordance with Plan Specifications and this Section 2.3.5 and to the extent required by law.

2.3.6 Prior Authorization Appeals. GCHP staff (including licensed pharmacist and physicians) will conduct and make determinations of all appeals. Contractor shall be responsible for the maintenance of appeal documentation and provision of approved Member, prescriber, and pharmacy notifications. All appeals will be conducted in accordance with GCHP policies and procedures.

2.4 **Benefits Administration and Support**

2.4.1 Utilization Management Program

2.4.1.1 Development and Support. GCHP may implement, upon written agreement, Contractor's custom utilization management programs for the Benefit Plans designed to promote cost-effective drug utilization management and to discourage Prescription Drug over and under-utilization. Contractor may, on behalf of GCHP, (a) communicate with Members to describe health-related products or services (or payment for the products or services) provided by or included in the Benefit Plan through the Services, including communications about Network Pharmacies, replacement or enhancement to the Plan, and health-related products or services available only to Members that add value to and are not part of the Benefit Plan; (b) conduct population-based activities relating to improving the health of Members and reducing their healthcare costs; and (c) contact Members with health education information and information about Prescription Drugs, treatment alternatives, and related functions. Upon GCHP's request and at an additional charge to GCHP in accordance with the Clinical Documentation Form, Contractor, in consultation with GCHP, will develop non-standard utilization management policies, procedures, guidelines or programs for the Benefit Plans. Upon GCHP's request, Contractor will communicate GCHP's utilization program requirements to Members through GCHP-approved information and outreach materials.

2.4.1.2 Contractor's Prior Authorization Services. Contractor will respond to properly submitted prior authorization requests from providers, Members and pharmacies using utilization management standards and guidelines established by GCHP. GCHP retains complete and exclusive discretionary authority over approval of prior authorization requests, including Benefit Plan override.

2.4.2 GCHP Prior Authorization, Overrides, and Appeals. If GCHP chooses to perform prior authorizations, benefit overrides, and/or appeals, then Contractor will provide GCHP access to the information in Contractor's computer systems that GCHP needs to perform these functions.

2.4.3 Quality Assurance Program. Contractor will implement its standard quality assurance program for the Benefit Plans that includes quality measures and reporting systems targeted at reducing medical errors and adverse drug interactions. In addition, Contractor will develop and implement systems or require Network Pharmacies to implement systems to: (a) offer Member counseling, when appropriate; (b) identify and reduce internal medication errors; and (c) maintain up-to-date Member quality assurance and patient safety program information.

2.4.4 Targeted Disease Intervention Program. Upon GCHP's request and for an additional charge to GCHP as referenced in the Clinical Documentation Form, Contractor will help GCHP develop and operate a targeted disease intervention program for the Benefit Plans that is designed to promote appropriate use of medications and improve therapeutic outcomes for targeted Members. Contractor, on GCHP's behalf, will coordinate and implement the targeted disease intervention program. Also, upon GCHP's request and at an additional cost to GCHP, Contractor will communicate with Members about the targeted disease intervention program through GCHP-approved information and outreach materials.

2.4.5 Other Clinical Services. Upon GCHP's request and for an additional charge to GCHP, Contractor will help GCHP develop and implement additional quality initiatives, intervention programs or other clinical services.

2.5 **Formulary**

2.5.1 Formulary. GCHP maintains its own custom Formulary and Pharmacy and Therapeutics Committee.

2.5.2 Formulary Management Support. Contractor will support the development and maintenance of GCHP's Formulary, including Pharmacy and Therapeutics Committee support, drug monograph development, communication and publication through Contractor's formulary management tool. Contractor will provide GCHP with documentation of formulary updates and testing documents.

2.5.3 Formulary Changes. Contractor will include in the Formulary new FDA-approved medications as specified in the Plan Specifications according to the following schedule: (a) if an open formulary, all new covered FDA-approved medications (formulary and non-formulary) will be included in the Formulary upon publication in the Medi-Span pricing index and loading into Contractor's systems or (b) if a closed formulary, all new covered FDA-approved medications (formulary only) will be included in the Formulary after review and addition to the Formulary by Pharmacy and Therapeutics Committee. Following changes to the Formulary, Contractor, at GCHP's request, will provide or make available appropriate notifications of Formulary changes to GCHP, Members, prescribing physicians, Network Pharmacies and state pharmaceutical assistance programs as required by law and agreed to by the parties.

2.6 **Rebate Management**

2.6.1 Rebate Eligibility. Contractor will remit Rebates to GCHP if: (a) GCHP satisfies the minimum Rebate contract criteria and has included the Drug Manufacturer's Prescription Drug on its Formulary; (b) Contractor has received Rebates resulting directly from GCHP's satisfaction of the foregoing clause (a); and (c) GCHP has agreed in writing that Contractor will act on its behalf to obtain rebates. GCHP, in its sole and absolute discretion, may enter into agreements for rebates concerning Prescription Drugs on its Formulary. In addition, Contractor, in its sole and absolute discretion, may enter into agreements for Rebates concerning Prescription Drugs on Contractor's or any of its customers' formularies, including GCHP; provided, however, that Contractor's rebates agreements do not interfere with GCHP's rebate agreements. Claims that will not be eligible to receive Rebates include Prescription Claims: (a) with invalid service provider identification or prescription numbers; (b) where, after meeting the deductible, the Member's Cost-Sharing Amount under the applicable Benefit Plan requires the Member to pay more than 50% of the Prescription Claim; (c) for devices without a Prescription Drug component; (d) that are re-packaged NDCs; (e) or portion thereof, that includes utilization for which a price concession is payable by a Drug Manufacturer under section 340B of the Public Health Service Act; (f) from entities eligible for federal supply schedule prices (e.g., Department of Veterans Affairs, U.S. Public Health Service, Department of Defense); (g) Claims eligible to receive Rebates from Medicaid, Medicare or other state or federal health care programs; or (h) that are not for Prescription Drugs (except for insulin or diabetic supplies).

2.6.2 Collection. Contractor will use commercially reasonable efforts to collect Rebates. Contractor will not be responsible for any non-payments or partial payments of amounts owing under an agreement for Rebates. To the extent of any undisputed overpayment or erroneous payment to GCHP by Contractor, GCHP will refund the payment or Contractor may recoup the payment from other sums due GCHP within thirty (30) days after prior written notice from Contractor to GCHP requesting

reimbursement of the overpayment or erroneous payment and information documenting such overpayment or erroneous payment.

2.6.3 Disbursement. Provided GCHP is in compliance with the terms of this Service Order, Contractor will disburse GCHP's Rebate payments as follows. Rebate payments will be due to GCHP one hundred eighty (180) days after the close of a given calendar quarter. Contractor will remit Rebate payments to GCHP no later than thirty (30) days after the close of such one hundred eighty (180) day period. By way of example, Rebates earned during the first quarter of a given calendar quarter would be paid to GCHP by October 31 of such contract year. Rebate reconciliation and payment of any necessary true-up will be performed within ten (10) months after the close of a given calendar quarter.

2.7 **E-Prescribing**. Upon GCHP's request and as set forth in Exhibit A-2 Service Fees and Charges, Contractor will provide prescribers with electronic access to Member Benefit Plan information, including: (a) Member eligibility status; (b) Member medication history; (c) Formulary status of the Prescription Drug being prescribed; (d) listing of Generic Drug or Brand Name Formulary alternative medications; (e) Member coverage information where applicable; (f) applicable Cost-Sharing Amount; and (g) drug classification information required by the Centers for Medicare & Medicaid Services or successor Governmental Authority.

2.8 **Mail Order Pharmacy Services**

2.8.1 Mail Order Services. Contractor, in its capacity as a Mail Order Pharmacy, will provide GCHP with Mail Order Pharmacy Covered Prescription Services to Members in accordance with the Plan Specifications. Once a prescription for a Covered Prescription Service has been transmitted to Contractor in accordance with law, in its capacity as Mail Order Pharmacy, Contractor will promptly prepare, package and ship the applicable Covered Prescription Service to the Member or other authorized person or entity. Contractor will provide customer service support for Members who use Mail Order Pharmacy Services. Upon request, Contractor will make available to GCHP mail service brochures for distribution to Members.

2.8.2 Control by Contractor. Contractor will solely and exclusively control and supervise the operation and maintenance of Contractor's Mail Order Pharmacies and their respective facilities and equipment and provision of Mail Order Covered Prescription Services. All decisions respecting the provision of Mail Order Covered Prescription Services by Contractor's Mail Order Pharmacies will be made solely by Contractor and its duly authorized personnel, and not by GCHP. The relationship between a Member and a Mail Order Pharmacy will be subject to the rules, limitations and privileges incident to the pharmacist-patient relationship. Contractor may exclude from coverage by a Mail Order Pharmacy under this Service Order a Prescription Drug that cannot be dispensed under Contractor's mail order pharmacy dispensing protocols or requires special record-keeping procedures.

2.8.3 Mail Order Postage Rates. If GCHP requests or requires expedited or alternative shipping methods other than Contractor's standard method, GCHP will be solely responsible for those costs.

2.9 **Specialty Pharmacy Services**

2.9.1 Specialty Services. Contractor will provide GCHP with Specialty Drug Covered Prescription Services to Members as follows:

2.9.2 Specialty Pharmacy Program. If GCHP is part of Contractor's Specialty Pharmacy Program, GCHP will receive Specialty Drugs as a Covered Prescription Service from Contractor's Specialty Pharmacy as specified in Schedule A-2 Service Fees and Charges.

2.9.3 Open Specialty Pharmacy Program. If GCHP is part of Contractor's Open Specialty Pharmacy Program, Contractor will provide Specialty Drug Covered Prescription Services from a Network Pharmacy, including Contractor's Specialty Pharmacy. Limited Distribution Drugs not dispensed by Contractor's Specialty Pharmacy are excluded from the Specialty Services or excluded from any Specialty Drug pricing guarantees. For purposes of this Section, Limited Distribution Drugs are medications that are distributed to either one or a very limited number of pharmacies and wholesalers.

2.9.4 Addition or Removal of Newly Acquired or Approved Specialty Drugs

2.9.4.1 From the date a newly acquired or approved Specialty Drug ("New Specialty Drug") becomes available until GCHP rejects the New Specialty Drug as specified in Section 2.9.4.2 of this Service Order, GCHP authorizes and directs Contractor to make the New Specialty Drug available to Members as part of the Specialty Drug Covered Prescription Services in accordance with Formulary and utilization management policies. Contractor will be required to make available to GCHP or Members in accordance with Formulary and utilization management policies a new limited distribution or market access, such as a New Specialty Drug with one distributor or manufacturer but the cost of the such drug will be excluded from the Specialty Services or any Specialty Drug pricing guarantee.

2.9.4.2 On a periodic basis, Contractor will review the Specialty Drugs covered under this Service Order and provide GCHP with the name and price of any New Specialty Drugs to be added to this list of Specialty Drugs. From the date of GCHP's receipt of this notice, GCHP will have thirty (30) days to provide Contractor with notice of rejection of additions to the Specialty Drugs covered under this Service Order. Alternatively, on a periodic basis, GCHP will review the Specialty Drugs covered under this Service Order and provide notice to Contractor with the name of any specialty drugs that need to be removed from the list of Specialty Drugs.

2.9.4.3 No later than forty-five (45) days after Contractor's receipt of GCHP's notice of rejection of New Specialty Drugs, Contractor shall remove the New Specialty Drugs covered under this Service Order and cease dispensing the New Specialty Drugs to Members at the pricing specified in Contractor's notice. If GCHP does not notify Contractor of its rejection of the New Specialty Drugs, Contractor will continue to include the New Specialty Drugs as a Specialty Drug made available to Members.

2.9.4.4 No later than thirty (30) days after Contractor's receipt of GCHP's notice of Specialty Drug removals, Contractor will remove the identified specialty drugs from the list of Specialty Drugs and remove any other access restrictions made on such drugs.

2.9.5 Contractor Control. Contractor will solely and exclusively control and supervise the operation and maintenance of Contractor's Specialty Pharmacies and their respective facilities and equipment and provision of Covered Prescription Services. All decisions respecting the provision of Covered Prescription Services by Contractor's Specialty Pharmacies will be made solely by Contractor and its duly authorized personnel, and not by GCHP. The relationship between a Member and a Specialty Pharmacy will be subject to the rules, limitations and privileges incident to the pharmacist-patient relationship.

2.10 **Audit**. In addition to the audit requirements set forth in Section 14 of the Agreement, GCHP may conduct such audits as necessary to verify Contractor's compliance with the terms of this Service Order and Agreement. Such audit rights shall include auditing 100% of claims, Rebates, prior authorizations, pharmacy credentialing, documents, and Formulary changes, down to the individual claim level.

3. TERM

3.1 The initial term of this Service Order shall be from **[January 1, 2017]**, until **[December 31, 2019]** ("Initial Term"). Upon the expiration of the Initial Term, GCHP shall have the unilateral right to renew this Service Order for consecutive renewal terms (each a "Renewal Term") of twelve (12) months each, not to exceed a maximum of two (2) Renewal Terms, by giving CONTRACTOR written notice of renewal at least ninety (90) days prior to the expiration of the then-current term.

3.2 After the first anniversary of the Effective Date of this Service Order, GCHP may terminate this Service Order without cause upon ninety (90) days prior written notice of termination to Contractor.

3.3 Upon the expiration or termination of this Service Order for any reason, GCHP shall have the unilateral right to renew this Service Order for three (3) consecutive Renewal Terms of three (3) months each by giving Contractor written notice of renewal at least sixty (60) days prior to the expiration of the then-current term.

4. PERFORMANCE GUARANTEE

Contractor shall be subject to the Performance Guarantees outlined in Performance Guarantee Schedule A-1, attached hereto. The liquidated damage payments specified in the Performance Guarantees Schedule A-1, shall be in addition to all other remedies available to GCHP in accordance with law, and GCHP may pursue such Performance Guarantees, liquidated damages and such other remedies available and appropriate for Contractor's failure to meet such Performance Guarantees or to perform under any other term of this Service Order. The Parties agree that GCHP may collect the liquidated damages by deducting such payment from the Service Fee due Contractor or by any other legal means.

5. PAYMENT FOR SERVICES.

GCHP will pay Contractor for Contractor's provision of Services the Service Fees.

6. MARKET CHECK.

Commencing one (1) year after the Effective Date and every year thereafter during the term of the Service Order, GCHP may review the financial terms of this Service Order to comparable financial offerings available in the marketplace. GCHP may conduct a market check analysis to confirm its pricing is competitive with that of substantially similar customers and for substantially similar PBM services, plan design, financial assumptions, lines of business and other terms and conditions ("comparables"). GCHP may submit to Contractor a market check report providing information that allows Contractor to evaluate in sufficient detail the comparable customers and the other financial offers (summarized or names redacted) to substantiate the market check conclusion. Contractor will review GCHP's market check request and respond to GCHP within thirty (30) days of receipt of the market check report. If the market check report validates an aggregate annualized savings of greater than three percent (3%), the parties will discuss, in good faith, revisions to the Service Fees. Any revisions to the Service Fees resulting from the parties' negotiations will be effective as of the next anniversary of the Effective Date unless otherwise agreed to by the parties, but no sooner than thirty (30) days after completion of the market check report and upon execution of an Amendment to this Service Order. If the parties do not agree on any resulting revisions to Service Fees after good faith negotiations, GCHP may terminate this Service Order upon ninety (90) days' prior notice of termination to Contractor.

7. NOTICES TO GCHP.

Contractor shall notify GCHP as follows:

7.1 In writing at least forty-five (45) days prior to the occurrence of any of the following:

7.1.1 Any change in Contractor's business address, business phone number, office hours, or tax identification number; or

7.1.2 Any material change in Contractor's management or ownership. For purposes of this Section, a material change is a transfer of twenty percent (20%) or more of share ownership or the right to control the selection of

the board of directors of Contractor or the sale of substantially all of the assets of Contractor.

- 7.2 Orally, immediately but not later than twenty-four (24) hours, followed by written notice within ten (10) calendar days, of the occurrence of any of the following:
- 7.2.1 Any formal action taken (and the reasons therefore) to restrict, suspend or revoke any of Contractor's licenses, permits, accreditations or ability to conduct its business; or
 - 7.2.2 Any investigation or inquiry by any federal or state regulator; or
 - 7.2.3 Contractor's knowledge, with due inquiry, of any action taken (and the reasons therefore) which results in restrictions or exclusion of Contractor from participation in the any federal or state health care program, including but not limited Medicare or Medicaid, in accordance with the standards of participation for such program; or
 - 7.2.4 Any changes in Contractor's Key Staff; or
 - 7.2.5 Any material change in Contractor's business organization that may impact Contractor's performance of its obligations under this Service Order.
 - 7.2.6 Any event under which Contractor is no longer capable of providing Services on a timely basis; or
 - 7.2.7 Any other event which would materially affect Contractor's ability to carry out its duties and obligations under this Service Order.
- 7.3 Contractor shall promptly provide GCHP with such additional information as GCHP may request. The notices required under this Section are in addition to any other notices provided for in this Agreement.

8. **RUNOUT SERVICES**

- 8.1 **Runout Services.** The Runout Services Period shall be six (6) months long and shall begin the day after the expiration or termination of the Service Order ("Runout Services Period"). Effective the first day of the Runout Services Period, Contractor and its subcontractors shall have no further obligation to provide or maintain a Pharmacy Network to provide Members with access to Network Pharmacies or to otherwise provide, or arrange for the provision of, Covered Prescription Services to Members under the Benefit Plan. As of the first day of the Runout Services Period, Network Pharmacies shall no longer provide Covered Prescription Services to Members under the Benefit Plan (unless pursuant to an arrangement other than this Service Order). Throughout the Runout Services Period, Contractor shall provide such Runout Services as reasonably necessary to administer the provision of Covered Prescription Services furnished to Members during the term of this Service Order and otherwise to ensure an orderly wind down of the arrangement contemplated by

this Service Order ("Runout Services"). Such Runout Services, shall include, but not be limited to:

- 8.1.1 Claims Processing and Payment. Subject to GCHP's providing Contractor with the required funds to pay such claims, Contractor agrees to process claims for Covered Prescription Services furnished during the term of this Service Order in accordance with the terms and conditions of this Service Order.
 - 8.1.2 Member Health Care Appeals. Contractor shall perform its obligations relating to Member appeals with respect to Covered Prescription Services furnished to Members during the term of this Service Order, in accordance with the terms and conditions of this Service Order.
 - 8.1.3 Customer Service for Members. Contractor shall provide customer service functions and customer service call center accessibility as outlined in Section 2.1.3.
 - 8.1.4 Limited Network Pharmacy and Provider Technical Support. Contractor shall provide limited Network Pharmacy and provider technical support functions including the provision of limited provider service call center accessibility, as reasonably necessary to administer payment for Covered Prescription Services furnished to Members during the term of this Service Order and otherwise as mutually agreed by the parties.
 - 8.1.5 Limited Network Pharmacy Dispute Resolution. Contractor shall provide limited Network Pharmacy dispute resolution functions, as reasonably necessary to resolve disputes regarding payment for Covered Prescription Services furnished to Members during the term of this Service Order and otherwise as mutually agreed by the parties.
 - 8.1.6 Audits, Reporting and Reconciliation. Contractor shall provide reports and participate in audits and reconciliations pursuant to the terms of this Service Order and Agreement.
 - 8.1.7 Mutual Agreement. Contractor shall provide such additional services as mutually agreed by the parties.
- 8.2 **Payment for Covered Prescription Services**. The parties agree that notwithstanding any termination of this Service Order, GCHP shall remain obligated, in accordance with the terms of the Service Order, to pay Contractor for claims for Covered Prescription Services furnished during the term of this Service Order under the terms of this Service Order and in accordance with the time periods prescribed in the Benefit Plan and GCHP policies and procedures for payment of claims for Covered Prescription Services.

9. LETTER OF CREDIT

- 9.1 **Terms of Letter of Credit**. Contractor will obtain and maintain for the term of the Agreement an irrevocable standby letter of credit naming GCHP as the beneficiary to secure or guaranty the successful bidder's performance under the

terms of the Agreement (“Letter of Credit”). The face amount of the Letter of Credit would be a minimum of one million dollars (\$1,000,000) and shall be in form and substance satisfactory to GCHP. The Letter of Credit shall permit GCHP to draw against the Letter of Credit and use the proceeds of any draw should Contractor not perform all of its obligations under the Agreement and this Service Order.

- 9.2 **Issuing Banking Institution.** The Letter of Credit shall be issued by a national banking institution or other comparable financial institution acceptable to GCHP, and preferably through a branch office located in Ventura County but, if needed, Los Angeles County.
- 9.3 **Replacement Letter of Credit.** Contractor may not replace the Letter of Credit without the prior written approval of GCHP. Any replacement or substitute Letter of Credit shall meet all of the requirements applicable to the Letter of Credit being replaced unless otherwise approved by GCHP in writing and shall be effective and delivered or transmitted to GCHP at least thirty (30) days before the date of expiration of the Letter of Credit being replaced. Upon GCHP’s request, Contractor shall within thirty (30) days obtain and deliver to GCHP a replacement or substitute Letter of Credit meeting all of the requirements applicable to the Letter of Credit pursuant to this Section.
- 9.4 **Process for GCHP’s Approval.** Within thirty (30) days prior to the Effective Date, Contractor shall have provided GCHP with the Letter of Credit described in this Section to be effective on the Effective Date, and all related documents and agreements in draft form for GCHP’s review and approval. Any such Letter of Credit issued without the prior review and approval of GCHP shall be deemed to be noncompliant with the terms of this Service Order. Contractor shall obtain GCHP’s prior written approval of the draft of such Letter of Credit and related documents and agreements prior to issuance of the Letter of Credit. Such Letter of Credit shall be issued on or before the Effective Date.

10. **FRAUD AND ABUSE**

- 10.1 **Operating Procedures.** Contractor shall develop operating procedures to prevent, detect and recover (when applicable and allowable) and immediately report to GCHP incidences of waste, fraud and abuse as well as potential abusers, including Network Pharmacies, providers and Members, of the Benefit Plan. Potential abusers may be identified through review of claims suspended for manual review or through referrals, complaints or inquiries received by Contractor. Contractor shall use commercially reasonable efforts to recover all expenditures from third parties, including providers and Members, for Covered Prescription Services provided to persons in the case of fraudulent activities. Contractor shall cooperate with GCHP and state and federal law enforcement authorities in cases involving waste, fraud and abuse. Contractor shall implement industry standard fraud prevention and detection strategies.
- 10.2 **Prevention and Detection Program.** Contractor shall conduct a program to assess its vulnerability to fraud and abuse and shall operate a system designed to detect and eliminate internal fraud and abuse by Contractor employees and

subcontractors, providers providing goods or services to Members. The Contractor shall:

- 10.2.1 Include provisions for cost avoidance as well as fraud detection, along with criteria for follow-up actions;
 - 10.2.2 Include mandatory anti-fraud and abuse training for Contractor staff, and claims processing edits to identify cases and pharmacy claims costs, with a high potential to be fraud, waste, or abuse;
 - 10.2.3 Monitor claims for under- and over-utilization and indications of potential fraud; and
 - 10.2.4 Have or develop the capability to identify providers with whom to intervene based on identified patterns of health service claims and utilization that may be indications of potential fraud, waste and abuse.
- 10.3 **Documentation of Fraud Prevention Program and Quality Assurance Procedures.** Contractor shall keep complete records of its fraud prevention program and quality assurance procedures and the results of program implementation. Contractor shall make such records available to GCHP as required by GCHP.
- 10.4 **Reporting.** Contractor shall submit to GCHP an annual analysis of the costs and benefits of its fraud and abuse program. Contractor shall submit quarterly reports to GCHP consistent with industry standards, addressing the following:
- 10.4.1 Cases opened;
 - 10.4.2 Dollars identified as lost and recovered on active cases;
 - 10.4.3 Actual and projected savings on active cases;
 - 10.4.4 Active cases referred to law enforcement (other than GCHP);
 - 10.4.5 Active cases referred to GCHP;
 - 10.4.6 Active cases resolved administratively;
 - 10.4.7 Percentage of active cases where the Benefit Plan is the only or primary line of business affected;
 - 10.4.8 Number of GCHP network providers who are on prepayment review; and
 - 10.4.9 Number of arrests and criminal convictions resulting from active cases.

Contractor shall demonstrate that a statistically valid sampling technique is routinely used prior to or after processing randomly sampled claims against Contractor for quality assurance/fraud and abuse prevention standards.

- 10.5 **Member Complaints Regarding Fraud or Abuse.** Contractor shall establish and maintain procedures to respond to a Member's written complaint regarding fraud or abuse within twenty (20) days from date of receipt.
- 10.6 **Correction of Deficiencies.** In response to a GCHP order for a correction of deficiency in Contractor's quality assurance program, fraud prevention program, or anti-dumping efforts, Contractor shall take prompt, necessary action to implement GCHP's order.

APPROVALS

GOLD COAST HEALTH PLAN

[CONTRACTOR]

BY: _____

BY: _____

NAME: Dale Villani

NAME: _____

TITLE: Chief Executive Officer

TITLE: _____



MRPX

AGENDA ITEM NO. 10

TO: Gold Coast Health Plan Commission
FROM: Dale Villani, Chief Executive Officer (CEO)
DATE: September 26, 2016
SUBJECT: Chief Executive Officer Update

The Centers for Medicare and Medicaid Services' Delivery System Reform

On Thursday, August 25, the California Association of Health Plans (CAHP) held its State Programs Committee meeting where various issues were discussed. Melissa Stafford Jones, Regional Director for Health and Human Services Agency (HHS), Region IX, gave a presentation on delivery system reform. Ms. Stafford Jones highlighted the affordability, increased access, and quality of health care that has been achieved through the Affordable Care Act (ACA). According to Ms. Stafford Jones, healthcare costs are the lowest in nearly 50 years and more than 90 percent of American's have healthcare coverage.

The HHS is committed to system delivery reform and has identified various key delivery reform initiatives. Among them is the Million Hearts: Cardiovascular Disease Risk Reduction Model. The model's goal is to prevent 1 million heart attacks and strokes by 2017. Currently, the Department of Health Care Services (DHCS) is participating in CMS' Prevention Learning Network to advance the Million Hearts initiative in California. As a result, Medi-Cal Managed Care Plans are participating in the Quality Improvement (QI) learning collaborative to improve hypertension control and reduce tobacco use prevalence. Additionally, under the 1115 Waiver's PRIME Program, the Ventura County Medical Center identified the Million Hearts Initiative as a project they will focus on under the Outpatient Delivery System Transformation & Prevention Domain.

Finally, the HHS is working on projects related to homelessness and health. The HHS is specifically looking at the integration of health and human services with homelessness services and housing. Examples of the projects include California's Whole Person Care Program through the 1115 Waiver.

California Health Care Related Propositions in the November 2016 Ballot

Proposition 52: State Fees for Hospitals. Federal Medi-Cal Matching Funds. Initiative Statutory and Constitutional Amendment.

Purpose: Under Proposition 52, the Quality Assurance Fee "the fee" would be made permanent.

Background: Since 2009, private hospitals have paid the fee which will sunset on January 1, 2017. Twenty-four percent of the revenue raised creates a General Fund (GF) offset in the Medi-Cal program. The revenue is used to pay for children's health care services which would otherwise be a GF cost.

The fee also creates a net benefit to the hospital industry. Fee revenue is used to fund the state share of payment increases to public and private hospitals for providing Medi-Cal services. According to the LAO, the total net benefit of the fee to the hospital industry as a whole is approximately \$3.5 billion in 2015-16. Of this total net benefit, public hospitals receive an estimated benefit of \$235 million in 2015-16. The measure produces a savings of about \$1 billion GF.

Approval of the fee is required by the federal government. There is some uncertainty if the fee will be approved by the federal government because of the new federal Medicaid managed care regulation to the fee structure.

If Californians do not approve this measure, the current state fiscal budget has included a fee extension until January 1, 2018.

Proposition 61: State Prescription Drug Purchases. Pricing Standards. Initiative Statute

Purpose: Under Proposition 61, state agencies would be prohibited from paying more for any prescription drug than the lower price paid by the U.S Department of Veterans Affairs (VA) for the same drug.

Background: On June 30, Proposition 61 qualified for the November Ballot. Per the LAO, the fiscal impact of proposition 61 is unknown, as the VA is unwilling to share their drug pricing data (this is the main premise on which this proposition is based on). The LAO tried applying the Freedom of Information Act to obtain the data without success. In order to obtain data from the VA, a judicial path may need to be taken. If Proposition 61 was approved by voters in November, it may compel the judicial system to mandate the VA to share their drug pricing data. Since data is not available, it is unknown if the Medi-Cal program is obtaining better drug prices than the VA. Under Proposition 61, Medi-Cal managed care is exempted from its price ceiling requirements.

The LAO projected the following three possible scenarios in which drug manufacturers could respond to Proposition 61.

Scenario #1: Drug manufacturers offer the lowest VA prices to the State, this measure would then achieve state savings to the extent that the lowest price paid by the VA is lower than that paid by state entities.

Scenario #2: Drug manufacturers decline to offer the lowest VA prices to the State. Proposition 61 places no obligation on drug manufacturers to offer prescription drug prices to the State at

the lowest VA price. Under this scenario, the DHCS may have to pay higher prices than Proposition 61 allows in order to comply with federal Medicaid law. Furthermore, the measure could endanger the supplemental rebates that DHCS collects from drug manufacturers because these rebates derive from voluntary state agreements with manufacturers. In such circumstances, the measure could raise DHCS spending on prescription drugs.

Scenario #3: Drug manufacturers raise VA prices given their new pricing benchmark role.

Ultimately, the final decision is in the hands of California voters.

California Legislative Bills Update

Governor Jerry Brown has spent the past weeks looking over the hundreds of bills that were sent to him last month by the Legislature. The Governor has until September 30, to sign or veto legislative bills. Governor Brown has not taken action on any health legislative bills of interest to Gold Coast Health Plan. Next month, the Government Relations staff will have a complete analysis on the Legislative bills related to Medi-Cal that were signed or vetoed by Governor Brown.

EpiPen Legislative Action: Governor Brown has signed legislation pertaining to epinephrine auto-injectors. Governor Brown signed AB 1386, sponsored by Mylan Pharmaceuticals, Inc. which allows California businesses and other public entities to have EpiPens available to help those who suffer severe allergic reactions. In approving the bill, Governor Brown stressed his strong objection to the bill sponsor's recently reported pricing maneuvers. Additionally, Governor Brown sent a letter to congressional leaders urging a quick and decisive action to rein in these predatory prices.

COMPLIANCE UPDATE

Gold Coast Health Plan (GCHP) successfully closed out the DHCS Medical Audit Corrective Action Plan (CAP) on March 16, 2016. GCHP was notified on February 25, 2016 by Audits & Investigations (A&I) the annual medical audit for 2016 will take place, April 25, 2016 through May 6, 2016. GCHP had to submit pre-audit documentation material to A&I by March 18, 2016. The review period for the medical audit is April 1, 2015 through March 31, 2016. GCHP received the draft CAP report on September 6, 2016. The final CAP report will be sent to the Plan in October and at that time will be published on the DHCS website. GCHP is pleased with the draft CAP report as it reflects and exemplifies the hard work by staff over the last three years. Each year the audit results have improved and it is a result of the staff's hard work and dedication.

The DHCS corrective action plan, Financial (Addendum A) remains open and the plan continues to submit items on a monthly basis as required and defined by the CAP.

GCHP continues to meet all regulatory contract submission requirements. In addition to routine deliverables GCHP provides weekly and monthly reports to DHCS as a part of ongoing monitoring activities. All regulatory agency inquiries and requests are handled timely and requested information is provided within the specified required timeframe(s). Compliance staff is actively engaged in sustaining contract compliance. With the transition of ABA services on February 1, 2016 additional weekly and daily reporting has been required.

GCHP compliance staff conducted a six month claims follow up audit on GCHP vision service provider and mental health behavioral organization (MBHO). The onsite audits occurred during the second and third week of May 2016. Both audits identified deficiencies and corrective action plans were issued. GCHP delegation oversight staff is working with each delegate on achieving compliance to address the deficiencies identified and ultimately close out the CAPs issued.

GCHP compliance department initiated the commissioner's compliance training on July 8, 2016. All commissioners completed the assigned training within the specified timeframes.

Centers for Medicare & Medicaid Services (CMS) published the Medicaid and CHIP Managed Care Final Rule on May 6, 2016 in the Federal Register. This is the first major revision of the Medicaid managed care regulations since 2002. The rule includes but is not limited to: new monitoring requirements for network adequacy, new business requirements specific to medical loss ratio (MLR) and policy changes on pass-through payments. The intent of the mega rule is to align Medicaid with other payers, support a reform delivery system, improve program integrity and increase/strengthen member protections. The rule touches all aspects of the Medicaid managed care program. DHCS has informed all Health Plans that a significant contract amendment will be forthcoming. The contract amendment will require new deliverable submissions by the Plans and will necessitate revisions and updates to existing deliverables. The contract amendment, deliverable submission and contract compliance will create a countless amount of work by GCHP staff. GCHP staff will keep the commission apprised of the activities relative to the implementation of the mega rule.

The compliance dashboard is attached for reference and includes information on, but is not limited to staff trainings, fraud referrals, HIPAA breaches, and delegate audits.

COMPLIANCE REPORT 2016

Category		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Calendar Year Total
Hotline	Referrals *one referral can be sent to multiple referral agencies*	9	4	10	7	6	2	5	12					55
<small>A confidential telephone and web-based process to collect info on compliance, ethics, and FWA</small>														
Hotline Referral *FWA	Department of Health Care Services Program Integrity Unit / A&I	0	0	0	1	0	0	0	0					1
Hotline Referral *FWA	Department of Justice	0	0	0	0	0	0	0	0					0
Hotline Referral	Internal Department (i.e. Grievance & Appeals, Customer Services etc.)	9	4	7	5	6	2	4	12					49
Hotline Referral	External Agency (i.e. HSA)	0	0	0	0	0	0	0	0					0
Hotline Referral	Other * Legal, HR, DHCS (Division outside of PIU i.e. eligibility, note to reporter), etc.	0	0	3	1	0	0	1	0					5
Delegation Oversight	Delegated Entities	8	8	8	8	8	8	8	8					64
<small>The committee's function is to ensure that delegated activities of subcontracted entities are in compliance with standards set forth from GCHP contract with DHCS and all applicable regulations</small>	Reporting Requirements Reviewed **	62	64	54	86	70	82	95	66					579
	Audits conducted	4	0	1	0	2	0	0	0					7
Delegation Oversight	Letters of Non-Compliance	0	0	1	0	0	0	0	0					1
Delegation Oversight	Corrective Action Plan(s) Issued to Delegates	2	0	0	0	0	0	0	0					2
Audits	Total	0	1	0	1	0	0	0	0					2
<small>External regulatory entities evaluate GCHP compliance with contractual obligations.</small>	Medical Loss Ratio Evaluation performed by DMHC via interagency agreement with DHCS	0	0	0	0	0	0	0	0					0
	DHCS Facility Site Review & Medical Records Review *Audit was conducted in 2013*	0	0	0	0	0	0	0	0					0
	HEDIS Compliance Audit (HSAG)	0	1	0	0	0	0	0	0					1
	DHCS Member Rights and Program Integrity Monitoring Review *Review was conducted in 2012*	0	0	0	0	0	0	0	0					0
	DHCS Medical Audit	0	0	0	1	0	0	0	0					1
Fraud, Waste & Abuse	Total Investigations	9	4	10	6	6	2	5	12					54
<small>The Fraud Waste and Abuse Prevention process is intended to prevent, detect, investigate, report and resolve suspected and /or actual FWA in GCHP daily operations and interactions, whether internal or external.</small>	Investigations of Providers	0	0	0	1	1	0	0	2					4
	Investigations of Members	9	4	10	5	5	2	5	10					50
	Investigations of Other Entities	0	0	0	0	0	0	0	0					0
	Fulfillment of DHCS/DOJ or other agency Claims Detail report Requests	0	0	0	0	0	0	0	0					0

Category		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Calendar Year Total
HIPAA	Referrals	1	4	2	3	0	1	3	2					16
Appropriate safeguards, including administrative policies and procedures, to protect the confidentiality of health information and ensure compliance with HIPAA regulatory requirements.	State Notification	1	4	2	3	0	1	3	2					16
	Federal Notification	0	4	0	0	0	0	0	0					4
	Member Notification	0	0	0	1	0	0	1	0					2
	HIPAA Internal Audits Conducted	0	1	0	0	0	1	0	0					2
Training	Training Sessions	15	25	27	17	15	54	50	30					233
Staff are informed of the GCHP's Code of conduct, Fraud Waste and Abuse Prevention Program, and HIPAA	Fraud, Waste & Abuse Prevention (Individual Training)	3	8	6	4	4	22	21	8					76
	Fraud, Waste & Abuse Prevention (Member Orientations)	6	6	6	6	6	6	6	6					48
	Code of Conduct	3	3	8	3	2	3	1	8					31
	HIPAA (Individual Training)	3	8	7	4	3	22	21	8					76
	HIPAA (Department Training)	0	0	0	0	0	1	1	0					2

** Reporting Requirements are defined by functions delegated and contract terms. Revised contracts, amendments or new requirements from DHCS may require additional requirements from subcontractors as a result the number is fluid

** Audits- Please note multiple audits have been conducted on the Plan, however many occurred in 2012 and 2013 and will be visible on the annual comparison dashboard

** This report is intended to provide a high level overview of certain components of the compliance department and does not include/reflect functions the department is responsible for on a daily basis.

AGENDA ITEM NO. 11

TO: Gold Coast Health Plan Commission
 FROM: Ruth Watson, Chief Operating Officer
 DATE: September 26, 2016
 SUBJECT: COO Update

OPERATIONS UPDATE

Membership Update – September 2016

Gold Coast Health Plan (GCHP) had a membership increase of 28 members this month which continues to point towards membership stabilization. GCHP's membership as of September 1, 2016 is 206,672 with an increase of 88,160 members (74.39%) since the beginning of Medi-Cal Expansion in January 2014. The cumulative new membership since January 1, 2014 is summarized as follows:

Aid Code	# of New Members
L1 – Low Income Health Plan (LIHP)	1,015
M1 – Adult Expansion	54,740
7U – CalFresh Adults	1,370
7W – CalFresh Children	280
7S – Parents of 7Ws	336
Traditional Medi-Cal	30,419
Total New Membership 1/1/14 – 9/1/16	88,160

Adult Expansion membership (aid code M1) continued to increase in September. M1 members represent 62.09% of GCHP's new membership since January 1, 2014.

	L1	M1	7U	7W	7S
Sep 16	1,015	54,740	1,370	280	336
Aug 16	1,162	54,237	1,470	307	361
Jul 16	1,261	53,767	1,593	346	397
Jun 16	1,349	53,864	1,703	386	424
May 16	1,407	52,898	1,820	433	478
Apr 16	1,596	51,769	1,910	462	549
Mar 16	1,800	50,648	2,015	510	620
Feb 16	1,873	50,185	2,110	549	579
Jan 16	1,953	49,653	2,205	608	736

	L1	M1	7U	7W	7S
Dec 15	2,129	49,456	2,285	573	287
Nov 15	2,298	47,527	2,395	628	354
Oct 15	2,515	46,138	2,525	682	354
Sep 15	2,698	44,260	2,654	733	360
Aug 15	3,039	42,465	2,766	746	380
Jul 15	3,218	40,948	2,918	770	355
Jun 15	3,413	39,283	2,986	781	353
May 15	3,908	37,519	3,083	813	379
Apr 15	4,102	35,582	3,162	831	381
Mar 15	4,965	34,350	3,236	856	396
Feb 15	6,128	31,203	3,342	872	442
Jan 15	6,508	30,107	3,390	872	478

	L1	M1	7U	7W	7S
Dec 14	6,972	27,176	3,204	589	15
Nov 14	7,289	24,060	3,254	599	14
Oct 14	7,443	23,569	3,312	296	11
Sep 14	7,568	21,944	3,368	606	5
Aug 14	7,726	18,585	3,400	624	4
Jul 14	7,839	15,606	3,453	667	4
Jun 14	7,975	10,910	3,515	691	3
May 14	8,118	7,279	3,680	714	0
Apr 14	8,134	4,514	3,584	684	0
Mar 14	8,154	2,482	1,741	0	0
Feb 14	8,083	1,550	0	0	0
Jan 14	7,618	183	0	0	0

AB 85 Capacity Tracking – 31,835 Adult Expansion members have been assigned to VCMC as of September 2016. VCMC's target enrollment is 65,765 and is currently at 48.41% of the enrollment target.

July 2016 Operations Summary

The **Claims Inventory** at the end of July was 35,426; this equates to a Days Receipt on Hand (DROH) of 4.24 days compared to a DROH maximum goal of 5 days. GCHP received approximately 8,347 claims per day in July. Monthly claim receipts from July 2015 through July 2016 are as follows:

Month	Total Claims Received	Receipts per Day
July 2016	166,955	8,347
June 2016	177,246	8,057
May 2016	157,434	7,497
April 2016	162,287	7,728
March 2016	193,881	8,429
February 2016	176,656	8,833
January 2016	154,770	8,146
December 2015	170,897	7,768
November 2015	142,247	7,902
October 2015	156,109	7,095
September 2015	164,510	7,834
August 2015	152,840	7,278
July 2015	162,237	7,374

The **Claims Turnaround Time (TAT)** for July was 95.3% vs the regulatory requirement of processing 90% of original clean claims within 30 calendar days of receipt. The **Financial Claims Processing Accuracy** for July was 99.97% vs a goal of $\geq 98\%$ and the **Procedural Claims Processing Accuracy** was 99.44% vs a goal of $\geq 97\%$.

The **Call Volume** fell below the 10,000 call threshold during the month. The number of calls received in July was 9,266. The 12-month average ending July 31th was 9,488 calls per month. The combined (Member, Provider and Spanish lines) **Average Speed to Answer (ASA)** for July was 6.6 seconds vs the SLA goal of ≤ 30 seconds. The combined **Abandonment Rate** was 0.41% vs the SLA goal of $\leq 5\%$. The combined **Average Call Length** decreased slightly to 8.98 minutes from the prior month. **Call Center Phone Quality** for July increased to 95% versus a goal of 95% or higher. Xerox has engaged a call center subject matter expert who is working with GCHP management to improve these results and is actively recruiting for a QA/Training Manager for the Lexington office. GCHP and Xerox have worked together to enhance the Interactive Voice Response (IVR) phone system to provide a better experience to our members and get in contact with a live representative in a more rapidly manner. The first wave of IVR changes went live in August 26th.

The **Grievance and Appeals** team received 12 member grievances and 136 provider claim payment grievances during July. The 12 member grievances equate to 0.06 grievances per 1,000 members.

Type of Member Grievances	Number of Grievances
Quality of Care	6
Quality of Service	3
Accessibility	1
Benefits/Coverage	1
Denials/Refusals	1
Total Member Grievances	12

There were 12 clinical appeals in July; eight were overturned and four were upheld. There was one State Fair Hearing case in July.

Member Orientation Meetings

A total of 78 members (61 English, 17 Spanish) have attended Member Orientation meetings from January through July 2016. Of the 78 members, 42 indicated they learned about the meeting as a result of the informational flyer included in each new member packet.

Xerox Contract Extension/New Contract Negotiation

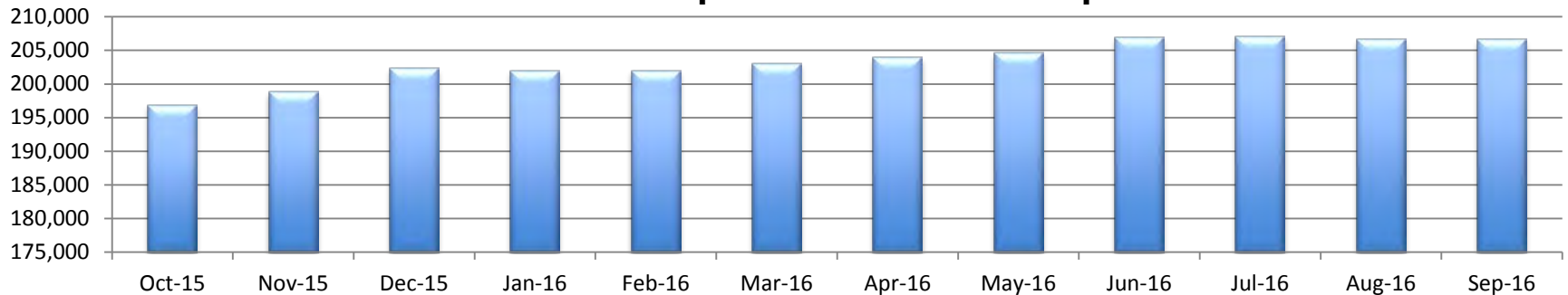
The existing Administrative Services contract with Xerox expired on June 30, 2016. GCHP has extended the contract through October 31, 2016 under the existing terms. GCHP is preparing to negotiate a new contract with Xerox that focuses on separating the various administrative services provided by Xerox into “service towers.” The goal would be to eliminate having all services bundled into one PMPM rate and instead have separate PMPM pricing for services such as mailroom, EDI, claims processing, call center, fulfillment, etc. Structuring the contract into service towers gives GCHP the flexibility to uncouple services and re-vent them or bring in-house should the decision be made to do so.

GCHP Membership

Total Membership as of September 1, 2016 – 206,672

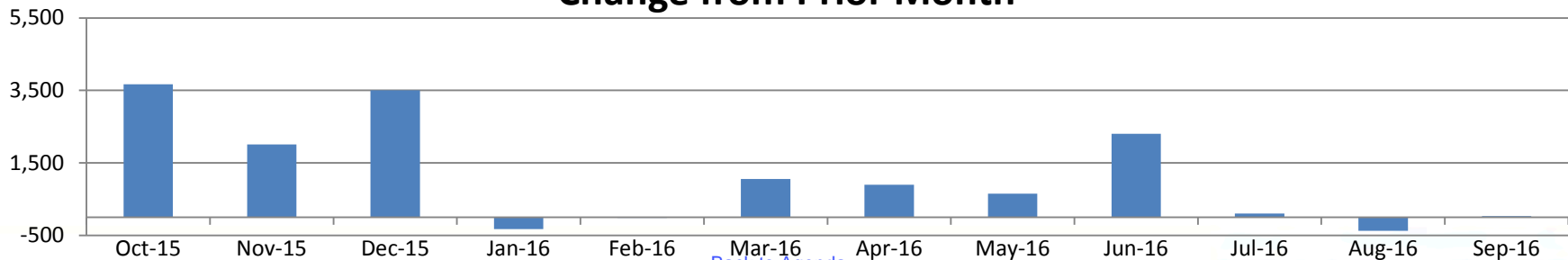
*New Members Added Since January 2014 – 88,160

GCHP Membership Trend Oct 2015 - Sep 2016



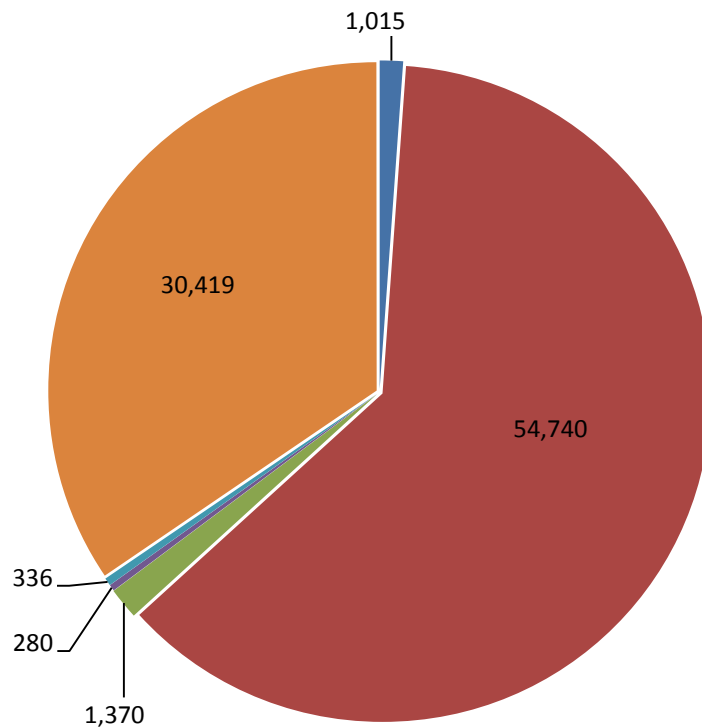
	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Active Membership	196,857	198,863	202,362	202,037	202,019	203,075	203,969	204,619	206,920	207,019	206,644	206,672

Change from Prior Month



Membership Growth

GCHP New Membership Breakdown



- L1 - Low Income Health Plan - 1.15%
- M1 - Medi-Cal Expansion - 62.09%
- 7U - CalFresh Adults - 1.55%
- 7W - CalFresh Children - 0.32%
- 7S - Parents of 7Ws - 0.38%
- Traditional Medi-Cal - 34.50%

GCHP Membership Churn Summary

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Membership from Prior Month	191,783	193,185	196,857	198,863	202,362	202,037	202,019	203,075	203,969	204,619	206,920	207,019	206,644
Prior Month Members Inactive in Current Month	5,280	3,371	4,141	3,236	6,906	6,139	6,078	5,723	5,642	5,584	5,881	6,182	6,083
Sub-total	186,503	189,814	192,716	195,627	195,456	195,898	195,941	197,352	198,327	199,035	201,039	200,837	200,561
Percentage of Inactive Members from Prior Month	2.75%	1.74%	2.10%	1.63%	3.41%	3.04%	3.01%	2.82%	2.77%	2.73%	2.84%	2.99%	2.94%
Current Month New Members	5,383	5,503	5,015	5,454	5,794	4,215	5,059	4,742	4,368	6,316	4,378	3,916	4,256
Sub-total	191,886	195,317	197,731	201,081	201,250	200,113	201,000	202,094	202,695	205,351	205,417	204,753	204,817
Percentage of New Members Reflected in Current Membership	2.79%	2.80%	2.52%	2.70%	2.87%	2.09%	2.49%	2.32%	2.13%	3.05%	2.11%	1.90%	2.06%
Retroactive Member Additions	1,299	1,540	1,132	1,281	787	1,906	2,075	1,875	1,924	1,569	1,602	1,891	1,855
Active Current Month Membership	193,185	196,857	198,863	202,362	202,037	202,019	203,075	203,969	204,619	206,920	207,019	206,644	206,672
Percentage of Retroactive Members Reflected in Current Membership	0.67%	0.78%	0.57%	0.63%	0.39%	0.94%	1.02%	0.92%	0.94%	0.76%	0.77%	0.92%	0.90%

GCHP Auto Assignment by PCP/Clinic as of September 1, 2016

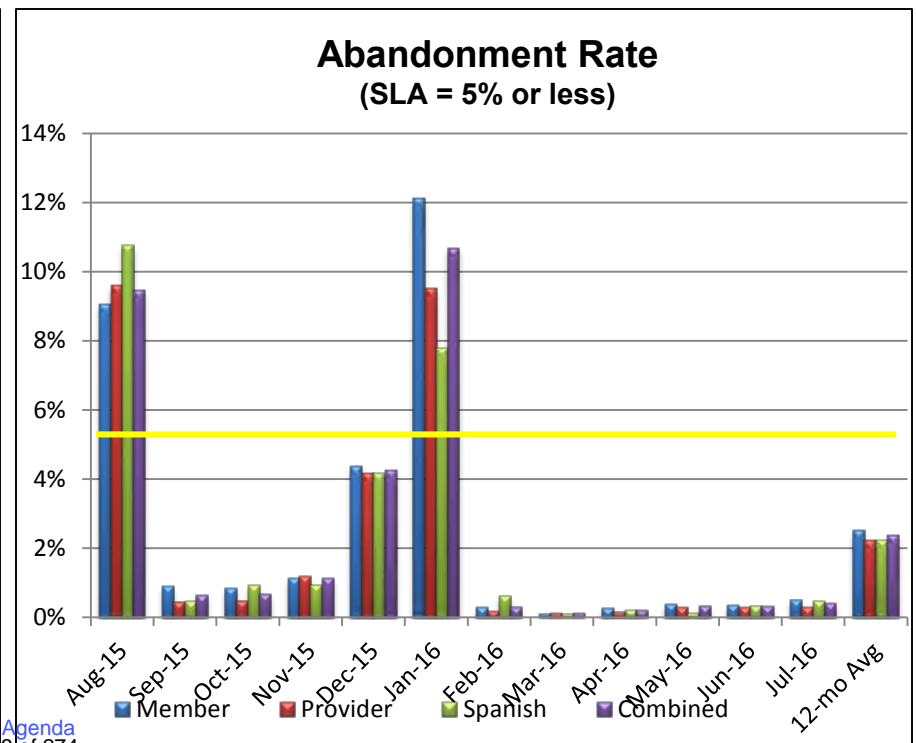
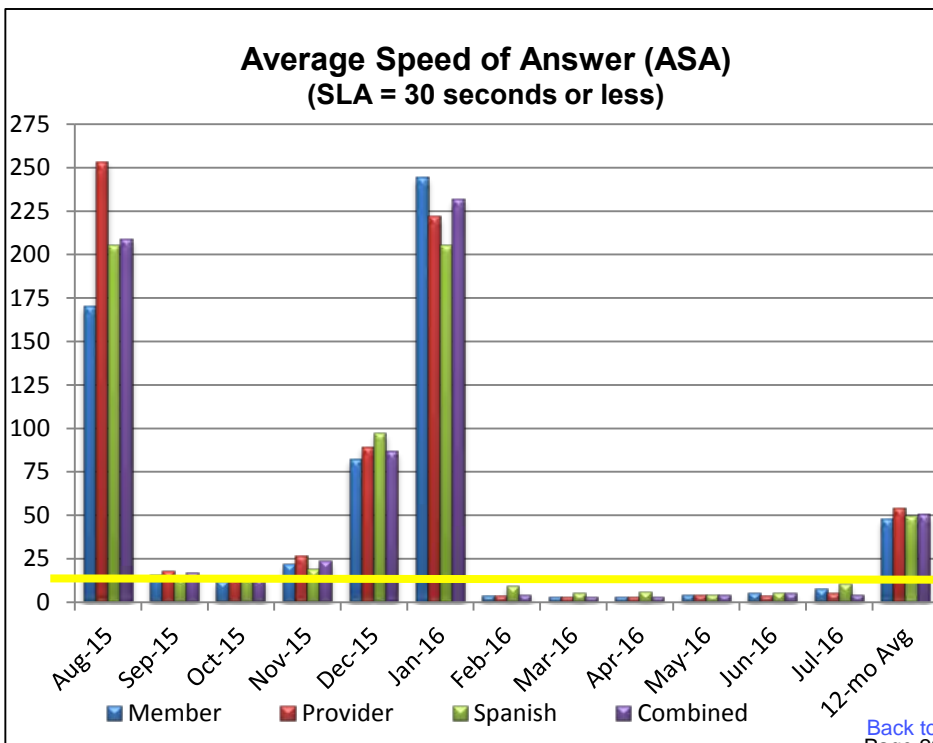
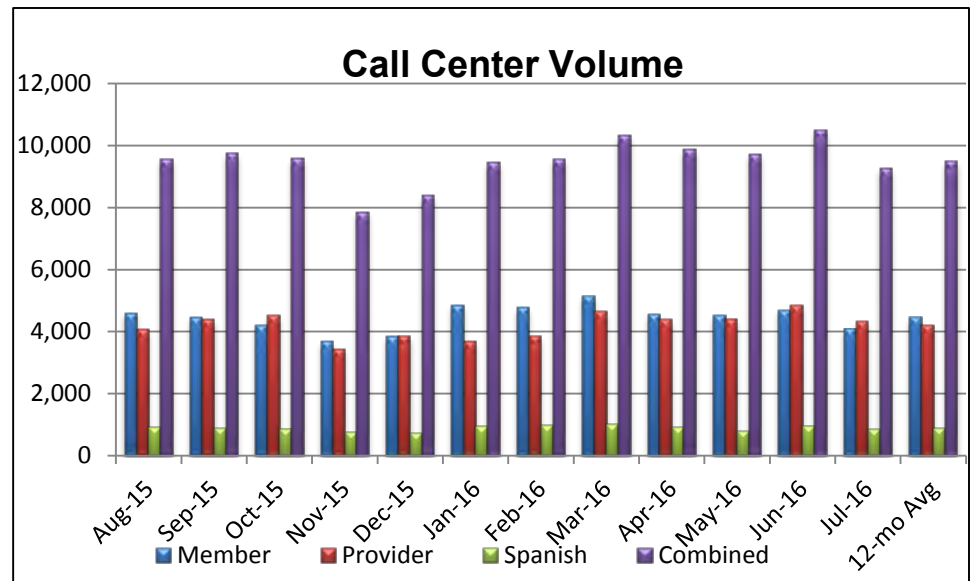
	Sep-16		Aug-16		Jul-16		Jun-16		May-16		Apr-16	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
AB85 Eligible	979		1,081		1,039		1,075		1,329		1,807	
VCMC	734	74.97%	810	74.93%	779	74.98%	806	74.98%	996	74.94%	1,355	74.99%
Balance	245	25.03%	271	25.07%	260	25.02%	269	25.02%	333	25.06%	452	25.01%
Regular Eligible	989		1,085		1,577		815		1,317		1,335	
Regular + AB85 Balance	1,234		1,356		1,837		1,084		1,650		1,787	
Clinicas	293	23.74%	305	22.49%	391	21.28%	237	21.86%	396	24.00%	426	23.84%
CMH	149	12.07%	175	12.91%	210	11.43%	128	11.81%	171	10.36%	217	12.14%
Independent	21	1.70%	33	2.43%	42	2.29%	38	3.51%	52	3.15%	33	1.85%
VCMC	771	62.48%	843	62.17%	1,194	65.00%	681	62.82%	1,031	62.48%	1,111	62.17%
Total Assigned	1,968		2,166		2,616		1,890		2,646		3,142	
Clinicas	293	14.89%	305	14.08%	391	14.95%	237	12.54%	396	14.97%	426	13.56%
CMH	149	7.57%	175	8.08%	210	8.03%	128	6.77%	171	6.46%	217	6.91%
Independent	21	1.07%	33	1.52%	42	1.61%	38	2.01%	52	1.97%	33	1.05%
VCMC	1,505	76.47%	1,653	76.32%	1,973	75.42%	1,487	78.68%	2,027	76.61%	2,466	78.49%

Auto Assignment Process

- 75% of eligible Adult Expansion (AE) members (M1 & 7U) are assigned to the County as required by AB 85
- The remaining 25% are combined with the regular eligible members and assigned using the standard auto assignment process, i.e., 3:1 for safety net providers and 1:1 for all others
- The County's overall auto assignment results will be higher than 75% since they receive 75% of the AE members plus a 3:1 ratio of all other unassigned members
- VCMC's target enrollment is 65,765
 - VCMC has 31,835 assigned Adult Expansion members as of September 1, 2016 and is currently at 48.41% of capacity

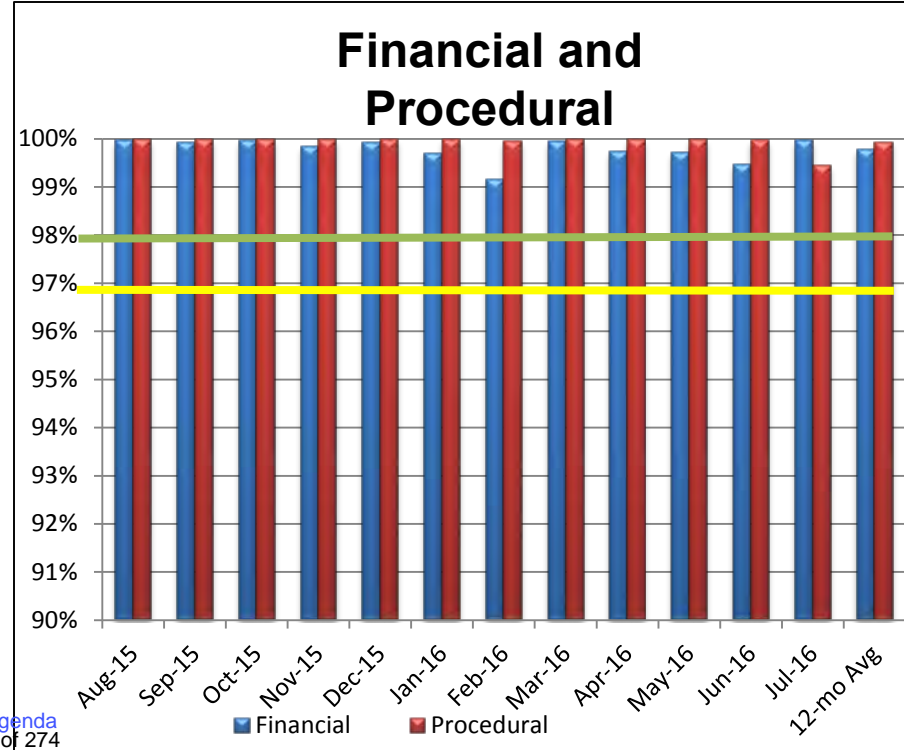
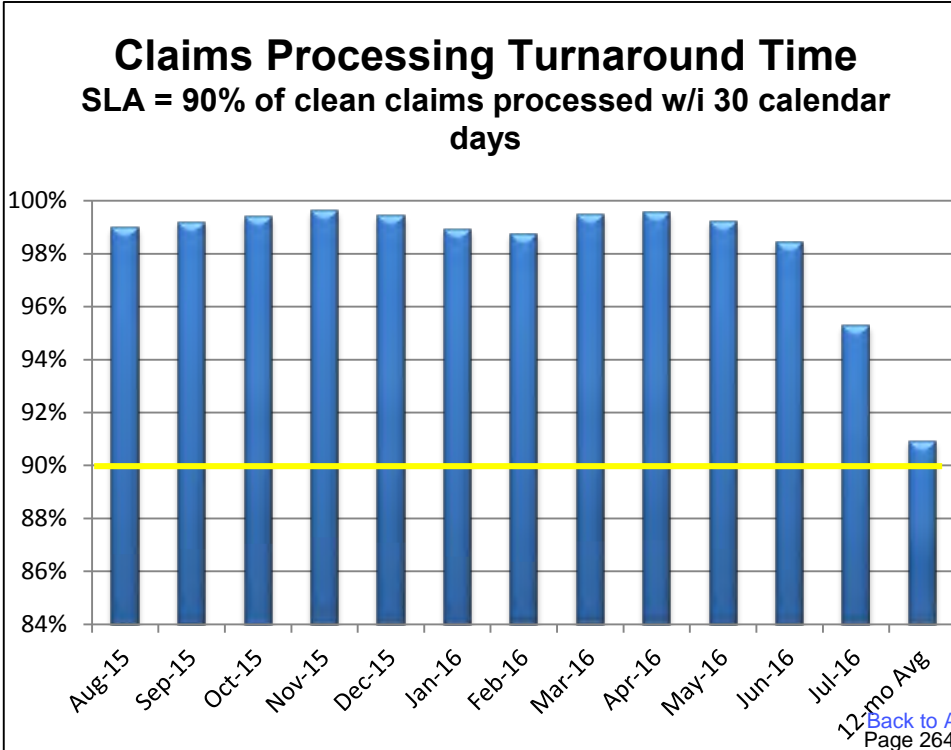
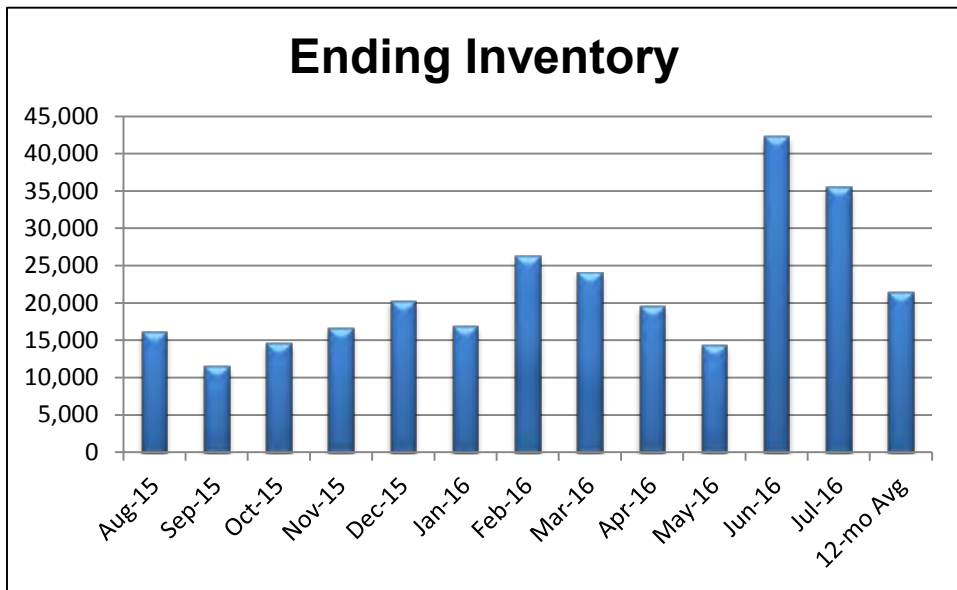
GCHP Call Center Metrics – July 2016

- Call volume decreased below 10,000 during the month; GCHP received 9,266 calls during July
- Service Level Agreements (SLA) for ASA (4.1 seconds vs the goal of ≤ 30 seconds) and Abandonment Rate (0.41% vs the goal of ≤ 5%) were both met for July

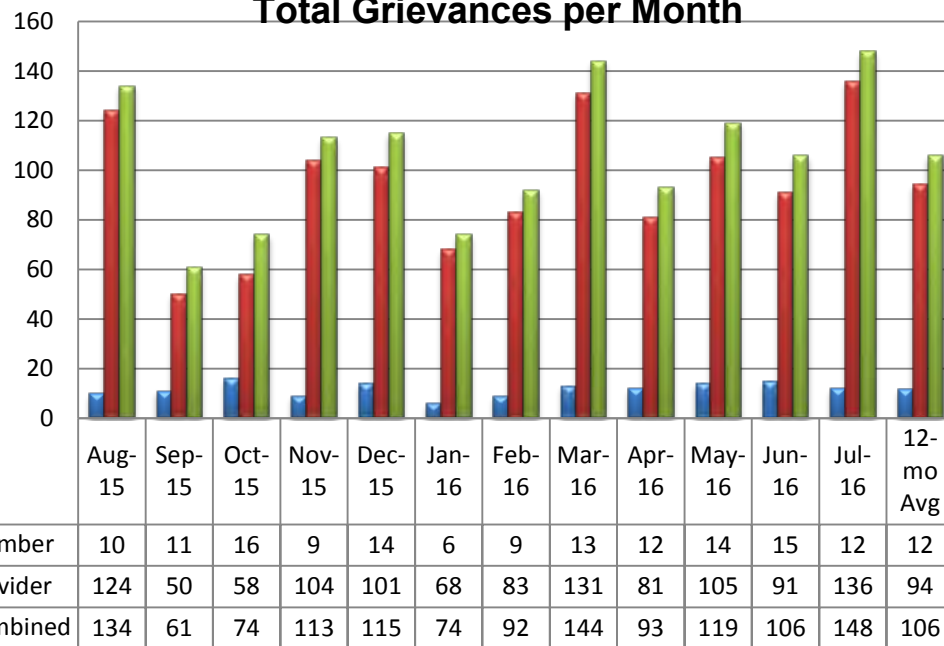


GCHP Claims Metrics – July 2016

- The 30 Day Turnaround Time (TAT) remained in compliance at 95.3%
- Ending Inventory was 35,426 which equates to a Days Receipt on Hand (DROH) of 4.24 days vs a DROH ≤ 5 days
- Service Level Agreements (SLAs) for Financial Accuracy (99.97%) and Procedural Accuracy (99.44%) were both met in July



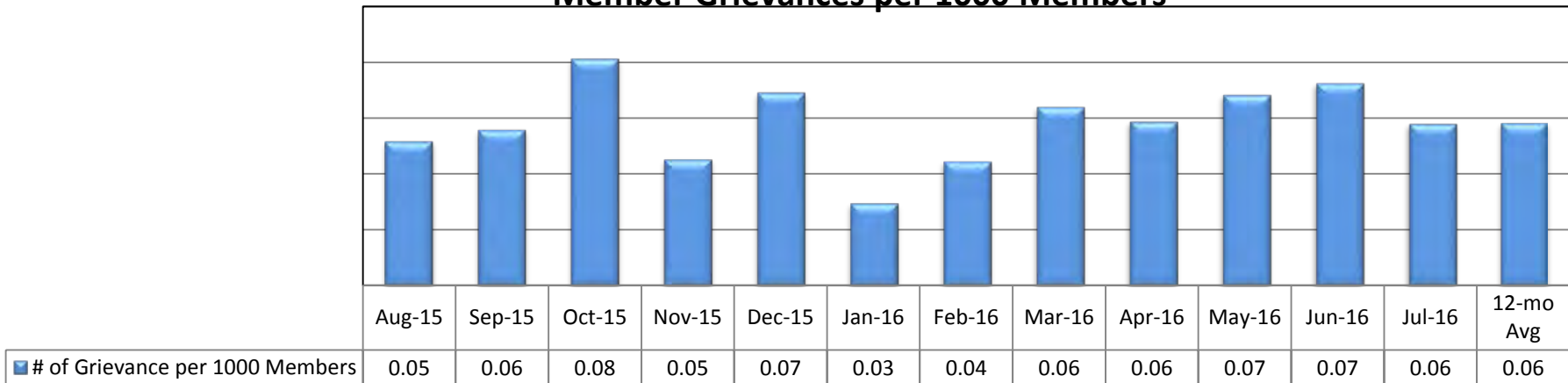
Total Grievances per Month



GCHP Grievance & Appeals Metrics – July 2016

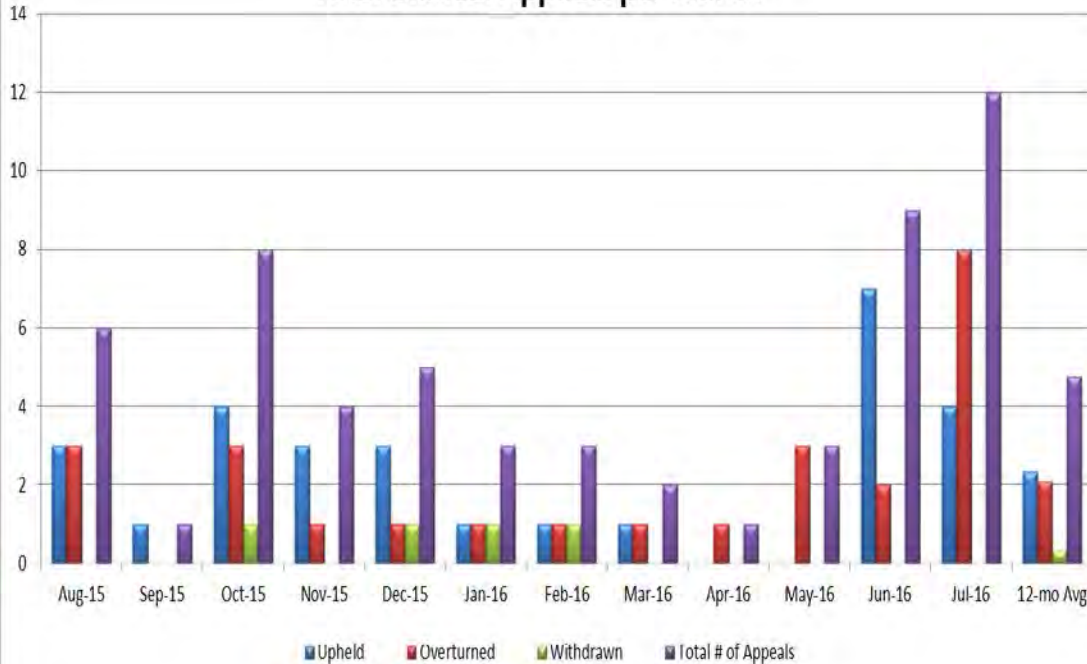
- GCHP received 12 member grievances (0.06 grievances per 1,000 members) and 136 provider grievances during July 2016
- GCHP's 12-month average for total grievances is 106
 - 12 member grievances per month
 - 94 provider grievances per month

Member Grievances per 1000 Members



	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	12-mo Avg
Membership Count	193,185	196,857	196,857	198,863	202,362	202,037	202,019	203,075	203,969	204,619	206,920	207,019	201,482
Total Member Grievances Filed	10	11	16	9	14	6	9	13	12	14	15	12	12
# of Grievance per 1000 Members	0.05	0.06	0.08	0.05	0.07	0.03	0.04	0.06	0.06	0.07	0.07	0.06	0.06

Total Clinical Appeals per Month

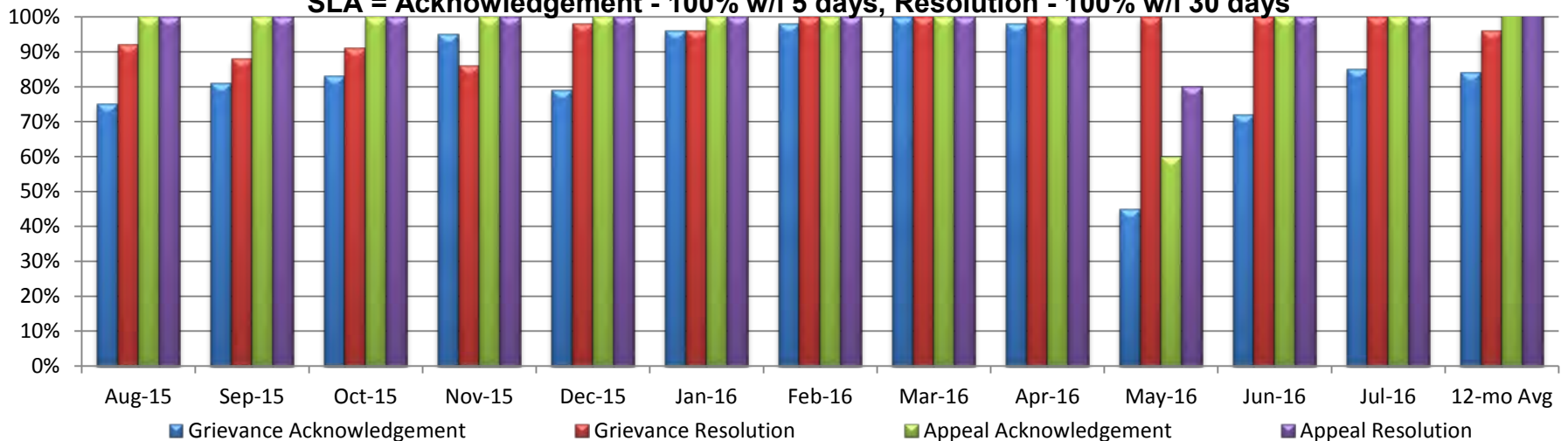


GCHP Grievance & Appeals Metrics – July 2016

- GCHP had 12 clinical appeals in July; 8 were overturned and 4 upheld
- TAT for grievance acknowledgement was non-compliant at 85% due to late receipt of grievances from Xerox
 - ❖ GCHP and Xerox are implementing procedural changes to improve results
- TAT for grievance resolution was compliant at 100%
- TAT for appeal acknowledgement and resolution was compliant at 100%
- There was 1 State Fair Hearings in July, which is still pending a decision.

G&A Acknowledgement and Resolution TAT

SLA = Acknowledgement - 100% w/i 5 days, Resolution - 100% w/i 30 days



Note: A "blank" denotes no grievances or appeals were received during the month

AGENDA ITEM NO. 12

TO: Gold Coast Health Plan Commission
 FROM: C. Albert Reeves, Chief Medical Officer
 DATE: September 26, 2016
 SUBJECT: Chief Medical Officer Update

HEALTH SERVICES UPDATE

Utilization data in the Health Services monthly update to the Commission is based on paid claims compiled by date of service and is lagged by 3 months to allow for partial run out of claims data. Claims data is complete at approximately 6 months. While incomplete, a 3 month lagged snapshot allows us to see an estimate of utilization without waiting for a more complete 6 month report. Administrative days are included in these calculations. Dual eligible members, Skilled Nursing Facility (SNF), and Long Term Care (LTC) data is not included in this presentation.

UTILIZATION SUMMARY

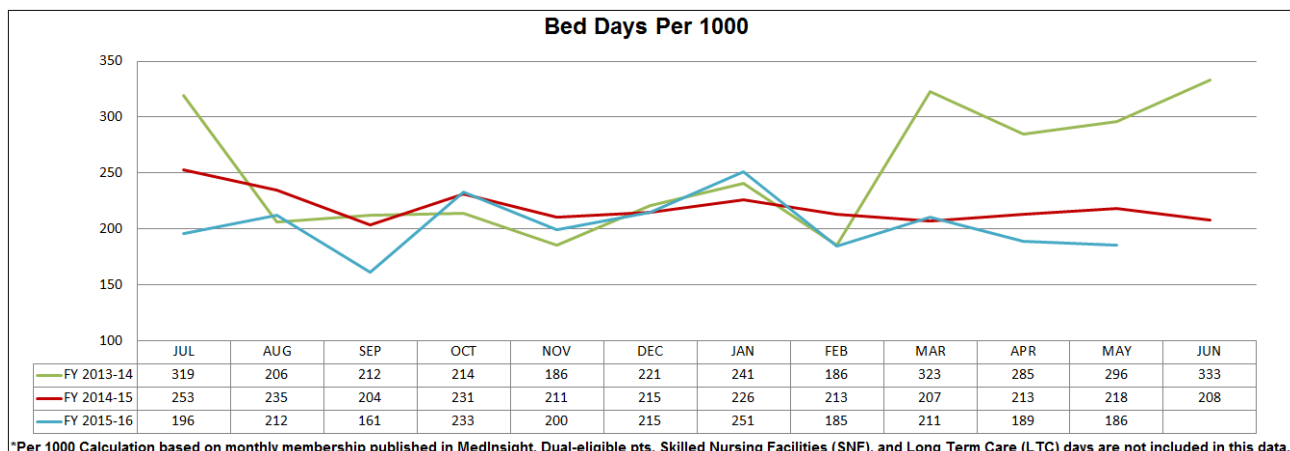
Inpatient utilization metrics for CYTD 2016 are similar to slightly improved compared with CY 2015.

Bed days for CYTD 2016 show a 5.5% decrease compared to CY 2015. Adult Expansion members utilize the greatest number of bed days (44%) followed by SPD (37%) and Family members (19%).

Average length of stay for CYTD 2016 is 4.3 compared with 4.2 for CY 2015.

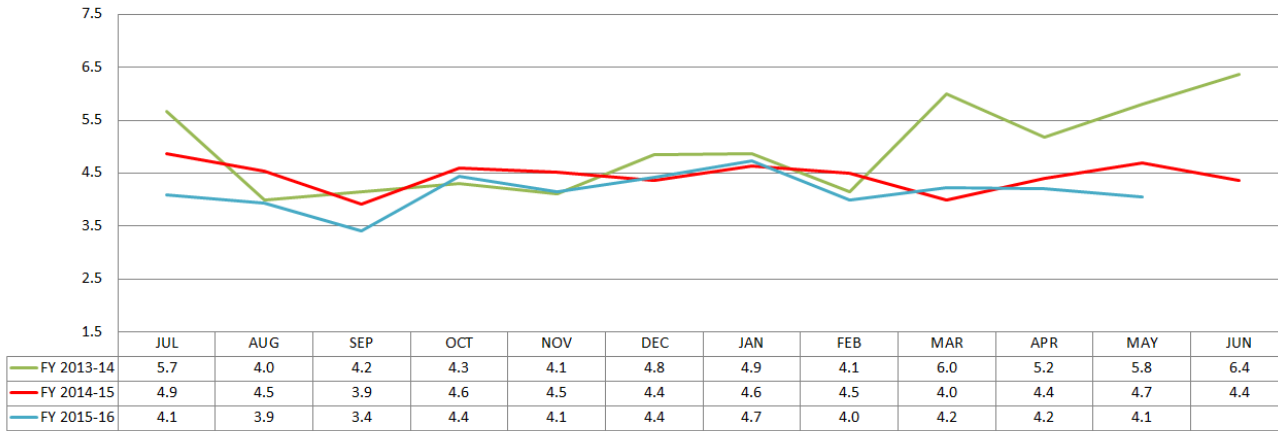
Admits/1000 decreased nearly 6% from CY 2015 to CYTD 2016 (51 to 48).

ED utilization/1000 decreased by 5% from Jan – May 2015 compared with Jan – May 2016. The family aid code group continues to utilize half of all ED visits followed by AE members at 32%.



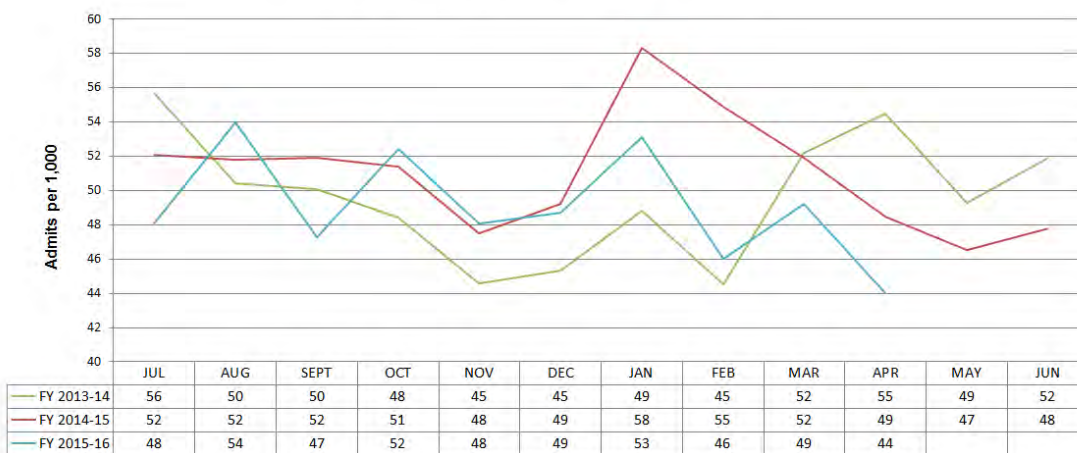
*Per 1000 Calculation based on monthly membership published in MedInsight. Dual-eligible pts, Skilled Nursing Facilities (SNF), and Long Term Care (LTC) days are not included in this data.

Average Length of Stay



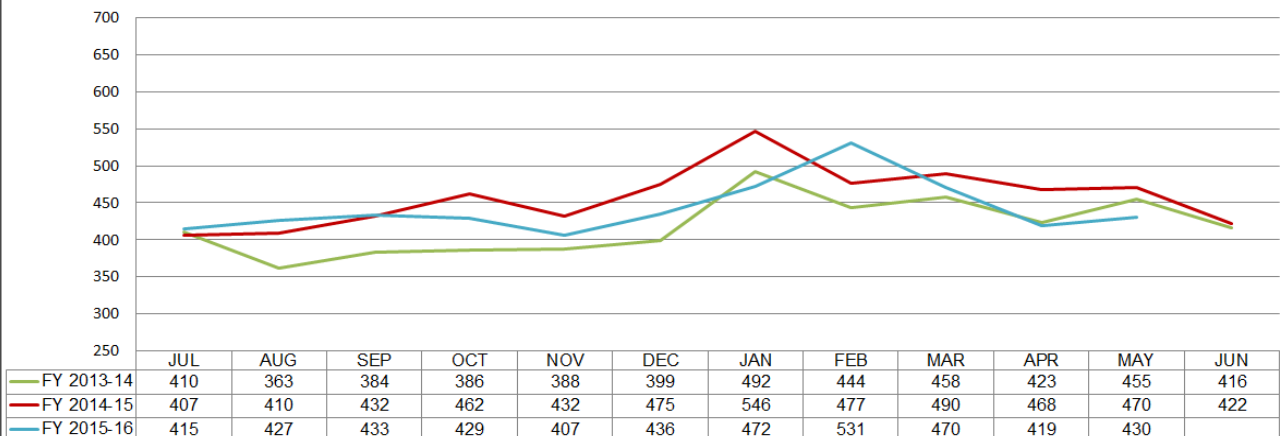
*Dual-eligible pts, Skilled Nursing Facilities (SNF), and Long Term Care (LTC) days are not included in this data.

Acute Inpatient Admissions/1000 Members



*Per 1000 Calculation based on monthly membership published in Medinsight. Dual-eligible pts, Skilled Nursing Facilities (SNF), and Long Term Care (LTC) days are not included in this data.
*Data from Medinsight 7/13/2016

ER Utilization Per 1000

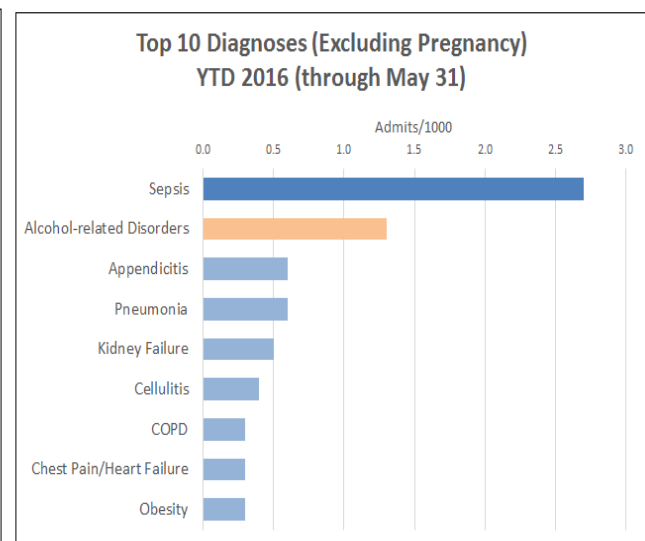
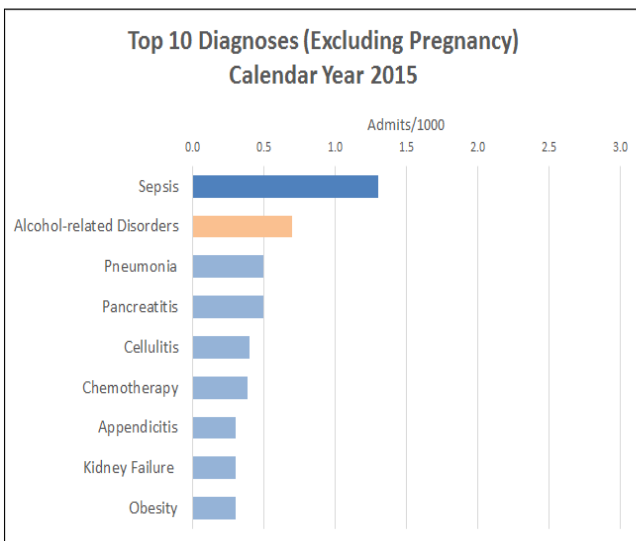
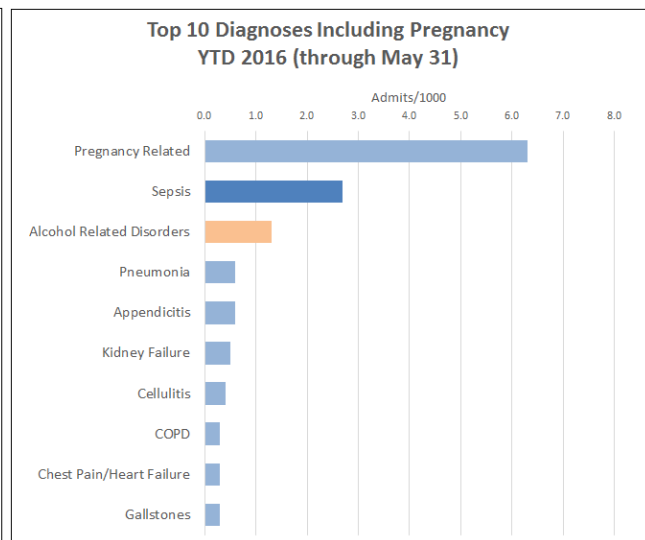
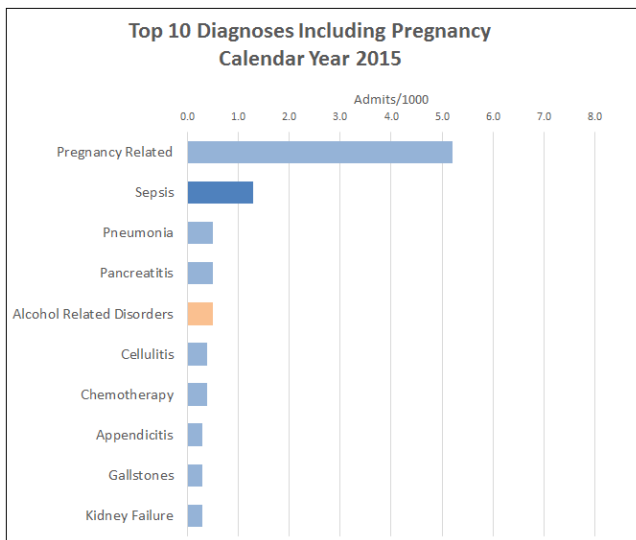


*Per 1000 Calculation based on monthly membership published in Medinsight. Dual-eligible pts are not included in this data.

Benchmark: The September 17, 2015 DHCS Medi-Cal Managed Care Performance Dashboard reported 36 ER visits / 1000 member months statewide for all managed care plans for October 2013 – September 2014. GCHP ER utilization / 1000 member months for the same period was 38.

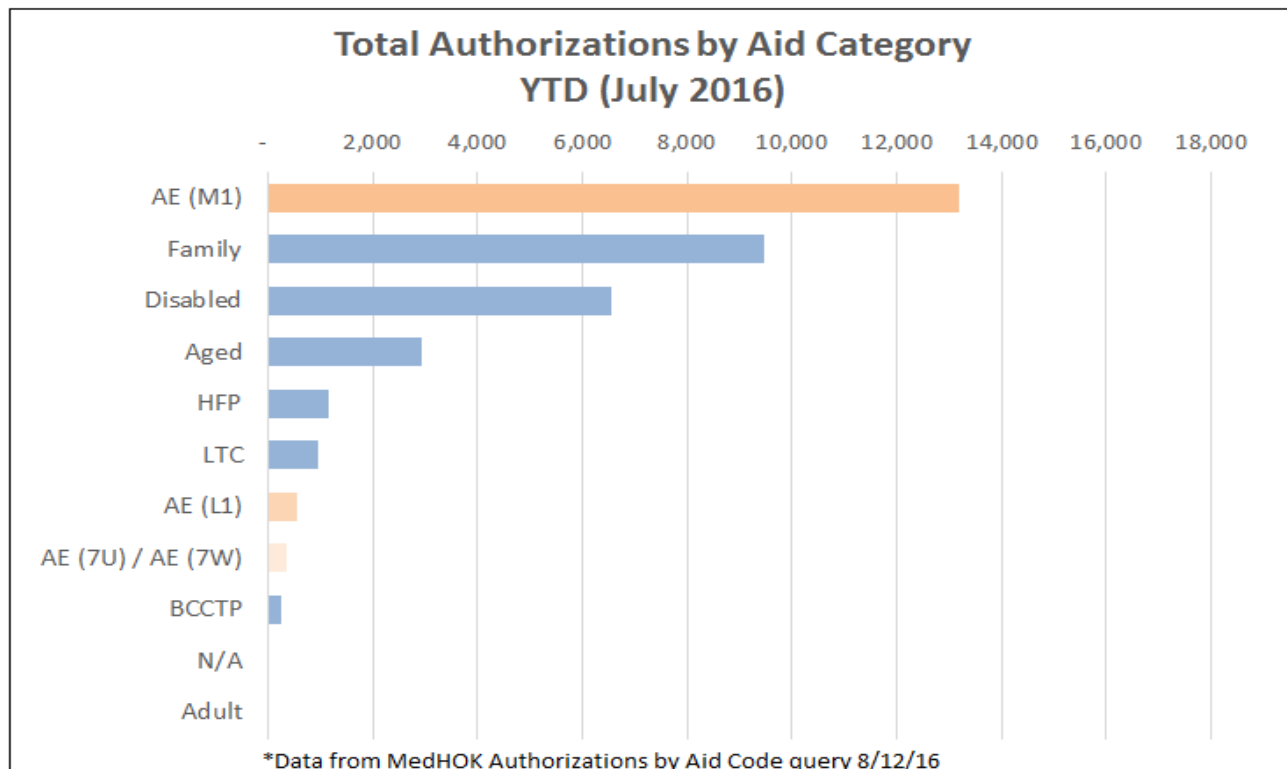
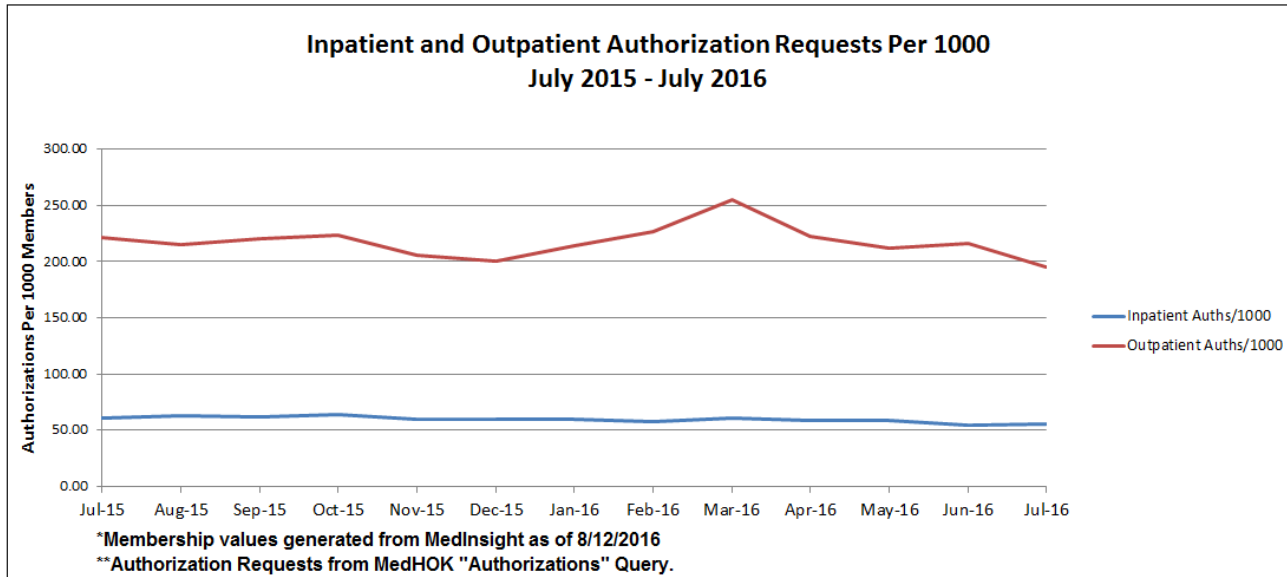
TOP ADMITTING DIAGNOSES

Pregnancy related diagnoses and sepsis continue to dominate top admitting diagnoses for 2016. For members admitted with a sepsis diagnosis, cancer, heart disease, post-liver and renal transplant, and diabetes were secondary diagnoses.



AUTHORIZATION REQUESTS

Requests for outpatient service outnumber requests for inpatient service by 3 ½ times. Requests for outpatient service have declined to under 200 requests/1000 members since a peak of 255/1000 in March of 2016. Most outpatient service requests are for AE M1 members (37%) followed by family members (27%) and SPD (18%).



COMMUNITY OUTREACH SUMMARY REPORT – AUGUST 2016

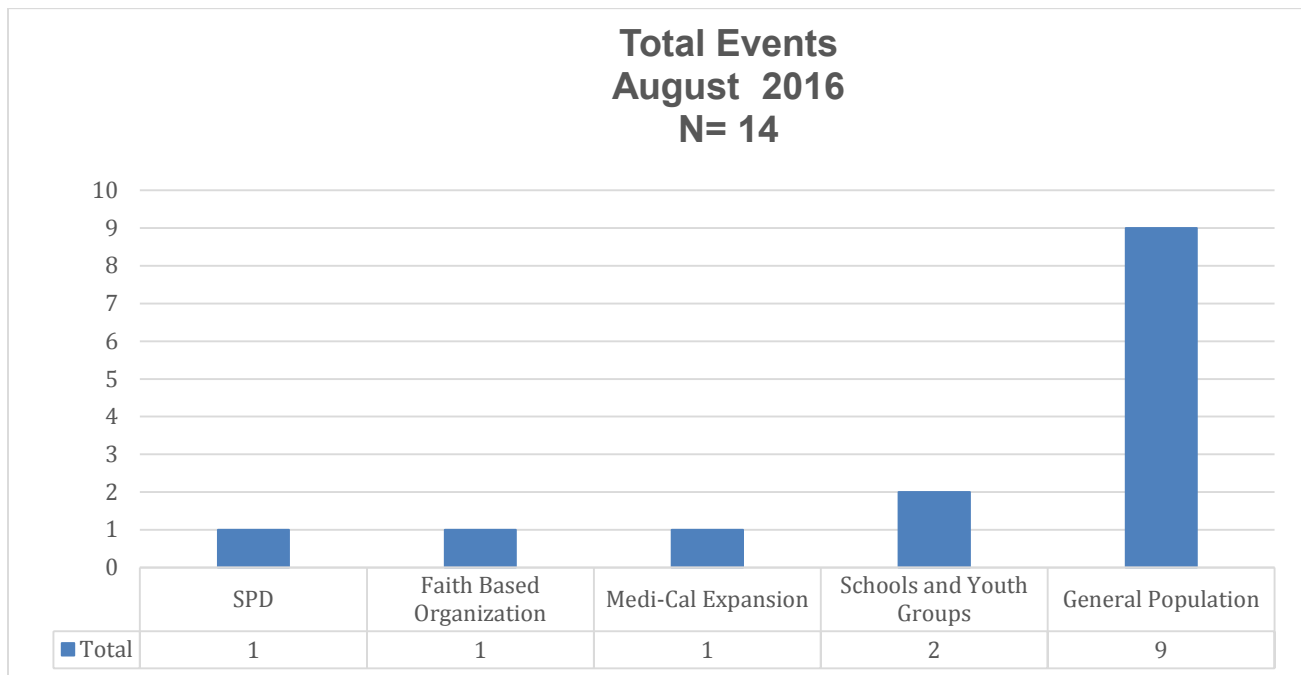
Summary

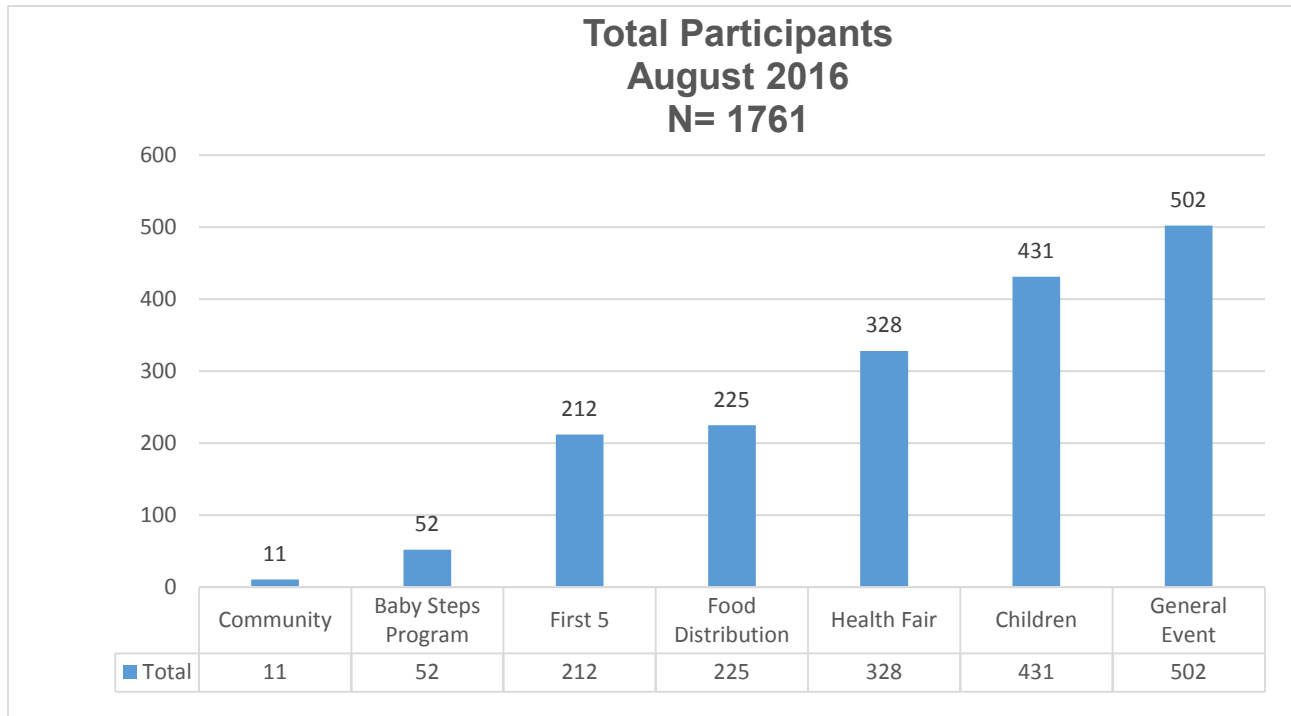
Gold Coast Health Plan (GCHP) continues to participate in community education and outreach activities throughout the county. The health education and outreach team maintains a positive presence in the community by working with various county public health departments, community based organizations, schools, senior centers, faith-based centers and social service agencies.

Below is a summary of activities during the month of August.

Outreach Activities – August 2016

Below are the charts that highlight the total number of events and participants for the month of August.





Outreach Events – August

Date	Event
8/3/2016	GCHP Overview Presentation & Nutrition Class, Oxnard
8/5/2016	Sharing the Harvest, First 5 Santa Clara Valley Neighborhood for Learning
8/6/2016	Amigo Baby Annual summer Graduation, Oxnard
8/9/2016	Baby Steps Program, VCMC
8/12/2016	GCHP Community Resource Fair 2016 Kindergarten Round Up, First 5 Moorpark/Simi Valley NfL and Moorpark Unified School District
8/13/2016	K-12 Resource Fair “Transitions to the Future,” Oxnard
8/16/2016	Baby Steps Program, Santa Paula Hospital
8/17/2016	Westpark Food Distribution, Ventura
8/20/2016	Ventura County Pride 2016 Festival, Diversity Collective, Ventura
8/21/2016	International Festival and Health Fair, Mary Star of the Sea Church, Dignity Health, Oxnard
8/24/2016	GCHP Overview Presentation, Wellness Center, Oxnard
8/25/2016	Community Market Produce Giveaway, First 5 Moorpark
8/25/2016	Community Market Produce Giveaway, First 5 Simi Valley
8/27/2016	Military & Veterans EXPO, Ventura County Military Collaborative, Camarillo

Below is the flyer for the East County Community Resource Fair held on Friday, August 12, 2016, in Moorpark. GCHP partnered with the Moorpark Family Resource, First 5 - Neighborhood for Learning and the Moorpark Unified School District. The event focused on welcoming children and their families enrolling in kindergarten this fall. The GCHP Health Education Department coordinated with local health and social services agencies to provide health screenings and other needed resources. The event attracted 334 attendees.



Sponsorship Award Update

The Gold Coast Health Plan (GCHP) Sponsorship Committee funded five sponsorship applications during the month of August and a total of \$4,500 was awarded to the following agencies:

- **Alzheimer’s Association:** The committee has approved sponsorship for the 2016 Walk to End Alzheimer’s event by providing sponsorship at the \$1,000 Bronze level. GCHP is pleased to participate and support the efforts made by the Alzheimer’s Association to continue its mission in providing treatment and care for those affected by Alzheimer’s and funding for research. GCHP will have a booth at the event and information about various health education topics will be available to participants.
- **The Partnership for Safe Families and Communities of Ventura County:** GCHP has awarded \$500 in support of the Educational Conference/Learning Summit “*Moving beyond Trauma: Building Community Resilience,*” to be held at California Lutheran University on September 14, 2016.
- **Casa Pacifica Centers for Children and Families:** The committee supports Casa Pacifica’s mission to provide hope and help to at-risk youth and their families in Ventura County by approving sponsorship of \$1,000 to the Spotlight on Style Fashion Show fundraiser on November 5, 2016.

- **Ventura County Housing Trust Fund (VCHTF)**: GCHP supports the focus on housing opportunities for people with special needs in our local community by sponsoring this fundraiser at \$1,000. The VCHTF helps finance multi-family homes for low to moderate income families and individuals with priority given to projects that create housing opportunities for homeless, Veterans, farmworkers, and transitional-aged foster youth.
- **City of Oxnard's Multicultural Festival**: The committee is pleased to participate and sponsor the Multicultural Festival on October 1st again this year. GCHP supports the rich cultural diversity the festival brings to our local community. GCHP awarded \$1000 to the City of Oxnard for the Multicultural Festival. GCHP will have a booth at the event and health education materials will be made available to all participants.

The GCHP Sponsorship Committee also approved a request for letter of support:

- **Ventura County Health Care Agency**: The Ventura County Children's Smiles Project, launched through the DCHS Dental Transformation Initiatives' Local Dental Pilot Project has the potential to make a genuine impact on the most vulnerable of VCHCA's Medi-Cal clients.

The GCHP Sponsorship Committee also approved the following request for participation:

- **The Mexican Consulate's XVI Binational Health Week (BHW) Planning Committee**: BHW Tri-County effort in Ventura, Santa Barbara and San Luis Obispo encompasses an annual week long series of health promotion and educational activities that include improving the health and well-being of the underserved and underinsured Hispanic population. Events during the BHW will be held during the month of October and will be posted on the GCHP community education calendar.

For information about community outreach events and/or health education classes please refer to the GCHP website community calendar. Events are listed in English and Spanish.